

EXIT OFFER LETTER DATED 14 MAY 2020

THIS EXIT OFFER LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt in relation to any aspect of this Exit Offer Letter or as to the course of action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Huan Hsin Holdings Ltd held through CDP (as defined herein), you need not forward this Exit Offer Letter and the accompanying FAA (as defined herein) to the purchaser or transferee, as arrangements will be made by CDP for a separate Exit Offer Letter to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of Huan Hsin Holdings Ltd represented by physical share certificate(s), you should immediately forward this Exit Offer Letter and the accompanying FAT (as defined herein) to the purchaser or transferee or 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.

The views of the Independent Directors (as defined herein) and the IFA (as defined herein) on the Exit Offer (as defined herein) are set out in the Company's Letter to Shareholders (as defined herein) in **Appendix III (Company's Letter to Shareholders)** to this Exit Offer Letter. You may wish to consider their views before taking any decision on the Exit Offer. Please also refer to paragraph 11 (*Implications of Delisting for Shareholders*) of this Exit Offer Letter on the implications of holding on to shares in an unlisted public company, should the situation arise.

This Exit Offer Letter should be read in conjunction with the accompanying FAA and/or FAT, as the case may be, the contents of which form part of the terms and conditions of the Exit Offer.

The SGX-ST (as defined herein) assumes no responsibility for the correctness and/or accuracy of any of the statements made, reports contained or opinions expressed in this Exit Offer Letter.

EXIT OFFER

in connection with

**THE DIRECTED DELISTING OF HUAN HSIN HOLDINGS LTD FROM THE OFFICIAL LIST
OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

by

PACIFIC MOMENT HOLDINGS LTD.

(Incorporated in the British Virgin Islands)
(Company Registration No.: 1891928)

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



HUAN HSIN HOLDINGS LTD

(Incorporated in the Republic of Singapore)
(Company Registration No.: 199509142R)

at the Exit Offer Price of S\$0.016 in cash for each Offer Share

THE EXIT OFFER IS CONDITIONAL UPON PACIFIC MOMENT HOLDINGS LTD. HAVING RECEIVED, BY THE CLOSE OF THE EXIT OFFER, VALID ACCEPTANCES OF SUCH NUMBER OF OFFER SHARES WHICH WILL RESULT IN IT HOLDING MORE THAN 50% OF THE VOTING RIGHTS IN THE SHARE CAPITAL OF HUAN HSIN HOLDINGS LTD AS AT THE CLOSE OF THE EXIT OFFER. PLEASE REFER TO PARAGRAPH 3.5 (ACCEPTANCE CONDITION) AND PARAGRAPH 3.7 (DURATION AND CLOSING DATE) OF THE EXIT OFFER LETTER FOR DETAILS. IF THIS MINIMUM ACCEPTANCE CONDITION IS NOT MET ON THE CLOSE OF THE EXIT OFFER, THE EXIT OFFER WILL LAPSE, HUAN HSIN HOLDINGS LTD WILL STILL BE DELISTED FROM THE OFFICIAL LIST OF THE SGX-ST AND SHAREHOLDERS WILL HOLD SHARES IN AN UNLISTED PUBLIC COMPANY. PLEASE REFER TO PARAGRAPH 11 (IMPLICATIONS OF DELISTING FOR SHAREHOLDERS) OF THE EXIT OFFER LETTER FOR THE IMPLICATIONS OF HOLDING SHARES IN AN UNLISTED PUBLIC COMPANY.

THE EXIT OFFER WILL CLOSE AT 5.30 P.M. (SINGAPORE TIME) ON 11 JUNE 2020 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR (THE "CLOSING DATE").

The procedures for acceptance of the Exit Offer are set out in **Appendix I (Procedures for Acceptance and Other Details of the Exit Offer)** to the Exit Offer Letter and in the accompanying FAA and/or FAT, as applicable.

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EXIT OFFER LETTER

PACIFIC MOMENT HOLDINGS LTD.

(Incorporated in the British Virgin Islands)
(Company Registration No. 1891928)

14 May 2020

To: The Shareholders of Huan Hsin Holdings Ltd

Dear Sir/Madam

DIRECTED DELISTING OF HUAN HSIN HOLDINGS LTD PURSUANT TO RULE 1315 OF THE LISTING MANUAL AND EXIT OFFER BY PACIFIC MOMENT HOLDINGS LTD. PURSUANT TO RULES 1306 AND 1309 OF THE LISTING MANUAL – EXIT OFFER LETTER

1. INTRODUCTION

1.1 Watch-list Status and Delisting Notification

On 5 March 2014, Huan Hsin Holdings Ltd (the “**Company**”) was placed on the watch-list (the “**Watch-List**”) by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) pursuant to Rule 1311 of the listing manual of the SGX-ST (the “**Listing Manual**”). On 19 December 2018, the Company received a notification letter from the SGX-ST (the “**Delisting Notification**”) informing the Company that the SGX-ST will delist the Company from the Official List of the SGX-ST pursuant to Rule 1315 of the Listing Manual as the Company was unable to meet the requirements under Rule 1314 of the Listing Manual for its removal from the Watch-List. Trading in the Company’s securities has been suspended from 9.00 a.m., 21 January 2019, and will remain suspended until the completion of an exit offer.

The Company announced on 1 April 2019 that its application to the SGX-ST seeking an extension of time for the Company to submit a reasonable exit offer proposal to the SGX-ST had been approved, subject to, among other things, updates via SGXNet of the progress of the exit offer proposal. The Company released updates on the submission of an exit offer proposal via SGXNet on 31 July 2019.

1.2 Joint Announcement

On 29 April 2020 (the “**Joint Announcement Date**”), the Company and Pacific Moment Holdings Ltd. (the “**Offeror**”) jointly announced (the “**Joint Announcement**”) that the Offeror had presented to the directors of the Company (the “**Directors**”) a formal proposal to make an exit offer to the shareholders of the Company (the “**Shareholders**”) pursuant to Rules 1306 and 1309 of the Listing Manual (the “**Delisting Proposal**”) in connection with the directed delisting of the Company (the “**Delisting**”) by the SGX-ST in accordance with Rule 1315 of the Listing Manual and the Delisting Notification.

Under the Delisting Proposal, the Offeror will make a conditional cash exit offer (the “**Exit Offer**”) to acquire all the issued and paid-up ordinary shares in the capital of the Company (the “**Shares**”) (excluding treasury shares), other than those Shares already held directly or indirectly by the Offeror as at the date of the Exit Offer (the “**Offer Shares**”), in accordance with Section 139 of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Singapore Code on Take-overs and Mergers (the “**Code**”).

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1.3 Exit Offer Letter

This Exit Offer Letter contains the terms and conditions of the Exit Offer made by the Offeror. Please note that the Exit Offer will be conditional upon the Minimum Acceptance Condition (as defined in paragraph 3.5 (*Acceptance Condition*) below) in respect of the Exit Offer being satisfied. If the aforesaid condition is not fulfilled, the Exit Offer will lapse and all acceptances of the Exit Offer will be returned, but the Company will still be mandatorily delisted from the SGX-ST. In such an event, Shareholders will hold shares in an unlisted public company. Please refer to paragraph 11 (*Implications of Delisting for Shareholders*) below on the implications of holding on to shares in an unlisted public company.

Shareholders should note that Shareholders' approval is not required for the Delisting directed by the SGX-ST pursuant to Rule 1315 of the Listing Manual and the Delisting Notification.

The Exit Offer may only be accepted by the relevant Shareholder(s) to whom this Exit Offer Letter is addressed. The Exit Offer Letter and the Acceptance Forms (as defined below) shall not be construed as, may not be used for the purpose of, and do not constitute, a notice or proposal or advertisement or an offer or invitation or solicitation in any jurisdiction or in any circumstances in which such notice or proposal or advertisement or an offer or invitation or solicitation is unlawful or unauthorised, or to any person to whom it is unlawful to make such a notice or proposal or advertisement or an offer or invitation or solicitation.

Subject to paragraph 16 (*Overseas Shareholders*) below, this Exit Offer Letter, together with the Form of Acceptance and Authorisation ("**FAA**") and/or the Form of Acceptance and Transfer ("**FAT**"), as the case may be (collectively, the "**Acceptance Forms**"), set out the terms and conditions of the Exit Offer, and are despatched to you by the Offeror. You are advised to read this Exit Offer Letter carefully.

1.4 Company's Letter to Shareholders

The letter issued by the Company to the Shareholders in relation to the Exit Offer (the "**Company's Letter to Shareholders**") which forms part of the Exit Offer Letter is set out in **Appendix III** (*Company's Letter to Shareholders*) to this Exit Offer Letter.

An electronic copy of this Exit Offer Letter (together with the Company's Letter to Shareholders) is available on the website of the SGX-ST at <http://www.sgx.com>.

1.5 Terms and References

The expression "**acting in concert**" shall have the meaning ascribed to it in the Code. The term "depositor" shall have the meaning ascribed to it in Section 81SF of the SFA.

All references to a time of day or date in this Exit Offer Letter are references to Singapore time and date, unless otherwise stated. For the purposes of this Exit Offer Letter, the latest practicable date prior to the printing of this Exit Offer Letter is 7 May 2020 (the "**Latest Practicable Date**").

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1.6 Caution

The SGX-ST assumes no responsibility for the correctness and/or accuracy of any of the statements made, opinions expressed or reports contained in this Exit Offer Letter. If you are in any doubt about the Delisting, the Exit Offer or matters contained in this Exit Offer Letter or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser immediately.

Please read this Exit Offer Letter, including the Company's Letter to Shareholders as set out in **Appendix III** (*Company's Letter to Shareholders*) which sets out, among other things, (i) the advice of Provenance Capital Pte. Ltd., the independent financial adviser (the "IFA") to the Independent Directors (as defined in paragraph 6.2 (*Independent Directors*) below) and (ii) the recommendations of the Independent Directors on the Exit Offer, and the Acceptance Form(s) carefully and in their respective entirety. Copies of this Exit Offer Letter together with the Acceptance Form(s) are also available on the website of SGX-ST at <http://www.sgx.com>.

2. LISTING MANUAL PROVISIONS ON THE DELISTING

- 2.1. Under Rule 1306 of the Listing Manual, if the SGX-ST exercises its power to remove an issuer from the Official List of the SGX-ST, the issuer or its controlling shareholder(s) must comply with the requirements of Rule 1309 of the Listing Manual. As mentioned in paragraph 1.1 (*Watch-list Status and Delisting Notification*) above, on 19 December 2018, the Company received the Delisting Notification from the SGX-ST directing the delisting of the Company from the Official List of the SGX-ST pursuant to Rule 1315 of the Listing Manual.
- 2.2. Under Rule 1309 of the Listing Manual, if the Company is seeking to delist from the Official List of the SGX-ST:
- (i) a reasonable exit alternative, which should normally be in cash, should be offered to the Shareholders and holders of any other classes of listed securities to be delisted; and
 - (ii) the Company should normally appoint an independent financial adviser to advise on the Exit Offer.

Notes:

- (1) Rule 1309 of the Listing Manual as set out in paragraph 2.2 above, which requires a "reasonable exit alternative" to be offered to shareholders, is based on the version of the Listing Manual in force on 19 December 2018 (the date on which the Company received the Delisting Notification) which is applicable to the Exit Offer.
- (2) Shareholders should note that Rule 1309 of the Listing Manual was subsequently amended on 11 July 2019 to, among other things, require a "fair and reasonable exit offer" to be offered to shareholders.
- (3) While the amendments on 11 July 2019 are not applicable to the Exit Offer, Provenance Capital Pte. Ltd., the independent financial adviser to the directors of the Company who are considered to be independent for the purposes of making a recommendation on the Exit Offer to the Shareholders, has opined that the financial terms of the Exit Offer are **fair and reasonable**. Please refer to paragraph 2 (*Advice of Independent Financial Adviser to the Independent Directors*) of **Appendix III** (*Company's Letter to Shareholders*) to this Exit Offer Letter for further details.

EXIT OFFER LETTER

3. TERMS OF THE EXIT OFFER

The Offeror hereby makes the offer to acquire all the Offer Shares on the terms and subject to the conditions set out in this Exit Offer Letter (including the Acceptance Form(s)), and on the following basis:

3.1. Consideration

Under the terms of the Exit Offer, the Offeror will make the Exit Offer at:

For each Offer Share : S\$0.016 in cash (the “ Exit Offer Price ”).
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The Exit Offer will be extended to all Offer Shares and the Exit Offer Price is applicable to all Offer Shares tendered in acceptance of the Exit Offer. Shareholders may accept the Exit Offer in full or in part of their holdings of Offer Shares.

The Offeror does not intend to increase the Exit Offer Price, save in a competitive situation. Therefore, in accordance with Rule 20.2 of the Code, save in a competitive situation, the Offeror will not be allowed to subsequently amend the terms of the Exit Offer, including the Exit Offer Price, in any way. **For the avoidance of doubt, the Exit Offer Price will not be reduced except as mentioned in paragraph 3.2 (No Encumbrances) below.** Accordingly, the Exit Offer Price will not be revised or increased under any circumstances save as hereinafter provided.

3.2. No Encumbrances

The Offer Shares are to be acquired (a) fully paid, (b) free from any claim, equity, assignment, mortgage, debenture, lien, hypothecation, charge, pledge, title retention, right to acquire, security interest, option, pre-emptive or similar right, right of first refusal and any other encumbrance or condition whatsoever (each an “**Encumbrance**”), and (c) together with all rights, benefits and entitlements attached thereto as at the Joint Announcement Date and thereafter attaching thereto, including all voting rights, the right to receive and retain all dividends, rights, return of capital and/or other distributions (the “**Distribution**”) (if any) which may be announced, declared, paid or made by the Company on or after the Joint Announcement Date.

Accordingly, if any Distribution is announced, declared, paid or made by the Company on or after the Joint Announcement Date to a Shareholder who validly accepts or has accepted the Exit Offer, the Offeror reserves the right to reduce the Exit Offer Price by the amount equivalent to such Distribution as set out in paragraph 3.3 (*Adjustment for Distributions*) below.

3.3. Adjustment for Distributions

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

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

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

3.4. Warranty

Acceptance of the Exit Offer by a Shareholder will be deemed to constitute an unconditional and irrevocable warranty by that Shareholder that each Offer Share in respect of which the Exit Offer is accepted is sold by him as, or on behalf of, the beneficial owner(s) thereof, fully paid and free from all Encumbrances, and together with all rights, benefits and entitlements attached thereto as at the Joint Announcement Date, and thereafter attaching thereto (including the right to receive and retain all Distributions, if any, declared, paid or made by the Company on or after the Joint Announcement Date).

3.5. Acceptance Condition

The Exit Offer is subject to the Offeror having received, by the close of the Exit Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Exit Offer and pursuant to the Exit Offer or otherwise), will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of the total voting rights attributable to the issued share capital of the Company as at the close of the Exit Offer (the “**Minimum Acceptance Condition**”).

Accordingly, the Exit Offer will not become or be capable of being declared unconditional as to acceptances, unless at any time prior to or as at the date the Exit Offer closes, the Offeror has received valid acceptances in respect of such number of Offer Shares which, together with the number of Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Exit Offer and pursuant to the Exit Offer or otherwise), will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of the total voting rights attributable to the issued share capital of the Company.

For the avoidance of doubt, the Exit Offer is not subject to any other condition.

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Shareholders are to note that if the Minimum Acceptance Condition is not fulfilled, the Company will still be mandatorily delisted from the Official List of the SGX-ST. The Exit Offer will also lapse and all acceptances of the Exit Offer will be returned. In such an event, Shareholders will hold shares in an unlisted public company. Please refer to paragraph 11 (*Implications of Delisting for Shareholders*) below on the implications of holding on to shares in an unlisted public company.

3.6. Irrevocable Undertakings

As at the Latest Practicable Date, Mr. Hsu Hung Chun, Mr. Hsu Cheng Chien, Mr. Hsu Ming Hung, Mrs. Hsu Chang Yu-Mei, Ms. Yang Yu Lin, HungChun Holdings Limited, HungChun Assets Limited, CCH Holdings Limited and CCH Assets Limited, being parties who are acting or presumed to be acting in concert with the Offeror (collectively, the **“Concert Parties”**) who collectively hold in aggregate 152,674,467 Shares representing approximately 38.17% of the total number of Shares, have undertaken (i) to tender all the Offer Shares held by them in acceptance of the Exit Offer, and (ii) to unconditionally waive their rights under Rule 30 of the Code (the **“Waiver”**) to receive any cash settlement or payment in respect of all the Offer Shares that are held by them and tendered in acceptance of the Exit Offer (the **“Amount”**) (collectively, the **“Undertakings”**).

Save for the Undertakings provided by the Concert Parties, the Offeror and/or Concert Parties have not received any irrevocable undertaking from any party to accept or reject the Exit Offer.

3.7. Duration and Closing Date

The Exit Offer will remain open for acceptance by Shareholders for a period of 28 days after the date of despatch of this Exit Offer Letter by the Offeror to the Shareholders.

Although no extension of the Exit Offer is currently contemplated by the Offeror, if the Exit Offer is extended, announcements will be made on such extensions, and the Exit Offer will remain open for acceptance for such period as may be announced by the Offeror. If the Exit Offer is extended, Shareholders who have validly accepted the Exit Offer in respect of part of their Offer Shares will be entitled to tender additional Offer Shares in acceptance of the Exit Offer.

Accordingly, the Exit Offer will close at 5.30 p.m. (Singapore time) on 11 June 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror (the “Closing Date”).

3.8. Subsequent Closing Date(s)

If there is an extension of the Exit Offer, then pursuant to Rule 22.4 of the Code, any announcement of an extension will state the next Closing Date or if the Exit Offer is unconditional as to acceptances, a statement may be made that the Exit Offer will remain open until further notice. In the latter case, Shareholders who have not accepted the Exit Offer will be notified in writing at least 14 days before the Exit Offer is closed.

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3.9. Exit Offer to Remain Open for 14 days after being Declared Unconditional as to Acceptances

Pursuant to Rule 22.6 of the Code, if the Exit Offer becomes or is declared unconditional as to acceptances, the Exit Offer will remain open for a period (the “**Rule 22.6 Period**”) for not less than 14 days after the date on which it would otherwise have closed, in order to give Shareholders who have not accepted the Exit Offer the opportunity to do so. This requirement does not apply if, before the Exit Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders notice in writing of at least 14 days before the Closing Date (the “**Shut-Off Notice**”) that the Exit Offer will not be open for acceptance beyond such date. A Shut-Off Notice may not be given, or if already given, may not be enforced by the Offeror in a competitive situation.

For these purposes, the Securities Industry Council (“**SIC**”) would normally regard a “competitive situation” to have arisen if a competing offer for the Shares has been announced.

If a declaration that the Exit 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 Exit Offer would have otherwise closed, whichever is the later.

3.10. Final Day Rule

The Exit 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 date of despatch of this Exit Offer Letter; or
- (b) being kept open after the expiry of such 60-day period unless the Exit Offer has previously become or has been declared to be unconditional as to acceptances,

provided that the Offeror may extend the Exit Offer beyond such 60-day period with the SIC’s prior consent (the “**Final Day Rule**”). The SIC will consider granting such permission in circumstances, including but not limited to, where a competing offer has been announced.

3.11. Revision

Pursuant to Rule 20.1, the Exit Offer, if revised, will remain open for acceptances for a period of at least 14 days from the date of despatch of the written notification of the revision to the Shareholders. If the Exit Offer is revised, all Shareholders who have accepted the original Exit Offer will receive the revised consideration.

As set out in paragraph 3.1 (*Consideration*) above, the Offeror does not intend to increase the Exit Offer Price save that the Offeror reserves the right to do so in a competitive situation. Therefore, in accordance with Rule 20.2 of the Code, except in a competitive situation, the Offeror will not be allowed to subsequently amend the terms of the Exit Offer, including the Exit Offer Price, in any way.

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3.12. Procedures for Acceptance and Other Details of the Exit Offer

Appendix I (*Procedures for Acceptance and Other Details of the Exit Offer*) to this Exit Offer Letter sets out the procedures for the acceptance of the Exit Offer and additional information on the settlement of the consideration for the Exit Offer.

4. ANNOUNCEMENTS

4.1. Timing and Contents

Pursuant to Rule 28.1 of the Code, by 8.00 a.m. (Singapore time) on the market day (“**Relevant Day**”) immediately after the day on which the Exit Offer is due to expire, or the Exit Offer is revised or extended, the Offeror will announce and simultaneously inform the SGX-ST of the total number of Offer Shares (as nearly as practicable):

- (a) for which valid acceptances of the Exit Offer have been received;
- (b) held by the Offeror and any person acting in concert with it before the Exit Offer period; and
- (c) acquired or agreed to be acquired by the Offeror and any person acting in concert with it during the Exit Offer period,

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

4.2. Valid Acceptances for Offer Shares

Subject to paragraph 18.1 (*Valid Acceptances*) of this Exit Offer Letter, in computing the number of Offer Shares represented by acceptances received by the Offeror, the Offeror will, at the time of making an announcement, take into account acceptances which are valid in all respects. Acceptances of the Exit Offer will only be treated as valid for the purposes of the Acceptance Condition if the relevant requirements of Note 2 of Rule 28.1 of the Code are met.

5. RIGHTS OF WITHDRAWAL

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

5.2. If the Exit Offer has become or been declared unconditional as to acceptances, but the Offeror fails to comply with any of the requirements of Rule 28.1 of the Code by 3.30 p.m. (Singapore time) on the Relevant Day, then immediately thereafter:

- (a) any Shareholder holding Offer Shares which are deposited with CDP and accepting the Exit Offer will be entitled to withdraw his acceptance by giving written notice to Pacific Moment Holdings Ltd. c/o The Central Depository (Pte) Limited, 11 North Buona Vista Drive, #01-19/20, The Metropolis Tower 2, Singapore 138589; and

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- (b) any Shareholder holding Offer Shares which are not deposited with CDP and accepting the Exit Offer will be entitled to withdraw his acceptance by giving written notice to Pacific Moment Holdings Ltd. c/o Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623.

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

- 5.3. Subject to Rule 22.9 of the Code, this right of withdrawal may be terminated not less than eight (8) days after the Relevant Day by the Offeror confirming (if that be the case) that the Exit Offer is still unconditional as to acceptances and complying with Rule 28.1 of the Code. The Rule 22.6 Period will run from the date of such confirmation (if given), or the date on which the Exit Offer would otherwise have expired, whichever is later.
- 5.4. Pursuant to Rule 29 of the Code, in the absence of a competitive situation, a Shareholder who has tendered acceptances under the Exit Offer will be entitled to withdraw his acceptance after 14 days from the Closing Date, if the Exit Offer has not by then become unconditional as to acceptances. Such entitlement to withdraw will be exercisable until the Exit Offer becomes or is declared to be unconditional as to acceptances.

6. REGULATORY APPROVALS

6.1. Rulings from the Securities Industry Council

An application was made to the SIC to seek clarification regarding the extent to which the provisions of the Code apply to the Exit Offer. The SIC had, on 25 July 2019, among other things:

- (a) exempted Mr. Hsu Hung Chun, Mr. Hsu Cheng Chien and Mr. Hsu Ming Hung (collectively, the “**Relevant Directors**”) from the requirement to make a recommendation to the Shareholders on the Exit Offer as the Relevant Directors, being persons who are acting or deemed to be acting in concert with the Offeror, face irreconcilable conflicts of interests in doing so. Nevertheless, the Relevant Directors must still assume responsibility for the accuracy of the facts stated and opinions expressed in documents or advertisements issued by, or on behalf of, the Company in connection with the Exit Offer;
- (b) confirmed that the Waiver (as defined in paragraph 3.6 (*Irrevocable Undertakings*) above) by the Concert Parties does not constitute a special deal or arrangement under Rule 10 of the Code; and
- (c) confirmed that the confirmation of the adequacy of financial resources to be given by a financial adviser appointed in relation to the Exit Offer, pursuant to Rules 3.5 and 23.8 of the Code, may exclude the Amount (as defined in paragraph 3.6 (*Irrevocable Undertakings*) above) as the Concert Parties have undertaken to waive their rights to receive the Amount, subject to the Undertakings being in force during the Exit Offer period.

6.2. Independent Directors

Mr. Lim Hock Beng, Mr. Lau Ping Sum, Pearce and Mr. Chew Heng Ching, being the other Directors of the Company (collectively, the “**Independent Directors**”), will be considered independent for the purposes of providing a recommendation on the Exit Offer to the Shareholders.

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7. INFORMATION ON THE COMPANY

The Company is incorporated in Singapore and listed on the Main Board of the SGX-ST. The principal activities of the Company are investment holding and the provision of services to its subsidiaries. The group ("**Group**"), comprising the Company, its associated companies and subsidiaries, is an integrated contract manufacturer of telecommunications and electronic products.

Additional information on the Company can be found in paragraphs 6 (*General Information*), 7 (*Directors of the Company*), 8 (*Registered Office of the Company*) and 9 (*Share Capital of the Company*) of the Company's Letter to Shareholders in **Appendix III** (*Company's Letter to Shareholders*) to this Exit Offer Letter.

8. INFORMATION ON THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT

8.1. The Offeror

The Offeror is a special purpose vehicle incorporated under the Business Companies Act, 2004, in the British Virgin Islands on 5 October 2015, and has its registered office at Quijano Chambers, P.O. Box 3159, Road Town, Tortola, British Virgin Islands. The principal activities of the Offeror are those of an investment holding company.

As at the Latest Practicable Date, the Offeror has an authorised share capital of US\$50,000 comprising 50,000 ordinary shares with a par value of US\$1.00 each, and the total issued and paid-up share capital of the Offeror is US\$2.00 comprising two (2) ordinary shares. Its shareholders and directors are namely Mr. Hsu Hung Chun and Mr. Hsu Cheng Chien, each holding one (1) ordinary share in the Offeror.

As at the Latest Practicable Date, the Offeror does not hold any Shares in the Company.

8.2. Concert Parties

As at the Latest Practicable Date, the following persons, being the Concert Parties, are acting or presumed to be acting in concert with the Offeror under the Code:

- (i) Mr. Hsu Hung Chun, a director and shareholder of the Offeror, also the Chairman and a shareholder of the Company, and the brother of Mr. Hsu Cheng Chien;
- (ii) HungChun Holdings Limited, a company wholly-owned and controlled by Mr. Hsu Hung Chun;
- (iii) HungChun Assets Limited, a company wholly-owned and controlled by Mr. Hsu Hung Chun;
- (iv) Mrs. Hsu Chang Yu-Mei, the wife of Mr. Hsu Hung Chun;
- (v) Mr. Hsu Cheng Chien, a director and shareholder of the Offeror, also the Managing Director and a shareholder of the Company, and the brother of Mr. Hsu Hung Chun;
- (vi) CCH Holdings Limited, a company wholly-owned and controlled by Mr. Hsu Cheng Chien;
- (vii) CCH Assets Limited, a company wholly-owned and controlled by Mr. Hsu Cheng Chien;

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(viii) Ms. Yang Yu-Lin, the wife of Mr Hsu Cheng Chien; and

(ix) Mr. Hsu Ming Hung, an Executive Director of the Company and the nephew of Mr. Hsu Hung Chun and Mr. Hsu Cheng Chien.

The respective shareholdings of the Concert Parties in the Shares of the Company are set out in **Appendix II** (*Further Information on the Offeror and the Parties Acting in Concert with It*) in this Exit Offer Letter.

9. THE OFFEROR'S INTENTIONS FOR THE COMPANY

The Exit Offer is made in compliance with Rules 1306 and 1309 of the Listing Manual as stated in paragraph 1.2 (*Joint Announcement*) above and the Company will be delisted upon completion of the Exit Offer.

Following the close of the Exit Offer, the Offeror has no immediate plans for (a) making material changes to the Group's existing business, (b) re-deploying the Group's fixed assets, (c) discontinuing the employment of the employees of the Group other than in the ordinary course of business, or (d) listing the Shares on another stock exchange.

Nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company, such as disposing of non-performing assets to lower operation costs in order to reduce the losses and borrowings of the Group and to streamline the Group's operations, as and when suitable opportunities arise.

10. COMPULSORY ACQUISITION

Pursuant to Section 215(1) of the Companies Act (Chapter 50) of Singapore ("**Companies Act**"), in the event that the Offeror acquires not less than 90% of the Shares (other than those already held by the Offeror, its related corporations and their respective nominees as at the date of the Exit Offer and excluding any Shares of the Company held as treasury shares), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Exit Offer ("**Dissenting Shareholders**") at a price equal to the Exit Offer Price.

The Offeror intends to exercise its right to compulsorily acquire all the Shares not tendered in acceptance of the Exit Offer pursuant to Section 215(1) of the Companies Act if it is entitled to do so.

In addition, the Dissenting Shareholders who have not accepted the Exit Offer have the right under and subject to Section 215(3) of the Companies Act to require the Offeror to acquire their Shares in the event that the Offeror and/or its nominees acquire, pursuant to the Exit Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations and/or their respective nominees, comprise 90% or more of the total issued Shares.

Shareholders who wish to exercise their rights under Section 215(3) of the Companies Act are advised to seek their own independent professional advice.

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11. IMPLICATIONS OF DELISTING FOR SHAREHOLDERS

Shareholders should note that if:

- (a) the Minimum Acceptance Condition is not met and all acceptances are returned;
- (b) the Minimum Acceptance Condition is met but the Offeror is not entitled to compulsorily acquire all the Shares of the Dissenting Shareholders pursuant to Section 215(1) of the Companies Act; or
- (c) the Dissenting Shareholders are not entitled, pursuant to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares,

then following the Delisting, Shareholders who had their acceptances returned or who did not accept the Exit Offer will continue to hold Shares in the Company, which will then be an unlisted public company.

Shares of unlisted public companies are generally valued at a discount to the shares of comparable listed companies due to the lack of marketability. Following the Delisting, it may be difficult for Shareholders who do not accept the Exit Offer to sell their Shares in the absence of a public market for the Shares, as there is no arrangement for such Shareholders to exit. Even if such Shareholders are able to sell their Shares, there is no certainty that they will receive a price that is higher than the Exit Offer Price or the market prices of the shares of comparable listed companies. Shareholders should also note that any transfer or sale of unlisted or unquoted Shares represented by share certificates will be subject to a stamp duty of S\$0.20 for every S\$100.00 or part thereof of the consideration or the net tangible asset value of the Shares transferred based on the latest audited accounts, whichever is higher.

Following the Delisting, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 of the Listing Manual and Appendices 7.1, 7.2, 7.4.1 and 7.4.2 of the Listing Manual. Nonetheless, as a company incorporated in Singapore, the Company will still need to comply with the Companies Act and the Company's articles of association ("**Articles**"), and the interests of Shareholders who do not accept the Exit Offer will be protected to the extent provided for by the Companies Act which includes, among other things, the entitlement to be sent a copy of the profit and loss statement and balance sheet at least 14 days before each annual general meeting, at which the financial statements will be presented.

When the Company is delisted from the Official List of the SGX-ST, each Dissenting Shareholder who holds Shares that are deposited with The Central Depository (Pte) Limited ("**CDP**") will be entitled to one share certificate representing his unquoted Shares. Boardroom Corporate & Advisory Services Pte. Ltd. will arrange to forward the share certificates to such Shareholders (not being (i) investors who purchase Offer Shares using their Central Provident Fund ("**CPF**") contributions pursuant to the CPF Investment Scheme ("**CPFIS**" and such investors, "**CPFIS Investors**"; and (ii) investors who purchase Offer Shares using their Supplementary Retirement Scheme ("**SRS**") savings (the "**SRS Investors**")), by ordinary post and at the Shareholders' own risk, to their respective addresses as such addresses appear in the records of CDP for their physical safe-keeping. The share certificates belonging to CPFIS Investors and SRS Investors will be forwarded to their respective agent banks included under the CPFIS and SRS for their safe-keeping,

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details of which are set out in **Appendix I** (*Procedures for Acceptance and Other Details of the Exit Offer*) to this Exit Offer Letter. If a Shareholder wishes to split his share certificate into other denominations, he will be required to pay for each share certificate so required, at a fee of S\$2.00 (excluding goods and services tax).

Shareholders who are in doubt about their position should seek independent legal advice.

12. BENCHMARKING OF EXIT OFFER

12.1. Closing Prices of the Shares

Pursuant to the Delisting Notification, trading of the Shares has been suspended from 9.00 a.m. (Singapore time) on 21 January 2019 (“**Suspension Day**”).

For reference, the last closing prices of the Shares on the SGX-ST on (a) a monthly basis commencing from July 2018, being six (6) calendar months prior to the Suspension Day, (b) 20 December 2018, being the date on which the Shares were last traded on the SGX-ST (the “**Last Trading Day**”), and (c) the Latest Practicable Date are set out below:

Description	Last Closing Price (S\$)
July 2018	0.018
August 2018	0.013
September 2018	0.011
October 2018	0.017
November 2018	N.A. ⁽¹⁾
20 December 2018, being the Last Trading Day	0.014 ⁽²⁾
7 May 2020, being the Latest Practicable Date ⁽³⁾	—

Source: Bloomberg L.P.

Notes:

- (1) No trading of Shares took place during the month of November 2018.
- (2) Being the closing price of the Shares on 20 December 2018.
- (3) Pursuant to the Delisting Notification, the trading of the Shares has remained suspended from 9.00 a.m., 21 January 2019 onwards.

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12.2. Highest and Lowest Prices of the Shares

The highest and lowest closing prices of the Shares on the SGX-ST during the period commencing six (6) calendar months prior to the Suspension Day are as follows:

Description	Price (\$)	Date(s) Transacted
Highest closing price	0.018	30 July 2018/1 August 2018
Lowest closing price	0.011	26 September 2018

Source: Bloomberg L.P.

13. CONFIRMATION OF FINANCIAL RESOURCES

CEL Impetus Corporate Finance Pte. Ltd. (“**CICF**”), the financial adviser to the Offeror in respect of the Exit Offer, has confirmed that sufficient financial resources are available to the Offeror to satisfy in full the aggregate consideration payable by the Offeror for all the Offer Shares on the basis of the Exit Offer Price and excluding the Amount.

14. DISCLOSURES

14.1. Interests in Shares

Please refer to **Appendix II** (*Further Information on the Offeror and the Concert Parties*) to this Exit Offer Letter which sets out, among other things, the interests of the Offeror, the directors of the Offeror (“**Offeror Directors**”) and the Concert Parties in any (a) Shares or securities which carry voting rights in the Company, or (b) Convertible Securities, Warrants, Options and Derivatives (both (a) and (b) collectively, the “**Relevant Securities**”) as at the Latest Practicable Date.

Save as disclosed in this Exit Offer Letter, none of the Offeror, the Offeror Directors, CICF nor any of the Concert Parties owns, controls or has agreed to acquire any Relevant Securities.

For the purpose of this Exit Offer Letter:

“**Convertible Securities**” means securities convertible or exchangeable into new Shares or existing Shares in the Company;

“**Derivatives**” includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities, in this case, the Shares;

“**Options**” means options to subscribe for or purchase new Shares or existing Shares in the Company; and

“**Warrants**” means rights to subscribe for or purchase new Shares or existing Shares in the Company.

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14.2. Dealings in Relevant Securities

Neither the Offeror, the Offeror Directors, CICF nor any of the Concert Parties has dealt for value in any Relevant Securities during the period commencing three (3) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

14.3. Further Disclosures

Save as disclosed in this Exit Offer Letter and in the information on the Company that is publicly available (including, without limitation, the annual report of the Company for the financial year ended 31 December 2018, the audited consolidated financial statements of the Group for the financial year ended 31 December 2018 and the announcements released by the Company on the SGX-ST), there has not been, within the knowledge of the Offeror, any material change in the financial position or prospects of the Company since 31 December 2018, being the date of the last audited balance sheet laid before the Shareholders in a general meeting.

Further disclosures by the Offeror can be found in **Appendix II** (*Further Information on the Offeror and the Parties Acting in Concert with It*) to this Exit Offer Letter.

15. ACTION TO BE TAKEN BY SHAREHOLDERS

This Exit Offer Letter and the Acceptance Form(s) are despatched together with the Company's Letter to Shareholders set out at **Appendix III** (*Company's Letter to Shareholders*) to this Exit Offer Letter. If you hold Offer Shares that are deposited with CDP, you should receive a FAA together with this Exit Offer Letter. If you have not received the FAA, you may obtain a copy of the FAA during normal business hours from CDP, at 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589, upon production of satisfactory evidence that you are a Shareholder.

If you hold Offer Shares that are represented by share certificate(s) and are not deposited with CDP, you should receive a FAT together with this Exit Offer Letter. If you have not received a FAT, you may request and obtain a copy of the FAT from the office of the Offeror's receiving agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, upon production of satisfactory evidence that you are a Shareholder.

The Exit Offer may only be accepted by the relevant Shareholder to whom this Exit Offer Letter is addressed.

If you wish to accept the Exit Offer, you should complete, sign and return the relevant Acceptance Form in accordance with the provisions and instructions in this Exit Offer Letter and the relevant Acceptance Form during the period commencing from the date of despatch of this Exit Offer Letter and ending at 5.30 p.m. on the Closing Date.

If you hold share certificate(s) of the Offer Shares beneficially owned by you and wish to accept the Exit Offer in respect of such Offer Shares, you **SHOULD NOT** deposit the share certificate(s) with CDP during the period commencing on the date of this Exit Offer Letter and ending on the Closing Date (both dates inclusive) as the "Free Balance" of your securities account (not including a securities sub-account) maintained with CDP ("**Securities Account**") may not be credited with the relevant number of Offer Shares in time for you to accept the Exit Offer.

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If you decide not to accept the Exit Offer, you do not have to take any action. After the close of the Exit Offer, you will continue to hold unquoted Shares in the Company as an unlisted public company. If you hold Shares that are deposited with CDP, a share certificate in respect of your Shares that are deposited with CDP will be sent, by ordinary post and at your own risk, to your address as it appears in the records of CDP, after the Company has been delisted from the Official List of the SGX-ST.

Shareholders should note that acceptance is conditional upon the fulfilment of the Minimum Acceptance Condition. In the event that the above condition is not fulfilled, the Exit Offer will lapse and both the Shareholders and the Offeror will cease to be bound by any prior acceptances of the Exit Offer by any Shareholder. Those Offer Shares in respect of which acceptances have been received shall be returned to the relevant Shareholders in accordance with the procedures set out in this Exit Offer Letter and the relevant Acceptance Form(s). However, the Delisting will still proceed in view of the Delisting Notification. In such an event, Shareholders will hold shares in an unlisted public company. Please refer to paragraph 11 (*Implications of Delisting for Shareholders*) above on the implications of holding on to shares in an unlisted public company.

The detailed procedures for acceptance and additional information on the settlement of the Exit Offer are set out in **Appendix I** (*Procedures for Acceptance and Other Details of the Exit Offer*) to this Exit Offer Letter for your information.

16. OVERSEAS SHAREHOLDERS

16.1. Overseas Shareholders

The availability of the Exit Offer to the Shareholders whose addresses are outside Singapore, as shown on the Register of Members of the Company or, as the case may be, in the records of CDP (the “**Overseas Shareholders**” and each, an “**Overseas Shareholder**”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself about and observe any applicable legal requirements in his own jurisdiction and exercise caution in relation to the Exit Offer as this Exit Offer Letter, the Acceptance Forms and the Company’s Letter to Shareholders have not been reviewed by any regulatory authority in any overseas jurisdiction. **Where there are potential restrictions on sending this Exit Offer Letter, the Acceptance Form(s) and the Company’s Letter to Shareholders to any overseas jurisdiction, the Offeror, CICC, CDP and the Company each reserves the right not to send these documents to such overseas jurisdictions.** For the avoidance of doubt, the Exit Offer is open to all Shareholders holding Offer Shares, including those to whom this Exit Offer Letter, the relevant Acceptance Form(s) and the Company’s Letter to Shareholders have not been, or may not be sent. This Exit Offer Letter, the relevant Acceptance Form(s), the Company’s Letter to Shareholders and the Exit Offer do not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Exit Offer Letter in any jurisdiction in contravention of applicable law. The Exit Offer will be made solely by this Exit Offer Letter and the relevant Acceptance Form(s), which will contain the full terms and conditions of the Exit Offer, including details of how the Exit Offer may be accepted.

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Copies of this Exit Offer Letter including the Company's Letter to Shareholders, the relevant Acceptance Form(s) and any formal documentation relating to the Exit Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Exit Offer would violate the law of that jurisdiction (the "**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.

This Exit Offer Letter (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 securities exchange of any Restricted Jurisdiction, and the Exit Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

16.2. Copies of the Exit Offer Letter and Acceptance Form(s)

Shareholders (including Overseas Shareholders) may (subject to compliance with applicable laws), obtain copies of this Exit Offer Letter, the relevant Acceptance Form(s), and/or any related documents, during normal business hours and up to 5.30 p.m. (Singapore time) on the Closing Date, from (a) the CDP (if he is a depositor) at 11 North Buona Vista, #01-19/20, The Metropolis Tower 2, Singapore 138589 or (b) the Company's share registrar cum receiving agent, Boardroom Corporate & Advisory Services Pte. Ltd. ("**Share Registrar**") (if he is a Scripholder), at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, as the case may be.

Alternatively, Shareholders (including Overseas Shareholders) may (subject to compliance with applicable laws), write to the Offeror at (a) Pacific Moment Holdings Ltd. c/o The Central Depository (Pte) Limited at 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589 (if he is a depositor), or (b) Pacific Moment Holdings Ltd. c/o Boardroom Corporate & Advisory Services Pte. Ltd. (if he is a Scripholder), at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, to request that this Exit Offer Letter, the relevant Acceptance Form(s) and/or any related documents be sent to an address in Singapore by ordinary post at his own risk, up to five (5) market days prior to the Closing Date.

Electronic copies of this Exit Offer Letter and the relevant Acceptance Form(s) are available on the website of the SGX-ST at <https://www.sgx.com/>.

16.3. Overseas Jurisdiction

It is the responsibility of any Overseas Shareholder who wishes to (a) request for copies of this Exit Offer Letter, the relevant Acceptance Form(s) and any other related documents, and/or (b) accept the Exit Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Company, the Offeror, CICF, CDP and/or any person acting on its behalf shall be fully indemnified and held harmless by

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such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Company, the Offeror, CICF, CDP and/or any person acting on its behalf may be required to pay. In (i) requesting for copies of this Exit Offer Letter, the Acceptance Form(s) and any other related documents and/or (ii) accepting the Exit Offer, the Overseas Shareholder represents and warrants to the Company, the Offeror, CICF and CDP that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. **Any Overseas Shareholder who is in any doubt about his position, including (without limitation) the ability to accept the Exit Offer, should consult his professional adviser in the relevant jurisdiction.**

16.4. Notice

The Offeror reserves the right to reject any acceptance of the Exit Offer where it believes, or has reason to believe, that such acceptance may violate the applicable laws of any jurisdiction. The Company and the Offeror each reserves the right to notify any matter, including the despatch of this Exit Offer Letter, any formal documentation relating to the Exit Offer, and the fact that the Exit Offer has been made, to any or all Shareholders (including the Overseas Shareholders) by announcement to the SGX-ST and if necessary, paid advertisement in a newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.

17. INFORMATION RELATING TO CPFIS/SRS INVESTORS

CPFIS Investors and SRS Investors should receive further information on how to accept the Exit Offer from their respective banks approved by their respective agent banks included under the CPFIS (“**CPF Agent Banks**”) and SRS (“**SRS Agent Banks**”) shortly. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice.

CPFIS Investors and SRS Investors who wish to accept the Exit Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks accordingly by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks, which may be earlier than the Closing Date.

CPFIS Investors and SRS Investors who validly accept the Exit Offer will receive payment of the Exit Offer Price payable in respect of their Offer Shares in their respective CPF investment accounts and SRS investment accounts.

18. GENERAL

18.1. Valid Acceptances

The Offeror reserves the right to treat acceptances of the Exit Offer as valid if received by or on its behalf at any place or places determined by them otherwise than as stated herein and/or in the relevant Acceptance Form(s), or if made otherwise than in accordance with the provisions herein and the instructions printed on the relevant Acceptance Form(s). Any decision to reject or treat as valid any acceptance will be final and binding and none of the

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Offeror (or, for the avoidance of doubt, any of the Offeror's directors or shareholders) and/or CICF accepts any responsibility or liability for such a decision, including the consequences of such a decision.

18.2. Governing Law and Jurisdiction

The Exit Offer, this Exit Offer Letter, the Acceptance Form(s), and all acceptances of the Exit Offer and all contracts made pursuant thereto and actions taken or made or deemed to be taken or made thereunder shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Offeror and each accepting Shareholder agree to submit to the non-exclusive jurisdiction of the Singapore courts.

18.3. No Third Party Rights

Unless expressly provided to the contrary in this Exit Offer Letter and the relevant Acceptance Form(s), a person who is not a party to any contracts made pursuant to the Exit Offer, this Exit Offer Letter and the relevant Acceptance Form(s) has no rights under the Contracts (Rights of Third Parties) Act (Chapter 53B) of Singapore to enforce any term of such contracts. Notwithstanding any term herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend, vary (including any release or compromise of any liability) or terminate such contracts. Where third parties are conferred rights under such contracts, those rights are not assignable or transferable.

18.4. Accidental Omission

Any omission to despatch this Exit Offer Letter, the relevant Acceptance Form(s) (or despatch of the wrong Acceptance Form), or any notice or announcement required to be given under the terms of the Exit Offer or any failure to receive the same by any person to whom the Exit Offer is made or should be made, shall not invalidate the Exit Offer in any way.

18.5. Independent Advice

The advice of the IFA to the Independent Directors and the recommendation of the Independent Directors are set out in **Appendix III** (*Company's Letter to Shareholders*) to this Exit Offer Letter and **Annex A** (*IFA Letter*) of **Appendix III** (*Company's Letter to Shareholders*). Shareholders may wish to consider their advice before taking any action in relation to the Exit Offer.

18.6. Costs and Expenses

All costs and expenses of or incidental to the preparation and circulation of this Exit Offer Letter and the Acceptance Form(s) (other than such professional fees and other costs incurred or to be incurred by the Company relating to the Exit Offer) and transfer fees (if any) resulting from the acceptances of the Exit Offer will be paid by the Offeror.

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19. CONSENTS

19.1. Consent from CICF

The financial adviser to the Offeror, CICF, has given and has not withdrawn its written consent to the issue of this Exit Offer Letter with the inclusion of its name and all references to its name in the form and context in which they appear in this Exit Offer Letter.

19.2. Consent from Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd., in its capacity as the Company's share registrar and the Offeror's receiving agent, has given and has not withdrawn its written consent to the issue of this Exit Offer Letter with the inclusion of its name and all references to its name in the form and context in which they appear in this Exit Offer Letter.

20. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, during normal business hours⁽¹⁾, for the period for which the Exit Offer remains open for acceptance:

- (a) the constitution of the Offeror;
- (b) the Joint Announcement; and
- (c) the letters of consent from CICF and the Share Registrar.

Note:

- (1) Due to the outbreak of the Coronavirus Disease 2019 (COVID-19) in Singapore, the Share Registrar's normal business hours is temporarily 9 a.m. to 4 p.m. daily (excluding weekends and public holidays) due to precautionary measures taken in response to the outbreak.

21. RESPONSIBILITY STATEMENT

The Offeror Directors (including any Offeror Director who may have delegated detailed supervision of this Exit Offer Letter) have taken all reasonable care to ensure that the facts stated and opinions expressed herein (other than those relating to the Company including **Appendix III to Appendix XIII** to this Exit Offer Letter and the IFA Letter (set out as **Annex A** to the Company's Letter to Shareholders at **Appendix III**) for which the Directors of the Company have taken responsibility) are fair and accurate and where appropriate, no material facts have been omitted from this Exit Offer Letter, the omission of which would make any statement in this Exit Offer Letter misleading. Where any information in this Exit Offer Letter has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Company, the sole responsibility of the Offeror Directors has been to ensure that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Exit Offer Letter. The Offeror Directors jointly and severally accept responsibility accordingly.

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The recommendation of the Independent Directors to Shareholders set out in paragraph 3 (*Independent Directors' Recommendation*) of **Appendix III** (*Company's Letter to Shareholders*) is the sole responsibility of the Independent Directors.

If you are in doubt as to any of the matters referred to in this Exit Offer Letter and/or the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

BY ORDER OF THE BOARD

PACIFIC MOMENT HOLDINGS LTD.

Hsu Hung Chun

Director

14 May 2020

APPENDIX I – PROCEDURES FOR ACCEPTANCE AND OTHER DETAILS OF THE EXIT OFFER

1. PROCEDURES FOR ACCEPTANCE OF THE EXIT OFFER BY DEPOSITORS WHOSE SECURITIES ACCOUNTS ARE AND/OR WILL BE CREDITED WITH OFFER SHARES

1.1 Depositors whose Securities Accounts are credited with Offer Shares

If you have Offer Shares standing to the credit of your Securities Account, you are entitled to receive this Exit Offer Letter together with the FAA. If you do not receive this Exit Offer Letter, you may obtain a copy, upon production of satisfactory evidence that you are a Shareholder, from CDP at 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589.

If you wish to accept the Exit Offer, you should:

- (i) complete the FAA in accordance with this Exit Offer Letter and the instructions printed on the FAA.

- (a) If you:

- (aa) do not specify such number; or

- (bb) specify a number which exceeds the number of Offer Shares standing to the credit of the “Free Balance” of your Securities Account on the Date of Receipt or, in the case where the date of receipt by CDP (“**Date of Receipt**”) is on the Closing Date, by 5.30 p.m. (Singapore time) on the Closing Date,

you shall be deemed to have accepted the Exit Offer in respect of all the Offer Shares standing to the credit of the “Free Balance” of your Securities Account on the Date of Receipt or 5.30 p.m. (Singapore time) on the Closing Date (if the FAA is received by CDP on the Closing Date).

- (b) if paragraph 1.1(i)(a)(bb) above applies and at the time of verification by CDP of the FAA on the Date of Receipt, there are outstanding settlement instructions with CDP to receive further Offer Shares into the “Free Balance” of your Securities Account (“**Unsettled Buy Position**”), and the Unsettled Buy Position settles such that the Offer Shares in the Unsettled Buy Position are transferred to the “Free Balance” of your Securities Account at any time during the period the Exit Offer is open, up to 5.30 p.m. (Singapore time) on the Closing Date (“**Settled Shares**”), you shall be deemed to have accepted the Exit Offer in respect of the balance number of Offer Shares inserted in Part A of the FAA which have not yet been accepted pursuant to paragraph 1.1(i)(a)(bb) above, or the number of Settled Shares, whichever is less;

- (ii) sign the FAA in accordance with this **Appendix I** (*Procedures for Acceptance and Other Details of the Exit Offer*) and the instructions printed on the FAA; and

- (iii) deliver the completed and signed FAA:

- (a) by hand, to **PACIFIC MOMENT HOLDINGS LTD.** c/o The Central Depository (Pte) Limited, 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589; or

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- (b) by post, in the enclosed pre-addressed envelope at your own risk, to **PACIFIC MOMENT HOLDINGS LTD.** c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

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

If you have sold or transferred all your Offer Shares held through CDP, you need not forward this Exit Offer Letter and the FAA to the purchaser or transferee, as CDP will arrange for a separate Exit Offer Letter and FAA to be sent to the purchaser or transferee.

If you are a depository agent as defined under Section 81SF of the SFA (“**Depository Agent**”), you may accept the Exit Offer via electronic acceptance. CDP has been authorised by the Offeror to receive electronic acceptances on its behalf and such electronic acceptances must be submitted not later than 5.30 p.m. (Singapore time) on the Closing Date. Such electronic acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA and this Exit Offer Letter as if the FAA had been completed and delivered to CDP.

1.2 Depositors whose Securities Accounts will be credited with Offer Shares

If you have purchased Offer Shares on the SGX-ST and such Offer Shares are in the process of being credited to the “Free Balance” of your Securities Account, you should also receive this Exit Offer Letter together with a FAA. If you do not receive the FAA, you may obtain a copy of such FAA, upon production of satisfactory evidence that you are a Shareholder, from CDP at 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589.

If you wish to accept the Exit Offer in respect of such Offer Shares, you should, after the “Free Balance” of your Securities Account has been credited with such number of Offer Shares:

- (i) complete and sign the FAA in accordance with paragraph 1.1 of this **Appendix I** (*Procedures for Acceptance and Other Details of the Exit Offer*) and the instructions printed on the FAA; and
- (ii) deliver the completed and signed FAA:
 - (a) by hand, to **PACIFIC MOMENT HOLDINGS LTD.** c/o The Central Depository (Pte) Limited, 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589; or
 - (b) by post, in the enclosed pre-addressed envelope at your own risk, to **PACIFIC MOMENT HOLDINGS LTD.** c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

APPENDIX I – PROCEDURES FOR ACCEPTANCE AND OTHER DETAILS OF THE EXIT OFFER

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

If upon receipt by CDP, on behalf of the Offeror, of the FAA, it is established that such Offer Shares have not been or will not be, credited to the “Free Balance” of your Securities Account (as, for example, where you sell or have sold such Offer Shares), your acceptance is liable to be rejected. None of the Offeror, CICF and CDP accepts any responsibility or liability in relation to such a rejection, including the consequences thereof.

If you purchase Offer Shares on the SGX-ST on a date close to the Closing Date, your acceptance in respect of such Offer Shares is liable to be rejected if the “Free Balance” of your Securities Account is not credited with such Offer Shares by the Date of Receipt or by 5.30 p.m. (Singapore time) on the Closing Date (if the FAA is received by CDP on the Closing Date), unless paragraph 1.1(i)(a)(bb) read together with paragraph 1.1(i)(b) of this **Appendix I** (*Procedures for Acceptance and Other Details of the Exit Offer*) apply. If the Unsettled Buy Position does not settle by 5.30 p.m. (Singapore time) on the Closing Date, your acceptance in respect of such Offer Shares will be rejected. None of the Offeror, CICF and CDP accepts any responsibility or liability in relation to such a rejection, including the consequences thereof.

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

If you have Offer Shares credited to your Securities Account, and have purchased additional Offer Shares on the SGX-ST which are in the process of being credited to your Securities Account, you may accept the Exit Offer in respect of the Offer Shares standing to the credit of the “Free Balance” of your Securities Account and may accept the Exit Offer in respect of the additional Offer Shares purchased which are in the process of being credited to your Securities Account only **AFTER** the “Free Balance” of your Securities Account has been credited with such number of Offer Shares.

1.4 FAAs received on Saturday, Sunday and public holidays

For the avoidance of doubt, FAAs received by CDP on a Saturday, Sunday or public holiday in Singapore will only be processed and validated on the next business day.

1.5 General

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

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1.6 Blocked Balance

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

1.7 Notification

If you have accepted the Exit Offer in accordance with the provisions contained in this **Appendix I** (*Procedures for Acceptance and Other Details of the Exit Offer*) and the FAA, upon the Exit Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the Exit Offer Price by way of a cheque drawn on a bank in Singapore for the appropriate amount, or in such other manner that you have agreed with CDP for the payment of any cash distribution, at your own risk, as soon as practicable and in any event:

- (i) in respect of acceptances of the Exit Offer which are complete and valid in all respects and are received on or before the date on which the Exit Offer becomes or is declared unconditional in all respects in accordance with its terms, within seven (7) business days of that date; or
- (ii) in respect of acceptances of the Exit Offer which are complete and valid in all respects and are received after the Exit Offer becomes or is declared unconditional in all respects in accordance with its terms, but before the Exit Offer closes, within seven (7) business days of the date of such receipt.

1.8 Return of Offer Shares

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

1.9 No Securities Account

If you do not have an existing Securities Account in your own name at the time of acceptance of the Exit Offer, your acceptance as contained in the FAA will be rejected.

2. **PROCEDURES FOR ACCEPTANCE OF THE EXIT OFFER BY SHAREHOLDERS WHO HOLD OFFER SHARES WHICH ARE NOT DEPOSITED WITH CDP**

If you hold Offer Shares which are not deposited with CDP, you are entitled to receive this Exit Offer Letter together with the FAT. If you wish to accept the Exit Offer, the FAT must be completed and signed strictly in the manner set out on page 1 of the FAT (which provisions and instructions shall be deemed to form part of the terms of the Exit Offer) and in accordance with the provisions of this Exit Offer Letter and then forwarded with the relevant

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share certificate(s) and/or other document(s) of title and/or any other relevant document(s) required by the Offeror by hand or by post (in the enclosed pre-addressed envelope at your own risk) to:

PACIFIC MOMENT HOLDINGS LTD.

c/o Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

as soon as possible but in any event to arrive not later than 5:30 p.m. on the Closing Date, being 11 June 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

If you have sold or transferred all your Offer Shares which are not held through CDP, you should immediately hand this Exit Offer Letter and the accompanying FAT to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale, for onward transmission to the purchaser or transferee.

If your Offer Shares are represented by share certificate(s) which are not registered in your own name, you must send in, at your own risk, the relevant share certificate(s), other document(s) of title and/or any other relevant document(s) required by the Offeror together with a duly completed and signed FAT accompanied by transfer form(s), duly completed and executed by the person registered with the Company as the holder of the Offer Shares and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or a person authorised by it).

If you are recorded in the Register of Members of the Company as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the Articles of the Company and then deliver such share certificate(s) in accordance with the procedures and instructions set out in this Exit Offer Letter and FAT.

If you wish to accept the Exit Offer, you must insert in the FAT the number of Offer Shares in respect of which the Exit Offer is accepted, which should not exceed the number of Offer Shares represented by the share certificate(s) and/or other document(s) of title accompanying the FAT.

If the number of Offer Shares in respect of which the Exit Offer is accepted, as inserted by you in the FAT, exceeds the number of Offer Shares represented by the share certificate(s) and/or other document(s) of title accompanying the FAT, or if no such number of Offer Shares is inserted in the FAT by you, then **you shall be deemed to have accepted the Exit Offer in respect of all the Offer Shares represented by the share certificate(s) and/or other document(s) of title accompanying the FAT.**

No acknowledgement of receipt of any FAT, share certificate(s), other document(s) of title, transfer form(s) and/or any other relevant document(s) required by the Offeror will be given.

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The election made or deemed to be made by you in the FAT shall be deemed to be irrevocable and any instructions or FAT received by the Offeror or Boardroom Corporate & Advisory Services Pte. Ltd. after the FAT has been received shall be disregarded.

All communications, certificates, notices, documents and remittances to be delivered or sent to you will be sent to you (or your designated agent or, in the case of joint accepting Shareholders who have not designated any agent, to the one first named in the Register of Members of the Company) by ordinary post to your address as it appears in the Register of Members of the Company at your own risk (or, for the purpose of remittances only, to such different name and address as may appear in the FAT and at your own risk).

If the Exit Offer becomes or is declared to be unconditional in all respects in accordance with its terms, payment will be sent to you (or your designated agent or, in the case of joint accepting Shareholders who have not designated any agent, to the one first named in the Register of Members of the Company) by ordinary post to your address as it appears in the Register of Members of the Company at your own risk (or to such different name and address as may be specified by you in the FAT and at your own risk), by way of a cheque drawn on a bank in Singapore for the appropriate amount.

Except as expressly provided in this Exit Offer Letter and the Code, acceptances of the Exit Offer made by you shall be irrevocable. If the Exit Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, the FAT and other documents (including share certificate(s)) will be returned at your own risk by ordinary post as soon as possible but, in any event, not later than 14 days from the lapse of the Exit Offer.

3. OTHER RELEVANT INFORMATION IN RESPECT OF THE PROCEDURES FOR ACCEPTANCE

If you hold the share certificate(s) of some of the Offer Shares beneficially owned by you and if you have deposited the rest of the Offer Shares beneficially owned by you with CDP, you are required to complete the FAT in respect of the Offer Shares represented by share certificate(s) and the FAA in respect of the Offer Shares which are deposited with CDP, if you wish to accept the Exit Offer in respect of all such Offer Shares. Both the FAT and the FAA must be completed, signed and accompanied by the relevant documents and sent to the Offeror in accordance with the respective procedures for acceptance set out above in paragraphs 1 and 2 of this **Appendix I** (*Procedures for Acceptance and Other Details of the Exit Offer*).

If you hold the share certificate(s) of the Offer Shares beneficially owned by you and you wish to accept the Exit Offer in respect of such Offer Shares, you **SHOULD NOT** deposit the share certificate(s) with CDP during the period commencing on the date of this Exit Offer Letter and ending on the Closing Date (both dates inclusive) as the “Free Balance” of your Securities Account may not be credited with the relevant number of Offer Shares in time for you to accept the Exit Offer.

Delivery of the duly completed and signed FAA and/or FAT to the Offeror, CDP and/or Boardroom Corporate & Advisory Services Pte. Ltd., as the case may be, shall be conclusive evidence in favour of the Offeror, CDP and/or Boardroom Corporate & Advisory Services Pte. Ltd. of the right and title of the person(s) signing it to deal with the same and with the Offer Shares to which it relates.

APPENDIX I – PROCEDURES FOR ACCEPTANCE AND OTHER DETAILS OF THE EXIT OFFER

Acceptances in the form of FAA and/or FAT received by the Offeror, CDP and/or Boardroom Corporate & Advisory Services Pte. Ltd., on a Saturday, Sunday or public holiday will only be processed and validated on the next business day.

If you wish to accept the Exit Offer, it is your responsibility to ensure that the FAA and/or the FAT is/are accurately completed in all respects, signed and all required documents are provided. The Offeror, CDP and Boardroom Corporate & Advisory Services Pte. Ltd. will be authorised and entitled, at their sole and absolute discretion, to reject any acceptance that does not comply with the provisions and instructions contained in this Exit Offer Letter and in the FAA or the FAT (as the case may be), or which is otherwise incomplete, incorrect, unsigned, illegible or invalid in any respect. Any decision to reject the FAA or the FAT on the grounds that it has been invalidly, incorrectly or incompletely signed, completed or submitted will be final and binding, and none of the Offeror, CICF, CDP and/or Boardroom Corporate & Advisory Services Pte. Ltd. accepts any responsibility or liability for the consequences of such a decision.

You irrevocably agree and acknowledge that your acceptance is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God, mistakes, losses, theft and any other events whatsoever (in each case whether or not within the control of the Offeror or CDP) and if, in any such event, the Offeror and CDP do not record or receive the same by the last date and time for acceptance of the Exit Offer in respect of the Offer Shares or such data or tape containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed **NOT** to have accepted the Exit Offer in respect of the Offer Shares and you shall have no claim whatsoever against either the Offeror, CICF or CDP in respect of any purported acceptance thereof or for any compensation, loss or damages in connection therewith or in relation thereto.

4. SETTLEMENT

Subject to the Exit Offer becoming or being declared to be unconditional in all respects and the receipt by the Offeror of valid acceptances, complete in all respects, signed and in accordance with the instructions given herein, in this Exit Offer Letter and the relevant FAA, FAT and/or the terms and conditions for electronic acceptance (as the case may be) and in the case of a depositor, the receipt by the Offeror of confirmation satisfactory to it that the relevant number of Offer Shares are standing to the credit of the “Free Balance” of the depositor’s Securities Account at the relevant time(s), remittances in the form of cheques in Singapore currency drawn on a bank in Singapore for the appropriate amounts will be despatched (or by such other manner as the accepting Shareholder may have agreed with CDP for the payment of any cash distributions), pursuant to Rule 30 of the Code, to the accepting Shareholder (or, in the case of a Shareholder holding share certificate(s) which is not deposited with CDP, his designated agent, if any) at his address as maintained in the records of CDP or the Register of Members of the Company by ordinary post and at the risk of the accepting Shareholder or in such other manner as he may have agreed with CDP for the payment of any cash distributions, as soon as practicable but in any event:

- (a) in respect of acceptances of the Exit Offer which are valid and complete in all respects and are received on or before the date on which the Exit Offer becomes or is declared to be unconditional in all respects, within seven (7) business days of that date; or

APPENDIX I – PROCEDURES FOR ACCEPTANCE AND OTHER DETAILS OF THE EXIT OFFER

- (b) in respect of acceptances of the Exit Offer which are valid and complete in all respects and are received after the Exit Offer becomes or is declared to be unconditional in all respects, but on or before the Closing Date, within seven (7) business days of the date of such receipt.

In the case of a depositor, CDP will also send a notification letter by ordinary post to you, at your address as maintained in the records of CDP, at your own risk, stating the number of Offer Shares debited from your Securities Account.

5. INFORMATION PERTAINING TO CPFIS/SRS INVESTORS

5.1 Action which CPFIS Investors and SRS Investors may take

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

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

5.2 Implications

The implications of holding unquoted Shares are set out in paragraph 11 (*Implications of Delisting for Shareholders*) of this Exit Offer Letter. In addition, the following will be applicable to CPFIS Investors and SRS Investors if the Company is delisted from the Official List of the SGX-ST:

(a) Safe-keeping of the share certificates

Shares that are quoted on the SGX-ST and held by CPFIS Investors and SRS Investors are deposited with CDP through their respective CPF Agent Banks and SRS Agent Banks. However, unlisted shares cannot be deposited with CDP. If the Company is delisted from the Official List of the SGX-ST, Boardroom Corporate & Advisory Services Pte. Ltd. will arrange to forward the individual share certificates, representing the Shares held by individual CPFIS Investors and SRS Investors who do not accept the Exit Offer, to their respective CPF Agent Banks and SRS Agent Banks for safe-keeping.

CPF Agent Banks and/or SRS Agent Banks may levy a service fee to administer each share counter held on behalf of each CPFIS Investor and/or SRS Investor. In addition to the existing fees, CPF Agent Banks and/or SRS Agent Banks may impose, among

APPENDIX I – PROCEDURES FOR ACCEPTANCE AND OTHER DETAILS OF THE EXIT OFFER

other things, additional charges for the safe-keeping of share certificates and administrative charges for the splitting, withdrawal or depositing of such share certificates. CPFIS Investors and SRS Investors who do not accept the Exit Offer should consult their respective CPF Agent Banks and SRS Agent Banks on the additional charges that may be imposed.

(b) Buying and selling of Shares represented by share certificates

If the Company is delisted from the Official List of the SGX-ST, CPFIS Investors and SRS Investors who do not accept the Exit Offer will likely find it difficult to sell their Shares in the absence of a public market.

CPFIS Investors and SRS Investors will be allowed to sell their unquoted Shares, assuming that they are able to find a buyer for these Shares. Shareholders should note that any transfer or sale of Shares represented by share certificates will be subject to a stamp duty of S\$0.20 for every S\$100.00 or part thereof of the consideration or the NTA value of the Shares transferred based on the latest audited accounts, whichever is higher.

APPENDIX II - FURTHER INFORMATION ON THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT

1. DIRECTORS OF THE OFFEROR

The name, address and designation of the Offeror Directors as at the Latest Practicable Date are as follows:

Name	Address	Designation
Hsu Hung Chun	1F No 16 Alley 31 Lane 743 Chung Hsiao E Rd, Sec 5 Hsin Yi Ward, Taipei, Taiwan	Director
Hsu Cheng Chien	1F No 14 Alley 31 Lane 743 Chung Hsiao E Rd, Sec 5 Hsin Yi Ward, Taipei, Taiwan	Director

2. REGISTERED OFFICE OF THE OFFEROR

The registered office of the Offeror is at Quijano Chambers, P.O. Box 3159, Road Town, Tortola, British Virgin Islands.

3. SHARE CAPITAL OF THE OFFEROR

As at the Latest Practicable Date, the Offeror has an authorised share capital of US\$50,000 comprising 50,000 ordinary shares with a par value of US\$1.00 each, and the total issued and paid-up share capital of the Offeror is US\$2.00 comprising two (2) ordinary shares. Mr. Hsu Hung Chun and Mr. Hsu Cheng Chien, each hold one (1) ordinary share in the Offeror.

4. PRINCIPAL ACTIVITIES OF THE OFFEROR

The principal activity of the Offeror is that of an investment holding company.

5. SUMMARY OF FINANCIAL INFORMATION

Being a company incorporated in the British Virgin Islands, no audited financial statements of the Offeror have been prepared since the date of its incorporation.

6. MATERIAL CHANGES IN FINANCIAL POSITION

Save as a result of the financing of the Exit Offer, as at the Latest Practicable Date, there have been no known material changes in the financial position of the Offeror since 5 October 2015, being the date of its incorporation.

7. SIGNIFICANT ACCOUNTING POLICIES

As no audited financial statements of the Offeror have been prepared since the date of its incorporation, there are no significant accounting policies to be noted.

APPENDIX II - FURTHER INFORMATION ON THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT

8. DISCLOSURE OF SHAREHOLDINGS AND DEALINGS

8.1 Shareholdings in the Company

As at the Latest Practicable Date, the interests in Relevant Securities held by the Offeror, the Offeror Directors and the Concert Parties are set out below:

Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽³⁾
Offeror	—	—	—	—
Hsu Hung Chun ⁽¹⁾	—	—	75,712,234	18.93%
HungChun Holdings Limited ⁽¹⁾	54,534,175	13.63%	—	—
HungChun Assets Limited ⁽¹⁾	18,178,059	4.54%	—	—
Hsu Chang Yu-Mei ⁽¹⁾	3,000,000	0.75%	72,712,234	18.18%
Hsu Cheng Chien ⁽²⁾	500,000	0.13%	75,712,233	18.93%
CCH Holdings Limited ⁽²⁾	54,534,175	13.63%	—	—
CCH Assets Limited ⁽²⁾	18,178,058	4.54%	—	—
Yang Yu Lin ⁽²⁾	3,000,000	0.75%	73,212,233	18.30%
Hsu Ming Hung	750,000	0.19%	—	—
Total number of Shares directly held by the Concert Parties	152,674,467	38.17%	—	—

Notes:

- (1) Mr. Hsu Hung Chun is, by virtue of (i) his interest in HungChun Holdings Limited which holds 54,534,175 Shares; (ii) his interest in HungChun Assets Limited which holds 18,178,059 Shares; and (iii) his wife Mrs. Hsu Chang Yu-Mei holding 3,000,000 Shares, deemed to be a substantial shareholder of the Company. HungChun Holdings Limited and HungChun Assets Limited are companies incorporated in the British Virgin Islands and wholly-owned by Mr. Hsu Hung Chun.
- (2) Mr. Hsu Cheng Chien is, by virtue of (i) his direct interest of 500,000 Shares; (ii) his interest in CCH Holdings Limited which holds 54,534,175 Shares; (iii) his interest in CCH Assets Limited which holds 18,178,058 Shares; and (iv) his wife Ms. Yang Yu Lin holding 3,000,000 Shares, deemed to be a substantial shareholder of the Company. CCH Holdings Limited and CCH Assets Limited are companies incorporated in the British Virgin Islands and wholly-owned by Mr. Hsu Cheng Chien.
- (3) The percentage figures in the above table have been rounded to the nearest two decimal places.

8.2 Dealings in Relevant Securities

Save as disclosed in paragraph 8.1 (*Shareholdings in the Company*) of this **Appendix II** (*Further Information on the Offeror and Parties Acting in Concert with it*), as at the Latest Practicable Date, none of the Offeror, the Offeror Directors, CICF or the Concert Parties (a) owns, controls, or have agreed to acquire any (i) Shares or securities which carry voting rights in the Company, or (ii) convertible securities, warrants, options and derivatives in respect of such Shares or securities; or (b) has dealt for value in any Relevant Securities during the period commencing three (3) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

APPENDIX II - FURTHER INFORMATION ON THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT

8.3 No Other Undertakings

As at the Latest Practicable Date, save for the Undertakings by the Concert Parties, none of the Offeror, the Offeror Directors, CICF or the Concert Parties has received any irrevocable undertaking from any party to accept or reject the Exit Offer.

8.4 Indemnity Agreements

As at the Latest Practicable Date, none of the Offeror, the Offeror Directors, CICF or the Concert Parties has entered into any arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company which might be material to the Exit Offer, or any arrangement of the kind referred to in Note 7 to Rule 12 of the Code, including any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to the Shares which may be an inducement to deal or refrain from dealing in the Shares.

8.5 Security Interests, Borrowed Securities and Convertible Securities

As at the Latest Practicable Date, none of the Offeror, the Offeror Directors, CICF or the Concert Parties has:

- (i) granted a security interest over any Relevant Securities to another person, whether through a charge, pledge or otherwise;
- (ii) borrowed from another person any Relevant Securities (excluding borrowed Relevant Securities which have been on-lent or sold); or
- (iii) lent any Relevant Securities to another person.

8.6 Agreement having any connection with or dependence upon the Exit Offer

As at the Latest Practicable Date, save as disclosed in this Exit Offer Letter, there is no agreement, arrangement or understanding between (a) the Offeror or any of the Concert Parties, and (b) any of the present or recent Directors or any of the present or recent Shareholders or any other person having any connection with or dependence upon the Exit Offer.

8.7 Payment or Benefit to the Directors

As at the Latest Practicable Date, there is no agreement, arrangement or undertaking for payment or other benefit being made or given to any Director or any director of a corporation deemed to be related to the Company by virtue of Section 6 of the Companies Act (Chapter 50) of Singapore as compensation for loss of office or as consideration for or in connection with his retirement from office or otherwise in connection with the Exit Offer.

APPENDIX II - FURTHER INFORMATION ON THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT

8.8 Transfer of Shares

As at the Latest Practicable Date, there is no agreement, arrangement or understanding whereby any Shares acquired pursuant to the Exit Offer, as the case may be, will or may be transferred to any other person. The Offeror, however, reserves the right to transfer any of the Shares to any of its related corporations (as defined in the Companies Act) or for the purpose of granting security in favour of any financial institution or party which has extended credit facilities to it.

8.9 Transfer Restrictions

The Articles of the Company does not contain any restrictions on the right to transfer the Offer Shares, which has the effect of requiring the holders of the Offer Shares, before transferring them, to first offer them for purchase to Shareholders or to any other person.

8.10 Material Change in Information

Save as disclosed in this Exit Offer Letter and the information disclosed in the announcements released by the Company on the SGX-ST, as at the Latest Practicable Date, there has not been, within the knowledge of the Offeror, any material changes in any information previously published by or on behalf of the Offeror during the period commencing from the Joint Announcement Date and ending on the Latest Practicable Date.

8.11 Material Change in Financial Position or Prospects

Save as disclosed in this Exit Offer Letter and save for the information relating to the Company that is publicly available (including but not limited to announcements released by the Company in respect of its financial results), to the best of the Offeror's knowledge, there has been no material change in the financial position or prospects of the Group since 31 December 2018, being the date to which the Company's last published audited accounts were made up and laid before the Company in a general meeting.

APPENDIX III – COMPANY’S LETTER TO SHAREHOLDERS

COMPANY’S LETTER TO SHAREHOLDERS

HUAN HSIN HOLDINGS LTD

(Incorporated in the Republic of Singapore)
(Company Registration No.: 199509142R)

Board of Directors:

Mr. Hsu Hung Chun (*Chairman*)
Mr. Hsu Cheng Chien (*Managing Director*)
Mr. Hsu Ming Hung (*Executive Director*)
Mr. Lim Hock Beng (*Independent Non-Executive Director*)
Mr. Lau Ping Sum, Pearce (*Independent Non-Executive Director*)
Mr. Chew Heng Ching (*Independent Non-Executive Director*)

Registered Office:

77 Robinson Road
#13-00 Robinson 77
Singapore 068896

14 May 2020

To: The Shareholders of Huan Hsin Holdings Ltd (“Shareholders”)

Dear Sir/Madam

DIRECTED DELISTING OF HUAN HSIN HOLDINGS LTD (THE “COMPANY”) PURSUANT TO RULE 1315 OF THE LISTING MANUAL AND EXIT OFFER BY PACIFIC MOMENT HOLDINGS LTD. (THE “OFFEROR”) PURSUANT TO RULES 1306 AND 1309 OF THE LISTING MANUAL

*Unless otherwise defined herein, all capitalised terms in this letter from the Company to the Shareholders (“**Company’s Letter to Shareholders**”) shall have the same meanings as attributed to them in the Exit Offer Letter.*

1. INTRODUCTION

1.1 Watch-List Status

The Company was placed on the Watch-List by the SGX-ST pursuant to Rule 1311(1) (“**Financial Entry Criteria**”) and Rule 1311(2) (“**Minimum Trading Price Entry Criteria**”) of the Listing Manual on 5 March 2014 and 5 June 2017 respectively. Pursuant to Rule 1315 of the Listing Manual, if an issuer fails to meet the requirements of Rule 1314 of the Listing Manual within 24 months of the date on which it was placed on the watch-list, the SGX-ST may either remove the issuer from the Official List, or suspend trading of the listed securities of the issuer (without agreement of the issuer) with a view to removing the issuer from the Official List, and accordingly the Company was required to meet the requirements of Rule 1314 of the Listing Manual by 4 March 2016. The Company was subsequently granted extensions of time to meet the requirements for removal from the Watch-List on 11 March 2016, 3 May 2017 and 2 March 2018. On 2 March 2018, the SGX-ST informed the Company that the extension given to the Company on 2 March 2018 to comply with the requirements for removal from the Watch-List by 4 March 2019 would be the final extension (“**Final Deadline**”).

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1.2 Delisting Notification

As the Company had informed the SGX-ST that it would not be able to meet the requirements for its removal from the Watch-List by the Final Deadline, the Company received the Delisting Notification on 19 December 2018 from the SGX-ST informing it that the SGX-ST will proceed to delist the Company pursuant to Rule 1315 of the Listing Manual.

In the Delisting Notification, the SGX-ST directed, among other things, that:

- (a) pursuant to Rule 1306 of the Listing Manual, the Company or its controlling shareholder(s) must comply with Rule 1309 of the Listing Manual, which requires the Company or its controlling shareholder(s) to provide a reasonable exit offer to Shareholders; and
- (b) trading in the Company’s securities will continue until 5.00 p.m. on 18 January 2019 and the trading will be suspended from 9.00 a.m. on 21 January 2019 until completion of the exit offer.

1.3 Joint Announcement

On 29 April 2020, the Company and the Offeror issued the Joint Announcement announcing that the Offeror had presented to the Directors the Delisting Proposal to make the Exit Offer to the Shareholders pursuant to Rules 1306 and 1309 of the Listing Manual in connection with the Delisting.

1.4 Exit Offer and Exit Offer Letter

Under the Delisting Proposal, the Offeror will make the Exit Offer in cash on the terms set out in the Exit Offer Letter. The Exit Offer Letter contains the terms of the Exit Offer made by the Offeror to acquire all the Offer Shares, including the Consideration, the Duration and Closing Date of the Exit Offer, the requirements relating to the announcement(s) of the level of acceptances of the Exit Offer, and the right of withdrawal of acceptances of the Exit Offer.

Shareholders are advised to read the terms and conditions set out in the Exit Offer Letter and/or the relevant Acceptance Form(s) carefully.

1.5 Company’s Letter to Shareholders

This Company’s Letter to Shareholders contains, among other things, information on the Company, the extract of the advice of the IFA to the Independent Directors on the Exit Offer and the recommendation of the Independent Directors to the Shareholders in relation to the Exit Offer.

Shareholders are advised to read this Company’s Letter to Shareholders including, but not limited to, the IFA Letter (as defined in paragraph 2.1 (IFA) below) carefully and in its entirety, and together with the rest of the Exit Offer Letter.

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

APPENDIX III – COMPANY’S LETTER TO SHAREHOLDERS

1.6 No Shareholders’ Approval Required

Shareholders are to note that no extraordinary general meeting of the Shareholders will be convened for the purpose of the Delisting. In addition, Shareholders’ attention is drawn to the sections headed “Compulsory Acquisition” and “Implications of Delisting for Shareholders” in paragraphs 10 and 11 of the Exit Offer Letter.

2. ADVICE OF INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

2.1. IFA

Provenance Capital Pte. Ltd. (“**Provenance Capital**”) has been appointed as the IFA to the Independent Directors. The letter from Provenance Capital setting out its advice to the Independent Directors is set out in **Annex A** to this Company’s Letter to Shareholders (“**IFA Letter**”). **Shareholders are advised to read and consider the IFA Letter in its entirety.**

2.2. IFA’s Advice

Information relating to the advice of the IFA to the Independent Directors and the key factors it has taken into consideration have been extracted from **paragraph 8 of the IFA Letter** and reproduced below, and all terms and expressions used in the extract below shall bear the same meanings as attributed to them in the IFA Letter unless otherwise stated. **Shareholders are advised to read the following extract in conjunction with and in the context of the full text of the IFA Letter. Shareholders should read and consider carefully the key considerations relied upon the IFA, in arriving at its advice to the Independent Directors.**

*“Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, we are of the view that the financial terms of the Exit Offer are fair and reasonable. Accordingly, we advise the Independent Directors to recommend the Shareholders to **ACCEPT** the Exit Offer.*

As the trading of the Shares has been suspended, Shareholders should note that pursuant to Rule 729 of the Listing Manual, there must not be any transfers of the Shares unless approved by the SGX-ST. This being so, the Exit Offer is presently the only available option to Shareholders who wish to exit their investment in the Company.

The Exit Offer is conditional upon the Minimum Acceptance Condition being fulfilled. In the event that the Exit Offer is not declared unconditional as to acceptance by the close of the Exit Offer, the Exit Offer will lapse and all acceptance tendered for the Exit Offer will be returned. We wish to highlight that in this event, the Directed Delisting will still proceed in view of the Delisting Notification by the SGX-ST.”

3. INDEPENDENT DIRECTORS’ RECOMMENDATION

The SIC had on 25 July 2019 ruled that the Relevant Directors (i.e. Mr. Hsu Hung Chun, Mr. Hsu Cheng Chien and Mr. Hsu Ming Hung) are exempted from the requirement of making a recommendation to Shareholders on the Exit Offer.

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The Independent Directors comprising Mr. Lim Hock Beng, Mr. Lau Ping Sum, Pearce and Mr. Chew Heng Ching are required to make a recommendation to Shareholders on the Exit Offer.

Notwithstanding, all the Directors (including, for the avoidance of doubt, the Relevant Directors) are jointly and severally responsible 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 Exit Offer.

The Independent Directors have reviewed the terms of the Exit Offer and have carefully considered the advice of the IFA in the IFA Letter set out in **Annex A** to this Company’s Letter to Shareholders. The Independent Directors **concur** with the advice of the IFA in respect of the Exit Offer. **Accordingly, the Independent Directors recommend that Shareholders ACCEPT the Exit Offer.**

Shareholders who wish to retain all or part of their investment in the Offer Shares are advised to take into consideration the implications of holding on to Shares in an unlisted company (as set out in paragraph 11 (*Implications of Delisting for Shareholders*) of the Exit Offer Letter).

Shareholders are advised to read the IFA Letter set out in Annex A to this Company’s Letter to Shareholders and other relevant information set out in this Company’s Letter to Shareholders and the Exit Offer Letter carefully before deciding whether to accept or reject the Exit Offer. In rendering the above opinion and giving the above recommendation, both the IFA and the Independent Directors have not had regard to the general or specific investment objectives, financial situation, 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 specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

4. DISCLOSURE OF INTERESTS OF THE INDEPENDENT FINANCIAL ADVISER

4.1. Interests of IFA in Relevant Securities in the Company

Neither the IFA, its related corporations nor any of the funds whose investments are managed by the IFA on a discretionary basis owns or controls any Relevant Securities as at the Latest Practicable Date.

4.2. Dealings in Relevant Securities by IFA

Neither the IFA, its related corporations nor any of the funds whose investments are managed by the IFA on a discretionary basis has dealt for value in the Relevant Securities during the period commencing three (3) months prior to the Joint Announcement Date and ending on the Latest Practicable Date (“**Relevant Period**”).

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5. DISCLOSURE OF INTERESTS

5.1. Interests of Directors and Substantial Shareholders in the Company

- (a) The table below sets out the interests of the Directors and Substantial Shareholders (as defined below) in the Company as at the Latest Practicable Date, as recorded in the Company’s Register of Directors’ Shareholdings and Register of Substantial Shareholders respectively.

“Substantial Shareholder” means a person who holds directly or indirectly not less than five per cent (5%) of the total number of Issued Shares.

	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾⁽²⁾	No. of Shares	% ⁽¹⁾⁽²⁾
<u>Directors</u>				
Hsu Hung Chun ⁽³⁾	–	–	75,712,234	18.93
Hsu Cheng Chien ⁽⁴⁾	500,000	0.13	75,712,233	18.93
Hsu Ming Hung	750,000	0.19	–	–
Lim Hock Beng	–	–	–	–
Lau Ping Sum, Pearce	–	–	–	–
Chew Heng Ching	–	–	–	–
<u>Substantial Shareholders (Other than Directors)</u>				
HungChun Holdings Limited ⁽³⁾	54,534,175	13.63	–	–
HungChun Assets Limited ⁽³⁾	18,178,059	4.54	–	–
Hsu Chang Yu-Mei ⁽³⁾	3,000,000	0.75	72,712,234	18.18
CCH Holdings Limited ⁽⁴⁾	54,534,175	13.63	–	–
CCH Assets Limited ⁽⁴⁾	18,178,058	4.54	–	–
Yang Yu-Lin ⁽⁴⁾	3,000,000	0.75	73,212,233	18.30
USP Group Limited	64,809,400	16.20	–	–

Notes:

- (1) The percentage of shareholding interest is calculated based on the issued share capital of 400,000,000 ordinary shares (excluding treasury shares).
- (2) The percentage figures in the above table have been rounded to the nearest two decimal places.
- (3) Mr Hsu Hung Chun is, by virtue of (i) his interest in HungChun Holdings Limited which holds 54,534,175 Shares; (ii) his interest in HungChun Assets Limited which holds 18,178,059 Shares; and (iii) his wife Mrs. Hsu Chang Yu-Mei holding 3,000,000 Shares, deemed to be a substantial shareholder of the Company. HungChun Holdings Limited and HungChun Assets Limited are companies incorporated in the British Virgin Islands and wholly-owned by Mr Hsu Hung Chun.
- (4) Mr Hsu Cheng Chien is, by virtue of (i) his direct interest of 500,000 Shares; (ii) his interest in CCH Holdings Limited which holds 54,534,175 Shares; (iii) his interest in CCH Assets Limited which holds 18,178,058 Shares; and (iv) his wife Ms. Yang Yu-Lin holding 3,000,000 Shares, deemed to be a substantial shareholder of the Company. CCH Holdings Limited and CCH Assets Limited are companies incorporated in the British Virgin Islands and wholly-owned by Mr. Hsu Cheng Chien.

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- (b) Save as disclosed in paragraph 5.1(a) of this Company’s Letter to Shareholders, none of the Directors has any direct or deemed interest in (i) Shares or securities which carry voting rights in the Company, or (ii) convertible securities, warrants, options and derivatives in respect of such Shares or securities which carry voting rights in the capital of the Company (collectively, the “**Relevant Securities**”) as at the Latest Practicable Date.
- (c) None of the Directors has dealt for value in the Relevant Securities during the Relevant Period.

5.2. Interests of the Company and the Directors in the Offeror

- (a) As at the Latest Practicable Date, the Company does not have any direct or deemed interest in the equity share capital, securities convertible into equity share capital or rights to subscribe for or options (including traded options) in respect of the equity share capital of the Offeror (collectively, the “**Offeror Securities**”), and for the purposes of this Company’s Letter to Shareholders:

“**convertible securities**” refers to securities convertible or exchangeable into new shares or existing shares in the company;

“**derivatives**” includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities;

“**options**” refers to options to subscribe for or purchase new shares or existing shares in the company; and

“**warrants**” refers to rights to subscribe for or purchase new shares or existing shares in the company.

- (b) The Company has not dealt for value in any Offeror Securities during the Relevant Period.
- (c) As at the Latest Practicable Date, the Offeror has an authorised share capital of US\$50,000 comprising 50,000 ordinary shares with a par value of US\$1.00 each, and the total issued and paid-up share capital of the Offeror is US\$2.00 comprising two (2) ordinary shares. Its current shareholders and directors are namely Mr. Hsu Hung Chun and Mr. Hsu Cheng Chien, each holding one (1) ordinary share in the Offeror. Mr. Hsu Hung Chun is also the Chairman of the Company and Mr Hsu. Cheng Chien is also the Managing Director of the Company. Please also refer to paragraph 5.1(a) of this Company’s Letter to Shareholders for further details on the shareholding interests in the Company of Mr. Hsu Hung Chun and Mr. Hsu Cheng Chien.
- (d) Save as disclosed above, as at the Latest Practicable Date, none of the Directors has any direct or deemed interest in the Offeror Securities.
- (e) None of the Directors has dealt for value in the Offeror Securities in the Relevant Period.

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5.3. Director’s Service Contracts

There (i) are no service contracts between any Director or proposed Director with the Company or any of its subsidiaries with more than 12 months to run, which the employing company cannot, within the next 12 months, terminate without payment of compensation; and (ii) were no service contracts entered into or amended between any of the Directors or proposed Director and the Company or any of its subsidiaries between the start of 6 months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

5.4. Arrangements Affecting Directors

- (a) There are no payments or other benefits which will be made or given to any Director or any director of any corporation, which is by virtue of Section 6 of the Companies Act (Chapter 50) of Singapore, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Exit Offer.
- (b) There are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Exit Offer.
- (c) Save as disclosed in this Company’s Letter to Shareholders, none of the Directors has any material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

6. GENERAL INFORMATION

The Company was incorporated in Singapore on 26 December 1995 and was listed on the Main Board of the SGX-ST on 11 June 1997. The principal activities of the Company are investment holding and the provision of services to its subsidiaries. The Group is an integrated contract manufacturer of telecommunications and electronic products.

7. DIRECTORS OF THE COMPANY

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

Name	Address	Designation
Mr. Hsu Hung Chun	1F No 16 Alley 31 Lane 743 Chung Hsiao E Rd, Sec 5 Hsin Yi Ward, Taipei, Taiwan	Chairman
Mr. Hsu Cheng Chien	1F No 14 Alley 31 Lane 743 Chung Hsiao E Rd, Sec 5 Hsin Yi Ward, Taipei, Taiwan	Managing Director
Mr. Hsu Ming Hung	10 FL No. 41 Lane 63 1st Fu-Teh Road, Hsi-Chi Cheng, Taipei, Taiwan	Executive Director
Mr. Lim Hock Beng	3 Fusionopolis Link, #06-11 Nexus @ One-North, Singapore 138543	Lead Independent Non-Executive Director

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Name	Address	Designation
Mr. Lau Ping Sum, Pearce	19 Nim Green, Seletar Hills Estate, Singapore 807614	Independent Non-Executive Director
Mr. Chew Heng Ching	38 Siglap Plain, Singapore 456027	Independent Non-Executive Director

8. REGISTERED OFFICE OF THE COMPANY

The registered office of the Company is at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896.

9. SHARE CAPITAL OF THE COMPANY

9.1. Number and Class of Shares

The Company has only one class of shares, being the Shares. The Shares are quoted and listed on the Main Board of the SGX-ST.

As at the Latest Practicable Date, the total issued and paid-up share capital of the Company is S\$151,096,603 comprising 400,000,000 Shares. There are no Shares held by the Company as treasury shares.

9.2. Rights of Shareholders

The rights of Shareholders in respect of capital, dividends and voting are contained in the Articles. The provisions in the Articles relating to the rights of the Shareholders in respect of capital, dividends and voting are set out in **Appendix IV** (*Relevant Excerpts from the Articles of Association of the Company*) to the Exit Offer Letter.

9.3. Number of Shares issued since the end of the last financial year

No new Shares have been issued by the Company since 31 December 2018, being the end of the last financial year, up to the Latest Practicable Date.

9.4. Convertible Instruments

As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, or options (whether pursuant to an employee share option scheme or otherwise) in respect of, Shares or securities which carry voting rights affecting shares in the Company.

For the avoidance of doubt, pursuant to a subscription agreement dated 24 February 2016 (as amended, supplemented and/or modified from time to time) (“**Subscription Agreement**”) between the Company, Oriental Straits Investment Limited (“**OSIL**”) and China Capital Impetus Asset Management Pte. Ltd. (“**CCIAM**”), the Company had, among other things, agreed to grant each of OSIL and CCIAM (each an “**Option Holder**”) the right but not the obligation to each subscribe for up to 454,545,455 new Shares (“**Option Shares**”) at the issue price of S\$0.022 per Option Share for up to S\$10 million upon the terms and subject to the conditions of the Subscription Agreement (each an “**Option**”). In other words, the Company had agreed to allot and issue up to an aggregate of 909,090,910

APPENDIX III – COMPANY’S LETTER TO SHAREHOLDERS

Option Shares to the Option Holders for up to S\$20 million. Pursuant to the Subscription Agreement, OSIL had, among other things, also agreed to subscribe for 909,090,909 Shares (“**Tranche 1 Subscription**”). Pursuant also to the Subscription Agreement, each Option Holder may, subject to the terms of the Subscription Agreement, exercise its Option at any time and from time to time during the 36-month period commencing from the date on which Tranche 1 Subscription is completed. The long stop date of the Subscription Agreement (“**Long Stop Date**”) was 31 December 2018, which has since elapsed. As Tranche 1 Subscription has to date not materialized and did not take place before the Long Stop Date, the Options granted to the Option Holders are no longer exercisable and are no longer relevant. Accordingly, the Company does not have any outstanding options in respect of securities which carry voting rights of the Company.

10. SUMMARY OF FINANCIAL INFORMATION

10.1. Consolidated Statement of Comprehensive Income

A summary of the audited consolidated statements of comprehensive income of the Group for the financial years ended 31 December 2016 (“**FY2016**”), 31 December 2017 (“**FY2017**”) and 31 December 2018 (“**FY2018**”), and a summary of the unaudited consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2019 (“**FY2019**”) are set out below.

SUMMARY OF AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR FY2016, FY2017 AND FY2018

(\$'000)	<----- Audited ----->		
	FY2018	FY2017	FY2016
Revenue	15,747	24,356	52,575
Other operating income	15,111	2,405	66,556
Changes in inventories of finished goods and work-in-progress	(907)	(1,312)	(17,664)
Raw material and consumables used	(7,389)	(12,826)	(32,183)
Impairment losses	(93)	(833)	(670)
Employee benefits expenses	(9,587)	(13,503)	(26,356)
Depreciation and amortisation expense	(2,277)	(2,631)	(3,774)
Other operating expenses	(9,966)	(12,584)	(19,450)
Share of profit/(loss) of associate	4	(67)	(402)
Finance costs	(3,504)	(3,593)	(5,015)
(Loss)/Profit before income tax	(2,861)	(20,588)	13,617
Income tax	393	–	(3,833)
(Loss)/Profit for the year, representing (loss)/profit attributable to owners of the Company	(2,468)	(20,588)	9,784
(Loss)/Profit per share (cents) Basic and fully diluted	(0.62)	(5.15)	2.45

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SUMMARY OF AUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE GROUP FOR FY2016, FY2017 AND FY2018

(S\$'000)	<----- Audited ----->		
	FY2018	FY2017	FY2016
(Loss)/Profit for the year	(2,468)	(20,588)	9,784
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss			
Net fair value gain on investments in equity instruments designated as at FVTOCI	1,996	—	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(1,079)	8,544	(13,225)
Reclassification adjustments relating to the net assets of foreign operations disposed during the year	—	—	5,328
	917	8,544	(7,897)
Total comprehensive (loss)/income for the year, representing total comprehensive (loss)/income attributable to owners of the Company	(1,551)	(12,044)	1,887

SUMMARY OF UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE GROUP FOR FY2019

(S\$'000)	UNAUDITED FY2019
Revenue	11,194
Other operating income	4,065
Changes in inventories of finished goods and work-in-progress	(705)
Raw material and consumables used	(5,467)
Impairment losses	(52)
Employee benefits expenses	(6,371)
Depreciation and amortisation expense	(1,693)
Other operating expenses	(9,094)
Share of loss of associate	(67)
Finance costs	(3,547)
Loss before income tax	(11,737)
Income tax	(11)
Loss for the year, representing loss attributable to owners of the Company	(11,748)
Loss per share (cents) Basic and fully diluted	(2.94)

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SUMMARY OF UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE GROUP FOR FY2019

(S\$'000)	UNAUDITED FY2019
Loss for the year	(11,748)
Other comprehensive income/(loss):	
Items that will not be reclassified subsequently to profit or loss:	
Net fair value gain on investments in equity instruments designated as at FVTOCI	13,590
Items that may be reclassified subsequently to profit or loss:	
Exchange differences on translation of foreign operations	1,811
Total comprehensive income/(loss) for the year, representing total comprehensive (income/(loss)) attributable to owners of the Company	3,653

The above summary of financial information should be read together with the audited financial statements of the Company for the relevant years, the unaudited consolidated financial statements of the Group for the relevant year, and related notes thereto, copies of which are available for inspection at the office of the Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, during normal business hours⁽¹⁾.

Note:

- (1) Due to the outbreak of the Coronavirus Disease 2019 (COVID-19) in Singapore, the Share Registrar's normal business hours is temporarily 9 a.m. to 4 p.m. daily (excluding weekends and public holidays) due to precautionary measures taken in response to the outbreak.

The audited consolidated financial statements of the Group for FY2018 are set out in **Appendix V** (*Audited Financial Statements of the Group for the Financial Year Ended 31 December 2018*). The unaudited consolidated financial statements for the Group for FY2019 are set out in **Appendix VI** (*Unaudited Financial Statements of the Group for the Financial Year Ended 31 December 2019*).

10.2. Statement of Financial Position

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

	Group			Company		
	31 December 2019 \$'000 (Unaudited)	31 December 2018 \$'000 (Audited)	31 December 2017 \$'000 (Audited)	31 December 2019 \$'000 (Unaudited)	31 December 2018 \$'000 (Audited)	31 December 2017 \$'000 (Audited)
ASSETS						
Current assets						
Cash and bank balances	2,074	6,439	2,412	33	36	33
Trade receivables	1,725	3,588	7,606	–	–	–
Other receivables, deposits and prepayments	1,468	10,515	1,881	102	101	103
Inventories	2,247	3,489	4,083	–	–	–
Non-current assets classified as held for sale	–	–	4,363	–	–	–
Total current assets	7,514	24,031	20,345	135	137	136

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	←----- Group -----→			←----- Company -----→		
	31 December 2019 \$'000 (Unaudited)	31 December 2018 \$'000 (Audited)	31 December 2017 \$'000 (Audited)	31 December 2019 \$'000 (Unaudited)	31 December 2018 \$'000 (Audited)	31 December 2017 \$'000 (Audited)
Non-current assets						
Associate	674	759	780	–	–	–
Right-of-use asset	443	–	–	–	–	–
Financial assets at fair value through other comprehensive income	47,247	34,087	–	–	–	–
Available-for-sale investments	–	–	22,988	–	–	–
Land use rights	4,051	4,278	4,046	–	–	–
Property, plant and equipment	12,621	14,471	21,103	–	–	–
Total non-current assets	65,036	53,595	48,917	–	–	–
Total assets	72,550	77,626	69,262		137	136
LIABILITIES AND EQUITY						
Current liabilities						
Trade payables	1,867	4,213	6,543	–	–	–
Other payables and accruals	26,025	24,045	25,879	11	11	110
Lease liability	70	–	–	–	–	–
Borrowings	22,005	42,071	37,655	–	–	–
Income tax payable	197	202	605	–	–	–
Total current liabilities	50,164	70,531	70,682	11	11	110
Non-current liability						
Lease liability	300	–	–	–	–	–
Borrowings	93,129	81,791	80,366	–	–	–
Capital, reserves and non-controlling interests						
Share capital	151,097	151,097	151,097	151,097	151,097	151,097
Capital reserve	54,955	54,772	54,772	–	–	–
Translation reserves	(16,652)	(18,463)	(17,384)	1,002	1,005	1,009
Legal reserves	25,209	30,356	30,356	–	–	–
Fair value reserves	23,243	9,653	–	–	–	–
Accumulated losses	(308,895)	(302,111)	(300,627)	(151,975)	(151,976)	(152,080)
(Capital deficiency) Equity attributable to owners of the Company	(71,043)	(74,696)	(81,786)	124	126	26
Total liabilities (net of capital deficiency) and equity	72,550	77,626	69,262	135	137	136

The above summary of financial information should be read together with the unaudited financial statements of the Group for FY2019, the audited financial statements of the Group for FY2017 and FY2018, and the related notes thereto, copies of which are available for inspection at the office of the Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, during normal business hours⁽¹⁾ for the period for which the Exit Offer remains open for acceptance.

Note:

- (1) Due to the outbreak of the Coronavirus Disease 2019 (COVID-19) in Singapore, the Share Registrar’s normal business hours is temporarily 9 a.m. to 4 p.m. daily (excluding weekends and public holidays) due to precautionary measures taken in response to the outbreak.

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10.3. Significant Accounting Policies

A summary of the significant accounting policies of the Group is set out in Note 2 to the audited consolidated financial statements of the Group for FY2018, which are set out in **Appendix V** (*Audited Financial Statements of the Group for the Financial Year Ended 31 December 2018*) to the Exit Offer Letter.

10.4. Change in Accounting Policies

As at the Latest Practicable Date, there is no change in the accounting policy of the Group which will cause the figures as disclosed in this Company’s Letter to Shareholders not to be comparable to a material extent.

11. DISPOSAL OF LAND AND BUILDINGS BY SHANDONG DONG HSIN ELECTRONICS CO., LTD (山东东鑫电子有限公司) – A WHOLLY OWNED SUBSIDIARY OF THE COMPANY

11.1. Background relating to the Proposed Disposal

On 22 November 2018, the Company announced the proposed disposal of land use rights (“**LURs**”) and buildings on top of a parcel of land with an area of 118,855 square meters, located at Shenyang Middle Road No. 911, Zhangcunzhen, Weihai City, Shandong Province, the People’s Republic of China (the “**Land**”), by the Company’s wholly-owned subsidiary, Shandong Dong Hsin Electronics Co., Ltd (山东东鑫电子有限公司) (“**Seller**”) (the “**Proposed Disposal Announcement**”).

As stated in the Proposed Disposal Announcement, the Seller had entered into a tripartite state-owned land use right recovery agreement (“**Recovery Agreement**”) (国有建设用地使用权收回协议书) with the Weihai Bureau of Land and Resources (威海市国土资源局) (“**Land Authority**”) and the People’s Government of Zhangcunzhen, Huan Cui district, Weihai City (威海市环翠区张村镇人民政府) (“**Village Government**”) (collectively, the “**Purchasers**” and each a “**Purchaser**”) pursuant to which the Seller agreed to sell, and the Land Authority agreed to purchase, the following:

- (a) LURs in relation to the Land;
- (b) The buildings and structures located on the Land with a total gross floor area of 35,178.42 square metres, comprising the following:
 - (i) two buildings which have been issued with property ownership certificates: (1) a building with a registered total floor area of 3,772.08 square metres (鲁 (2017) 威海市不动产权第 0056504 号); (2) a building with a registered total floor area of 8,182.93 square meters (鲁 (2017) 威海市不动产权第 0056971 号); and
 - (ii) all remaining buildings and structures which have not been registered with property ownership certificates, as well as other ancillary facilities located within the boundaries of the Land (the “**Unregistered Property**”),

(the LURs to the Land together with the Buildings are collectively referred to as the “**Property**”, and such sale and purchase, the “**Proposed Disposal**”)

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11.2. Proposed Disposal constitutes a Major Transaction

As stated in the Proposed Disposal Announcement, as the relative figures in respect of the Proposed Disposal computed under Rule 1006(c) of the Listing Manual exceed 20%, the Proposed Disposal constitutes a “major transaction” as defined under Chapter 10 of the Listing Manual.

The Company had accordingly announced the information required under Rule 1010 of the Listing Manual pertaining to the Proposed Disposal in the Proposed Disposal Announcement. A copy of the Proposed Disposal Announcement is annexed hereto at **Appendix VII** (*Announcement dated 22 November 2018 in respect of the Proposed Disposal*).

Pursuant to Rule 1014(2) of the Listing Manual, the Proposed Disposal was also conditional upon the approval of shareholders being obtained at an extraordinary general meeting (“EGM”) to be convened unless such condition is waived by the SGX-ST.

11.3. Waiver from the requirement to seek Shareholders’ approval for the Proposed Disposal

As announced by the Company on 1 March 2019, the Company had applied to the SGX-ST for a waiver (“EGM Waiver”) from having to comply with Rule 1014(2) of the Listing Manual to seek shareholders’ approval for the Proposed Disposal (“EGM Waiver Application”), and the SGX-ST had indicated in its letter dated 1 March 2019 (“SGX-ST 1 March 2019 Letter”) that, among other things, the EGM Waiver Application will be rejected unless there is a reasonable cash exit offer to minority shareholders.

As announced by the Company on 6 March 2020, the SGX-ST had informed the Company by way of its letter dated 5 March 2020 (“SGX-ST 5 March 2020 Letter”) that, as a follow up to the SGX-ST 1 March 2019 Letter, the SGX-ST has no objections to the Company’s application for the EGM Waiver with regard to compliance with Rule 1014(2) of the Listing Manual in respect of the Proposed Disposal, subject to the following:

- (i) The Company announcing the EGM Waiver granted, the reasons for seeking the EGM Waiver, the conditions as required under Rule 107 of the Listing Manual, and if the EGM Waiver conditions are satisfied. If the EGM Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met; and
- (ii) The Company and/or its controlling shareholders providing a reasonable cash exit offer to the minority shareholders. For the purpose of satisfying this condition, the Exit Offer Price must be S\$0.016 in cash for each share as previously proposed and submitted by the Company and the Offeror to the SGX-ST.

With respect to paragraph 11.3(i), the Company had announced the reasons for seeking the EGM Waiver in its announcement on 6 March 2020. A copy of the said announcement is annexed hereto at **Appendix VIII** (*Announcement dated 6 March 2020 in respect of Various Approvals granted by the SGX-ST*).

With respect to paragraph 11.3(ii), the Offeror is making the Exit Offer to acquire all the Offer Shares at the Exit Offer Price of S\$0.016 per Offer Share. Please refer to paragraph 3 (*Terms of the Exit Offer*) of the Exit Offer Letter for further details on the terms of the Exit Offer.

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11.4. Extent to which Proposed Disposal was taken into account

As stated in the Proposed Disposal Announcement, the consideration payable to the Seller (i.e. the Company’s wholly-owned subsidiary) is RMB92,423,777.00 (or approximately S\$18,484,755.00). The Company will receive RMB92,300,000.00 after deducting the relevant expenses.

The Company has to date received RMB89,300,000 from the Purchasers and expects to receive the remaining RMB3,000,000 in or around July 2020.

As the Proposed Disposal was deemed to be completed under the laws of the People’s Republic of China, the Company had recognised the gains from the Proposed Disposal and the Proposed Disposal has been taken into account in the computation of the audited financial statements for FY2018. The audited consolidated financial statements of the Group for FY2018 are set out in **Appendix V** (*Audited Financial Statements of the Group for the Financial Year Ended 31 December 2018*).

12. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in publicly available information on the Company (including but not limited to announcements released by the Company in respect of its financial results), as at the Latest Practicable Date, there have been no known material changes in the financial position of the Group since 31 December 2018, being the date to which the Company’s last published audited accounts were made up.

13. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Save as disclosed in the Company’s annual reports, any publicly available information on the Company and **Appendix IX** (*Material Contracts with Interested Persons*) to the Exit Offer Letter, neither the Company nor any of its subsidiaries has entered into material contracts (not being contracts entered into in the ordinary course of business of the Group) with Interested Persons (as defined below), during the period commencing three (3) years prior to the Joint Announcement Date and ending on the Latest Practicable Date.

For the avoidance of doubt, the material contracts disclosed under **Appendix IX** (*Material Contracts with Interested Persons*) pertain to transactions entered into by the Group and the subsidiaries of Da Hui Ltd (“**Da Hui**”, and together with its subsidiaries, the “**Da Hui Group**”). Please also refer to the Company’s announcement dated 14 October 2019 on SGXNet entitled “*Responses to Queries from Singapore Exchange Securities Trading Limited on certain Interested Person Transactions*”.

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

- (a) a director, chief executive officer or substantial shareholder of the company;
- (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company;
- (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;

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- (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.

14. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the Company or its subsidiaries are engaged in any material litigation, either as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group taken as a whole, and the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries, or any facts likely to give rise to any litigation, claims or proceedings which might materially and/or adversely affect the financial position of the Company or the Group taken as a whole.

15. EXEMPTION RELATING TO DIRECTORS’ RECOMMENDATION

As stated in paragraph 1 (*Directors of the Offeror*) and paragraph 3 (*Share Capital of the Offeror*) of **Appendix II** (*Further Information on the Offeror and the Parties Acting in Concert with It*), Mr. Hsu Hung Chun and Mr. Hsu Cheng Chien are directors and shareholders of the Offeror, with each of them holding one (1) ordinary share in the Offeror.

As stated in paragraph 8.2 (*Concert Parties*) of the Exit Offer Letter:

- (a) Mr. Hsu Hung Chun is also the Chairman and a shareholder of the Company and the brother of Mr. Hsu Cheng Chien;
- (b) Mr. Hsu Cheng Chien is also the Managing Director and a shareholder of the Company, and the brother of Mr. Hsu Hung Chun; and
- (c) Mr. Hsu Ming Hung is an Executive Director of the Company and the nephew of Mr. Hsu Hung Chun and Mr. Hsu Cheng Chien.

The SIC ruled on 25 July 2019 that the Relevant Directors are exempted from the requirement to make a recommendation on the Exit Offer to the Shareholders as the Relevant Directors, being persons who are acting or deemed to be acting in concert with the Offeror based on their relationships above, face irreconcilable conflicts of interests in doing so. Nonetheless, the Relevant Directors must still assume responsibility for the accuracy of the facts stated and opinions expressed in documents and advertisements issued by or on behalf of the Company in connection with the Exit Offer.

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16. DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors (including any Director who may have delegated detailed supervision of this Company’s Letter to Shareholders) have taken all reasonable care to ensure that the facts stated and opinions expressed (other than those relating to the Offeror, the Exit Offer, the IFA, the IFA Letter set out in **Annex A** to this Company’s Letter to Shareholders and the recommendation of the Independent Directors to Shareholders) are fair and accurate and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions expressed in this Company’s Letter to Shareholders have been arrived at after due and careful consideration, this Company’s Letter to Shareholders constitutes full and true disclosure of all material facts which relate to the Group in the context of the Exit Offer and that no material facts have been omitted from this Company’s Letter to Shareholders, the omission of which would make any statement in this Company’s Letter to Shareholders misleading. In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are fair and accurate. The recommendation of the Independent Directors to Shareholders set out in paragraph 3 (*Independent Directors’ Recommendation*) of this Company’s Letter to Shareholders is the sole responsibility of the Independent Directors. Where any information in this Company’s Letter to Shareholders (other than the IFA Letter) has been extracted or reproduced from published or publicly available sources or obtained from the Offeror or the IFA, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Company’s Letter to Shareholders. The Directors jointly and severally accept responsibility accordingly.

17. CONSENT

17.1. Consent from IFA

The IFA to the Independent Directors in connection with the Exit Offer, Provenance Capital, has given and has not withdrawn its written consent to the issue of the Exit Offer Letter (including this Company’s Letter to Shareholders and the IFA Letter) with the inclusion of its name and all references to its name in the form and context in which they appear in this Exit Offer Letter (including this Company’s Letter to Shareholders and the IFA Letter).

17.2. Consent from Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd.

Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. has given and has not withdrawn its written consent to the issue of the Exit Offer Letter (including the Company’s Letter to Shareholders, the IFA Letter and the extract of its valuation report dated 31 March 2019 together with its letter to the board of Directors of the Company dated 27 March 2020 in respect of its updated valuation as at 31 December 2019 as set out in **Appendix X** to this Exit Offer Letter) with the inclusion of its name and all references thereto in the form and context in which they appear in this Exit Offer Letter.

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17.3. Consent from HENRY BUTCHER MALAYSIA (KEDAH) SDN. BHD.

HENRY BUTCHER MALAYSIA (Kedah) Sdn. Bhd., has given and has not withdrawn its written consent to the issue of this Exit Offer Letter (including the Company’s Letter to Shareholders, the IFA Letter and the executive summary of its valuation report dated 31 March 2019 together with its letter dated 31 December 2019 in respect of its updated valuation as set out in **Appendix XI** to this Exit Offer Letter) with the inclusion of its name and all references thereto in the form and context in which they appear in this Exit Offer Letter.

17.4. Consent from ADEAL Financial Consult Corporation Limited (宏达创新财务顾问股份有限公司)

ADEAL Financial Consult Corporation Limited (宏达创新财务顾问股份有限公司) has given and has not withdrawn its written consent to the issue of this Exit Offer Letter (including the Company’s Letter to Shareholders, the IFA Letter and the translated copies of its two valuation reports (with each of the original valuation report (in mandarin) dated 30 June 2019, each translated into English on 30 October 2019 and each accompanied by an addendum in respect of an updated valuation as at 31 December 2019 as set out respectively in **Appendix XII and Appendix XIII** to this Exit Offer Letter) with the inclusion of its name and all references thereto in the form and context in which they appear in this Exit Offer Letter.

17.5. Consent from Share Registrar

The Company’s share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., has given and has not withdrawn its written consent to the issue of the Exit Offer Letter (including this Company’s Letter to Shareholders) with the inclusion of its name and all references thereto in the form and context in which they appear in the Exit Offer Letter (including this Company’s Letter to Shareholders).

18. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the office of the Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, during normal business hours⁽¹⁾ for the period for which the Exit Offer remains open for acceptance:

- (a) the Joint Announcement;
- (b) the IFA Letter as set out in Annex A of this Company’s Letter to Shareholders;
- (c) the valuation report of Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. dated 31 March 2019 together with its letter to the board of Directors of the Company dated 27 March 2020 in respect of its updated valuation as at 31 December 2019;
- (d) the valuation report of HENRY BUTCHER MALAYSIA (Kedah) Sdn. Bhd. dated 31 March 2019 together with its letter dated 31 December 2019 in respect of its updated valuation;

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- (e) the translated valuation report of ADEAL Financial Consult Corporation Limited (宏达创新财务顾问股份有限公司) on Smart Idea Holdings Limited dated 30 June 2019 and translated on 30 October 2019 and an addendum in respect of its updated valuation as at 31 December 2019;
- (f) the translated valuation report of ADEAL Financial Consult Corporation Limited (宏达创新财务顾问股份有限公司) on Taiwan Flower Biotechnology Limited (台湾花卉生物技术股份有限公司) dated 30 June 2019 and translated on 30 October 2019 and an addendum in respect of its updated valuation as at 31 December 2019;
- (g) the Articles of the Company;
- (h) the annual reports of the Company for FY2016, FY2017 and FY2018;
- (i) the unaudited consolidated financial statements of the Group for FY2019; and
- (j) the letters of consent referred to in paragraph 17 (*Consent*) of this Company’s Letter to Shareholders.

Note:

- (1) Due to the outbreak of the Coronavirus Disease 2019 (COVID-19) in Singapore, the Share Registrar’s normal business hours is temporarily 9 a.m. to 4 p.m. daily (excluding weekends and public holidays) due to precautionary measures taken in response to the outbreak.

19. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Exit Offer Letter and its Appendices.

Yours faithfully

For and on behalf of
the Board of Directors of
HUAN HSIN HOLDINGS LTD

Lim Hock Beng
Lead Independent Director
14 May 2020

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PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

14 May 2020

To: The Independent Directors of Huan Hsin Holdings Ltd
(deemed to be independent in respect of the Exit Offer)

Mr Lim Hock Beng (Lead Independent Non-Executive Director)
Mr Lau Ping Sum, Pearce (Independent Non-Executive Director)
Mr Chew Heng Ching (Independent Non-Executive Director)

Dear Sirs,

EXIT OFFER PURSUANT TO THE DIRECTED DELISTING OF HUAN HSIN HOLDINGS LTD

Unless otherwise defined or the context otherwise requires, all terms used herein shall have the same meanings as attributed to them in the Exit Offer Letter and the Company's Letter to Shareholders dated 14 May 2020.

1. INTRODUCTION

- 1.1 Huan Hsin Holdings Ltd ("**Company**") and together with its subsidiaries, the "**Group**") is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Company had, *inter alia*, been placed on the watch-list ("**Watch-List**") since 5 March 2014 pursuant to Rule 1311 of the listing manual ("**Listing Manual**") of the SGX-ST and had not been able to meet the exit criteria for removal from the Watch-List within the deadline stipulated by the SGX-ST.

On 19 December 2018, the Company announced that it had, on that date, received a notification of delisting ("**Delisting Notification**") from the SGX-ST that, *inter alia*, the SGX-ST will proceed to delist the Company pursuant to Rule 1315 of the Listing Manual ("**Directed Delisting**") and the Company or its controlling shareholder(s) is to provide a reasonable exit offer ("**Exit Offer**") to shareholders of the Company ("**Shareholders**") pursuant to Rules 1306 and 1309 of the Listing Manual.

Trading in the Company's securities had been suspended from 9 a.m. on 21 January 2019 (Monday) ("**Suspension Date**") and will remain suspended until the completion of the Exit Offer, following which the Company will be officially delisted from the SGX-ST.

Since late 2018, *inter alia*, the Company had sought waiver from the SGX-ST for a Shareholders' approval at an EGM ("**EGM Waiver**") in relation to a past disposal of land and buildings as a major transaction under Chapter 10 of the Listing Manual in view of, among other reasons, the Delisting Notification. On 5 March 2020, the SGX-ST gave its no objection to the Company's application for the EGM Waiver subject to, *inter alia*, the Company and/or its controlling Shareholders providing a reasonable cash exit offer to minority Shareholders. For the purpose of satisfying this condition, the Exit Offer Price must be S\$0.016 in cash for each Share as previously proposed and submitted by the Company and the Offeror to the SGX-ST.

- 1.2 On 29 April 2020 ("**Joint Announcement Date**"), the Company and Pacific Moment Holdings Ltd. ("**Offeror**") jointly announced ("**Joint Announcement**") that the Offeror had presented to the directors of the Company ("**Directors**") a formal proposal to make the Exit Offer ("**Delisting Proposal**").

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Under the Delisting Proposal, the Offeror will make the Exit Offer to acquire all the issued and paid-up ordinary shares in the capital of the Company ("**Shares**") (excluding treasury shares), other than those Shares already held directly or indirectly by the Offeror as at the date of the Exit Offer ("**Offer Shares**"), in accordance with Section 139 of the Securities and Futures Act (Chapter 289) of Singapore and the Singapore Code on Take-overs and Mergers ("**Code**"), at the offer price of S\$0.016 in cash for each Offer Share ("**Exit Offer Price**"). As at the Joint Announcement Date, as the Company does not have any treasury shares and the Offeror does not hold any of the Shares, the Exit Offer is effectively made for all the Offer Shares.

The Offeror is a special purpose vehicle jointly owned by the Hsu brothers, namely Mr Hsu Hung Chun and Mr Hsu Cheng Chien. As at the Joint Announcement Date, the Offeror does not own any Shares. Mr Hsu Hung Chun is the Chairman of the Company, and also the President and founder of the Group. Mr Hsu Cheng Chien is the Managing Director of the Company. The Hsu family comprising the Hsu brothers, their spouses and their nephew, Mr Hsu Ming Hung ("**Hsu Family**") owns, directly and indirectly, 152,674,467 Shares as at the Joint Announcement Date, representing 38.17% of the total number of issued Shares comprising 400,000,000 Shares. The Hsu Family is the single largest Shareholder and each of them is deemed acting in concert with the Offeror ("**Concert Parties**").

In connection with the Exit Offer, the Offeror has received irrevocable undertakings ("**Irrevocable Undertakings**") from the Hsu Family to (i) tender all the Offer Shares held by them in acceptance of the Exit Offer; and (ii) unconditionally waive their rights under Rule 30 of the Code to receive any cash settlement or payment in respect of all their Offer Shares that are tendered in acceptance of the Exit Offer.

The Exit Offer is conditional upon the Offeror receiving acceptances in respect of the Offer Shares which, together with Shares owned, controlled or agreed to be acquired before or during the Exit Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company as at the close of the Exit Offer ("**Minimum Acceptance Condition**").

In the event that the Minimum Acceptance Condition is not fulfilled, the Exit Offer will lapse and all acceptances to the Exit Offer will be returned. However, the Directed Delisting will still proceed in view of the Delisting Notification by the SGX-ST. In such an event, Shareholders will hold shares in an unlisted public company.

Shareholders should also note that Shareholders' approval is not required for the Directed Delisting by the SGX-ST pursuant to the Delisting Notification.

- 1.3** Pursuant to Rule 1309 of the Listing Manual, the Company has appointed Provenance Capital Pte. Ltd. ("**Provenance Capital**") as the independent financial adviser ("**IFA**") to the Directors who are considered independent for the purposes of the Exit Offer ("**Independent Directors**") for the purpose of making their recommendation to Shareholders in respect of the Exit Offer.

Mr Hsu Hung Chun (Chairman), Mr Hsu Cheng Chien (Managing Director) and Mr Hsu Ming Hung (Executive Director) are parties acting in concert with the Offeror as mentioned above in Section 1.2.

The Company had made an application to the Securities Industry Council ("**SIC**") and the SIC had, on 25 July 2019, ruled, *inter alia*, that Mr Hsu Hung Chun, Mr Hsu Cheng Chien and Mr Hsu Ming Hung are exempted from the requirement of making a recommendation to Shareholders on the Exit Offer as they face irreconcilable conflicts of interest being concert parties of the Offeror.

The Company has confirmed that the remaining directors of the Company ("**Directors**"), namely Mr Lim Hock Beng (Lead Independent Non-Executive Director), Mr Lau Ping Sum, Pearce (Independent Non-Executive Director) and Mr Chew Heng Ching (Independent Non-Executive Director) are considered as Independent Directors for the purpose of the Exit Offer.

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This letter ("**Letter**") is required under Rule 1309 of the Listing Manual as well as addressed to the Independent Directors. It sets out, *inter alia*, our evaluation and advice on the financial terms of the Exit Offer and our recommendations thereon. This Letter is attached as Annex A to the Company's Letter to Shareholders which also contains the recommendations of the Independent Directors on the Exit Offer.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA pursuant to Rule 1309 of the Listing Manual as well as to advise the Independent Directors on the Exit Offer.

We have confined our evaluation and assessment to the financial terms of the Exit Offer, and have not taken into account the commercial risks or commercial merits of the Exit Offer. In addition, we have not been requested, and we do not express any advice or give any opinion on the merits of the Exit Offer relative to any other alternative transaction. We were not involved in the negotiations pertaining to the Exit Offer nor were we involved in the deliberations leading up to the decision to put forth the Exit Offer to Shareholders.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group, or express, and we do not express, a view on the future growth prospects, financial position, value and earnings potential of the Company and/or the Group. Such review or comments remain the responsibility of the Directors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in the Letter. The opinion set forth herein is based solely on publicly available information as well as information provided by the Directors, and is predicated upon the economic and market conditions prevailing as at 7 May 2020 ("**Latest Practicable Date**"). This Letter therefore does not reflect any projections on the future financial performance of the Company and/or the Group.

We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares. In that regard, we have not addressed the relative merits of the Exit Offer in comparison with any alternative transaction that the Company may consider in the future. Therefore, we do not express any views in these areas in arriving at our recommendation.

In formulating our opinion and recommendation, we have held discussions with the Directors and the management of the Company ("**Management**") and have relied to a considerable extent on the information set out in the Exit Offer Letter, the Company's Letter to Shareholders, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Company and its other professional advisers. Whilst care has been exercised in reviewing the information we have relied upon, we have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We nonetheless have made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

The Directors have confirmed, having made all reasonable enquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Exit Offer, the Company and the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group stated in the Company's Letter to Shareholders to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein. Accordingly, no representation or warranty,

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expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

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). However, in connection with the Exit Offer, the Company had commissioned various independent valuers ("**Valuers**") to carry out independent valuations of the major non-current assets of the Group, namely the land use rights, leasehold land and buildings ("**Properties**") and financial assets which are stated at fair value through other comprehensive income ("**Financial Assets at FVTOCI**").

Valuation of the Properties and Financial Assets at FVTOCI were initially prepared and completed in March 2019 in anticipation of the Exit Offer. As the Exit Offer was delayed and subsequently finalised in April 2020, the Company had obtained updated valuations in the interim period, the latest being the valuation on these assets as at 31 December 2019, after taking into consideration the Group's latest unaudited results announcement for the financial year ended 31 December 2019 ("**FY2019**").

We note that there was no change in the valuation amounts for the Properties from March 2019 to 31 December 2019 but the valuation amount of the Financial Assets at FVTOCI had increased from March 2019 to 31 December 2019, based on the respective updated valuation letters. For the purpose of our evaluation of the revaluation surpluses/deficits arising from the valuation of the Properties and Financial Assets at FVTOCI, we have based our assessment on the latest updated valuation of these assets as at 31 December 2019.

A summary of the valuation exercises carried out by the Valuers is set out below:

	Brief description of the assets being revalued	Valuer	Date of valuation	Date of valuation report
1.	Industrial properties located in the People's Republic of China (" PRC ")	Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd (" Cushman & Wakefield ")	Full valuation done on 31 March 2019, with updated valuation last done on 31 December 2019	Full valuation report dated 31 March 2019, and latest update letter dated 27 March 2020
2.	Factory located at Plot No. 3, Jalan Satu, Kawasan Perusahaan Bakar Arang, 08000 Sungai Petani, Kedah, Malaysia	Henry Butcher Malaysia (Kedah) Sdn. Bhd. (" Henry Butcher ")	Full valuation done on 14 March 2019, with updated valuation last done on 31 December 2019	Full valuation report dated 31 March 2019, and latest update letter dated 31 December 2019
3.	Financial Assets at FVTOCI, being investments in unquoted shares in 2 Taiwanese companies	ADEAL Financial Consult Corporation Limited, based in Taipei, Republic of China  宏達創新財務顧問股份有限公司 (" ADEAL ")	Full valuation done on 31 March 2019 and 30 June 2019, with updated valuation last done on 31 December 2019	Full valuation reports dated 17 April 2019 and 1 August 2019, and latest update letter received by the Company on 25 March 2020 ⁽¹⁾

Note:

- (1) As the valuation reports and update letter from ADEAL were written in Chinese, the Company had commissioned an independent third party to translate these documents in English.

We have been furnished with the above valuation reports and update letters of the Valuers, and the English translated version of the reports/letters, where applicable (collectively "**Valuation Reports**"), details of which are attached in Appendices X, XI, XII and XIII to the Exit Offer Letter.

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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 appraisals and have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation contained in the Valuation Reports or if the contents thereof have been prepared and/or included in the Exit Offer Letter in accordance with all applicable regulatory requirements including the Code.

The information we had relied on in the assessment of the Exit Offer was based on market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date, which may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or assumptions contained herein. Shareholders should take note of any announcements relevant to their consideration of the Exit Offer which may be released after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we have not had regard to the specific investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any Shareholder. As each Shareholder may have different investment profiles and objectives, we advise the Directors to recommend that any Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Offeror and the Company have been advised by their own professional advisers in the preparation of the Exit Offer Letter and the Company's Letter to Shareholders respectively. We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review or verification of these documents. Accordingly, we take no responsibility for and express no view, whether expressed or implied, on the contents of these documents.

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

We have prepared this Letter as required under Rule 1309 of the Listing Manual as well as addressed to the Independent Directors for their benefit and deliberation of the Exit Offer. The recommendations made to the Shareholders in relation to the Exit Offer shall remain the responsibility of the Independent Directors.

Our recommendation to the Independent Directors in relation to the Exit Offer should be considered in the context of the entirety of this Letter and the Exit Offer Letter.

3. THE EXIT OFFER

The detailed terms and conditions of the Exit Offer are set out in Section 3 of the Exit Offer Letter. The key terms of the Exit Offer are set out below for your reference:

3.1 Exit Offer Price

The Exit Offer Price for each Offer Share is **S\$0.016** in cash.

The Offeror has stated that it does not intend to revise the Exit Offer Price, save in a competitive situation. Therefore, in accordance with Rule 20.2 of the Code, save in a competitive situation, the Offeror will not be allowed to subsequently amend the terms of the Offer, including the Exit Offer Price, in any way.

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3.2 Offer Shares

The Exit Offer is extended to all the Shares (excluding treasury shares), other than those Shares already held directly or indirectly by the Offeror as at the date of the Exit Offer. Shareholders may accept the Exit Offer in full or in part of their holdings of the Offer Shares.

As at the Joint Announcement Date, the Company does not have any treasury shares and the Offeror does not hold any of the Shares. Accordingly, the Exit Offer is effectively made for all the Offer Shares.

3.3 No Encumbrances

The Offer Shares will be acquired (a) fully paid; (b) free from all Encumbrances (as defined in the Exit Offer Letter); and (c) together with all rights, benefits and entitlements attached thereto as at the Joint Announcement Date and thereafter attaching thereto, including all voting rights and the right to receive and retain all dividends, rights, return of capital and/or other distributions ("**Distribution**") (if any) which may be announced, declared, paid or made by the Company on or after the Joint Announcement Date.

Accordingly, if any Distribution is declared, paid or made by the Company on or after the Joint Announcement Date to a Shareholder who accepts or has accepted the Exit Offer ("**Accepting Shareholder**"), and the settlement date in respect of the Offer Shares tendered in acceptance of the Exit Offer falls after the books closure date for the determination of entitlements to such Distribution, the Exit Offer Price for each Offer Share shall be reduced by the amount of such Distribution in respect of each Share ("**Adjusted Exit Offer Price**") and the Offeror shall pay the Accepting Shareholder the Adjusted Exit Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

Since the Joint announcement Date and up to the Latest Practicable Date, the Company has not made or declared any Distribution.

3.4 Minimum Acceptance Condition

The Exit Offer is conditional upon the Offeror having received, by the close of the Exit Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Exit Offer and pursuant to the Exit Offer or otherwise), will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of the total voting rights attributable to the issued share capital of the Company as at the close of the Exit Offer.

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

In the event that the Minimum Acceptance Condition is not fulfilled, the Company will still be mandatorily delisted from the Official List of the SGX-ST. The Exit Offer will lapse and all acceptances for the Exit Offer will be returned. In such an event, Shareholder will hold shares in an unlisted public company.

3.5 Duration and Closing Date

The Exit Offer will remain open for acceptance by Shareholders for a period of 28 days after the date of despatch of the Exit Offer Letter to Shareholders.

Although no extension of the Exit Offer is currently contemplated by the Offeror, if the Exit Offer is extended, an announcement will be made of such extension, and the Exit Offer will remain open for acceptance for such period as may be announced by the Offeror. If the Exit Offer is extended,

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Shareholders who have validly accepted the Exit Offer in respect of part of their Shares will be entitled to tender additional Offer Shares in acceptance of the Exit Offer.

Accordingly, the Exit Offer will close at 5.30 p.m. (Singapore time) on 11 June 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror ("**Closing Date**").

Subsequent Closing Date

If there is an extension of the Exit Offer, then pursuant to Rule 22.4 of the Code, any announcement of an extension will state the next Closing Date or if the Offer is unconditional as to acceptances, a statement may be made that the Exit Offer will remain open until further notice. In the latter case, Shareholders who have not accepted the Exit Offer will be notified in writing at least 14 days before the Exit Offer is closed.

Offer to remain open for 14 days after being declared unconditional as to acceptances

Pursuant to Rule 22.6 of the Code, if the Exit Offer becomes or is declared unconditional as to acceptances, the Exit Offer will remain open for a period of not less than 14 days after the date on which it 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 Exit Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders the shut-off notice in writing of at least 14 days before the Closing Date that the Exit Offer will not be open for acceptance beyond such date.

Final day rule

The Exit 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 date of despatch of the Exit Offer Letter; or
- (b) being kept open after the expiry of such 60-day period unless the Exit Offer has previously become or has been declared to be unconditional as to acceptances,

provided that the Offeror may extend the Exit Offer beyond such 60-day period with the SIC's prior consent.

3.6 Further details of the Exit Offer

Further details of the Exit Offer, including details on: (a) warranty, (b) the right of withdrawal of acceptances of the Offer; (c) procedures for acceptances; and (d) settlement of the consideration are set out in the Exit Offer Letter and in Appendix I of the Exit Offer Letter.

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

4.1 Offeror

As disclosed in the Exit Offer Letter, the Offeror is a special purpose vehicle incorporated in the British Virgin Islands ("**BVI**") on 5 October 2015 and has its registered office at Quijano Chambers, P.O. Box 3159, Road Town, Tortola, British Virgin Islands. The principal activities of the Offeror are those of an investment holding company.

As at the Joint Announcement Date, the Offeror has an authorised issued share capital of US\$50,000 comprising 50,000 ordinary shares with a par value of US\$1.00 each, and an issued and paid-up share capital of US\$2.00 comprising two ordinary shares. The shareholders and directors of the

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Offeror are the Hsu brothers, namely Mr Hsu Hung Chun and Mr Hsu Cheng Chien, each holding one ordinary share in the Offeror.

As at the Latest Practicable Date, the Offeror does not hold any Shares.

4.2 Parties acting in concert with the Offeror

As at the Joint Announcement Date, the Hsu Family (comprising the Hsu brothers, their spouses and their nephew) owns, directly and indirectly, 152,674,467 Shares, representing 38.17% of the total number of issued Shares comprising 400,000,000 Shares. The Hsu Family is the single largest Shareholder and each family member is deemed acting in concert with the Offeror. The details of their respective shareholdings as at the Latest Practicable Date are set out below:

Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Mr Hsu Hung Chun	-	-	75,712,234	18.93
HungChun Holdings Limited	54,534,175	13.63	-	-
HungChun Assets Limited	18,178,059	4.54	-	-
Ms Hsu Chang Yu-Mei	3,000,000	0.75	72,712,234	18.18
Mr Hsu Cheng Chien	500,000	0.13	75,712,233	18.93
CCH Holdings Limited	54,534,175	13.63	-	-
CCH Assets Limited	18,178,058	4.54	-	-
Ms Yang Yu Lin	3,000,000	0.75	73,212,233	18.30
Mr Hsu Ming Hung	750,000	0.19	-	-
Total	152,674,467	38.17*		

* does not add up due to rounding

Mr Hsu Hung Chun is the Chairman of the Company, and also the President and founder of the Group. HungChun Holdings Limited and HungChun Assets Limited are companies incorporated in the BVI which are wholly-owned by Mr Hsu Hung Chun. Ms Hsu Chang Yu-Mei is the spouse of Mr Hsu Hung Chun.

Mr Hsu Cheng Chien is the Managing Director of the Company and the younger brother of Mr Hsu Hung Chun. CCH Holdings Limited and CCH Assets Limited are companies incorporated in the BVI which are wholly-owned by Mr Hsu Cheng Chien. Ms Yang Yu Lin is the spouse of Mr Hsu Cheng Chien.

Mr Hsu Ming Hung is the Executive Director of the Company and the nephew of Mr Hsu Hung Chun and Mr Hsu Cheng Chien.

Further details of the Offeror and the Concert Parties are set out in Section 8.2 and Appendix II of the Exit Offer Letter.

Irrevocable Undertakings from the Concert Parties

As mentioned in Section 1.2 of this Letter, the Offeror had received the Irrevocable Undertakings from the Concert Parties to, *inter alia*:

- (a) tender all their Offer Shares in acceptance of the Exit Offer; and
- (b) unconditionally waive their rights under Rule 30 of the Code to receive any cash settlement or payment in respect of all their Offer Shares that are tendered in acceptance of the Exit Offer.

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Save as disclosed above and based on publicly available information, we note that the Offeror has not received any irrevocable undertakings from any party to accept or reject the Exit Offer.

Further details of the Irrevocable Undertakings are set out in Section 3.6 of the Exit Offer Letter.

4.3 Compulsory Acquisition

Pursuant to Section 215(1) of the Companies Act (Chapter 50) of Singapore (“**Companies Act**”), in the event that the Offeror acquires not less than 90% of the Shares (other than those already held by the Offeror and its related corporations and their respective nominees as at the date of the Exit Offer and excluding any Shares held as treasury shares), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares held by Shareholders who have not accepted the Exit Offer (“**Dissenting Shareholders**”) at a price equal to the Exit Offer Price.

The Offeror intends to exercise its right to compulsorily acquire all the Shares not tendered in acceptance of the Exit Offer pursuant to Section 215(1) of the Companies Act if it is entitled to do so.

In addition, the Dissenting Shareholders who have not accepted the Exit Offer have the right under and subject to Section 215(3) of the Companies Act to require the Offeror to acquire their Shares in the event that the Offeror and/or its nominees acquire, pursuant to the Exit Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations and/or their respective nominees, comprise 90% or more of the total issued Shares.

Shareholders who wish to exercise their rights under Section 215(3) of the Companies Act are advised to seek their own independent professional advice.

5. INFORMATION ON THE COMPANY AND THE GROUP

The Company was incorporated in the Republic of Singapore on 26 December 1995 and listed on the Mainboard of the SGX-ST on 11 June 1997. However, trading of the Shares has been suspended since 21 January 2019 and will remain suspended until the completion of the Exit Offer, following which the Company will be officially delisted from the SGX-ST, pursuant to the Notification Delisting issued by the SGX-ST.

The principal activities of the Company are investment holding and the provision of services to its subsidiaries. Established in 1980, the Group comprising the Company, its subsidiaries and associated companies, is engaged as an integrated contract manufacturer of telecommunications and electronic products. Presently, the Group has a manufacturing plant in Qingpu District, Shanghai, PRC and a marketing office in Taiwan.

As disclosed in the Company’s annual report for the financial year ended 31 December 2017 (“**FY2017**”), to tackle the challenging market conditions within the PC industry, the Group had since 2015 streamlined its operations and disposed of non-performing assets to lower costs, reduce borrowings and concurrently look for acquisition and diversification opportunities to generate additional income streams. Six plants in Shanghai, Chongqing, Shandong (PRC) and Kedah (Malaysia) were closed in the financial year ended 31 December 2016 (“**FY2016**”) in line with the Group’s plans to shut down some of its loss-making plants. It was further disclosed in the Company’s annual report for the financial year ended 31 December 2018 (“**FY2018**”) that in January 2018, the Group took the next step of winding down its manufacturing business in stages with the shutdown of its manufacturing facility in Suzhou, PRC. Some of these properties have been sold, some left vacant and/or partly rented out. The Group presently only has one manufacturing plant operational in Qingpu District, Shanghai, PRC.

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As at the Latest Practicable Date, the board of directors of the Company (“**Board**”) comprises the following:

- (a) Mr Hsu Hung Chun (Chairman)
- (b) Mr Hsu Cheng Chien (Managing Director)
- (c) Mr Hsu Ming Hung (Executive Director)
- (d) Mr Lim Hock Beng (Lead Independent Non-Executive Director)
- (e) Mr Lau Ping Sum, Pearce (Independent Non-Executive Director)
- (f) Mr Chew Heng Ching (Independent Non-Executive Director)

Messrs Hsu Hung Chun, Hsu Cheng Chien and Hsu Ming Hung are parties acting in concert with the Offeror. The remaining Directors are deemed Independent Directors for the purpose of the Exit Offer.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of S\$151,096,603 comprising 400,000,000 Shares. The Company does not hold any treasury shares and does not have any outstanding instruments convertible into, rights to subscribe for, warrants, options (whether pursuant to an employee share option scheme or otherwise) or derivatives in respect of securities which carry voting rights of the Company.

The Shares was last transacted at S\$0.014 on 20 December 2018, prior to the trading suspension of the Shares on 21 January 2019. Based on the Exit Offer Price of S\$0.016 and 400,000,000 issued Shares as at the Latest Practicable Date, the implied market capitalisation of the Company is S\$6.4 million.

Events leading up to the Exit Offer

Following the reporting of 3 consecutive years of losses, the Company was placed on the Watch-List under the Financial Entry Criteria with effect from 5 March 2014 pursuant to Rule 1311(1) of the Listing Manual. On 3 March 2016, the Company was also placed on the Watch-List due to the Minimum Trading Price Entry Criteria pursuant to Rule 1311(2) of the Listing Manual.

Pursuant to Rule 1315 of the Listing Manual, the Company must take active steps to meet the requirements of Rule 1314 of the Listing Manual within 36 months of the date on which it was placed on the Watch-List. Otherwise, the SGX-ST may either remove the Company from the Official List, or suspend trading of the listed securities (without the agreement of the Company) with a view to removing the Company from the Official List.

The SGX-ST had granted the Company three extensions of time to meet the Financial Exit Criteria on 11 March 2016, 3 May 2017 and 2 March 2018. In granting the third extension of time on 2 March 2018, the SGX-ST had informed the Company that the said extension granted to the Company to comply with the Financial Exit Criteria by 4 March 2019 (“**Exit Deadline**”) is the final extension. Further, the third extension was subject to the Company achieving certain milestones, including, *inter alia*, a condition that the Company submit a reverse takeover application and circular to the SGX-ST by 30 May 2018, which was subsequently extended to 28 September 2018.

Notwithstanding the above, the Company was unable to meet the Exit Deadline.

Accordingly, on 19 December 2018, the SGX-ST issued the Delisting Notification to the Company and requested the Company or its controlling shareholder(s) to provide a reasonable exit offer to shareholders pursuant to Rules 1306 and 1309 of the Listing Manual. Trading of the Shares was subsequently suspended on 21 January 2019 until the completion of the Exit Offer, following which the Company will be delisted.

The Board had appealed to the SGX-ST against their Delisting Notification but was unsuccessful.

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Since late 2018, *inter alia*, the Company had sought EGM Waiver from the SGX-ST for a Shareholders' approval at an EGM in relation to a past disposal of land and buildings as a major transaction under Chapter 10 of the Listing Manual in view of, among other reasons, the Delisting Notification. On 5 March 2020, the SGX-ST gave its no objection to the Company's application for the EGM Waiver subject to, *inter alia*, the Company and/or its controlling Shareholders providing a reasonable cash exit offer to minority Shareholders. For the purpose of satisfying this condition, the Exit Offer Price must be S\$0.016 in cash for each Share as previously proposed and submitted by the Company and the Offeror to the SGX-ST.

On 29 April 2020, the Company and the Offeror made the Joint Announcement in respect of the Delisting Proposal containing the proposed terms of the Exit Offer. The formal terms and conditions of the Exit Offer are set out in the Exit Offer Letter.

Additional information on the Company and the Group can be found in the Company's Letter to Shareholders as Appendix III to the Exit Offer Letter.

6. Offeror's intentions for the Company

As described in Section 5 above under the caption entitled "Events leading up to the Exit Offer", the Exit Offer is made in compliance with the Delisting Notification from the SGX-ST.

It is therefore important to note that the Directed Delisting of the Company will proceed upon the completion of the Exit Offer regardless of the outcome of the Exit Offer, whether or not the Exit Offer lapses if the Exit Offer does not become unconditional in all respects by the close of the Exit Offer, and whether or not the Offeror is entitled to and exercises its right under Section 215(1) of the Companies Act to compulsorily acquire all the remaining Shares from the Dissenting Shareholders.

Shareholders should also note that Shareholders' approval is not required for the Directed Delisting by the SGX-ST pursuant to the Delisting Notification.

Following the close of the Exit Offer, the Offeror has no immediate plans for (a) making material changes to the Group's existing business, (b) re-deploying the Group's fixed assets, (c) discontinuing the employment of the employees of the Group other than in the ordinary course of business, or (d) listing of the Shares on another stock exchange.

Nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company, such as disposing of non-performing assets to lower operation costs in order to reduce the losses and borrowings of the Group and to streamline the Group's operations, as and when suitable opportunities arise.

7. ASSESSMENT OF THE FINANCIAL TERMS OF THE EXIT OFFER

In evaluating and assessing the financial terms of the Exit Offer, we have taken into account the pertinent factors set out below which we consider to have a significant bearing on our assessment:

- (a) Market quotation and trading activity of the Shares;
- (b) Financial analysis of the Group;
- (c) Comparison with exit offers of companies pursuant to directed delisting by the SGX-ST;
- (d) Dividend track record of the Company; and

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(e) Other relevant considerations.

7.1 Market quotation and trading activity of the Shares

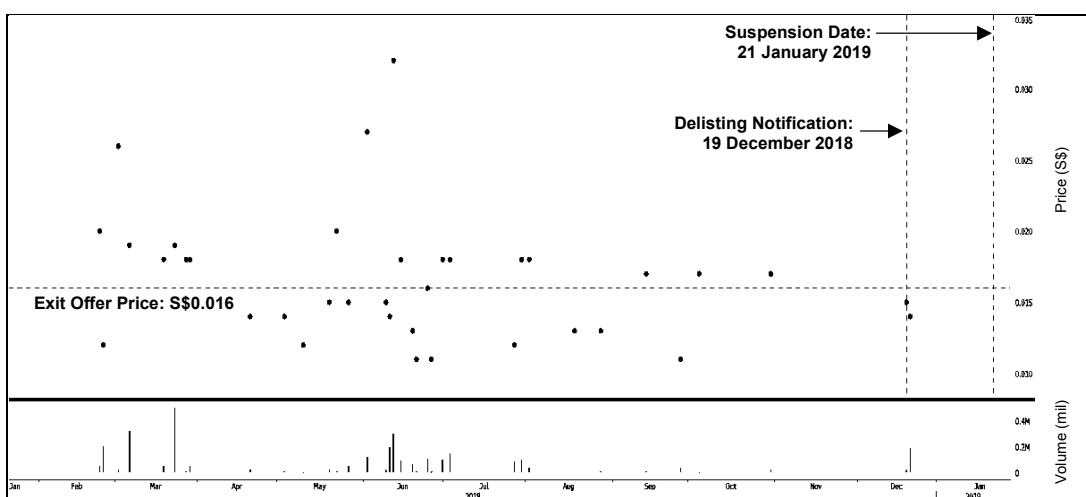
On 19 December 2018, the Company announced the receipt of the Delisting Notification from the SGX-ST. On 21 January 2019 (Monday) ("**Suspension Date**"), trading of the Shares was suspended pending the completion of the Exit Offer. The Exit Offer was announced on 29 April 2020, the Joint Announcement Date.

We have therefore compared the Exit Offer Price against the historical market price performance of the Shares and considered the historical trading volume of the Shares for the last 1-year period from 19 January 2018 to 18 January 2019 (Friday), being the 1-year period prior to the Suspension Date ("**Period Under Review**"). Trading of the Shares will remain suspended until the completion of the Exit Offer and upon the completion of the Exit Offer, the Shares will be officially delisted from the SGX-ST.

Share Price Chart

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

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



Source: Bloomberg L.P.

As can be seen from the chart above, the Shares were last transacted on 20 December 2018 at S\$0.014. The Exit Offer Price represents a 14.3% premium above the last transacted Share price. Trading of the Shares have been suspended for more than 15 months since 21 January 2019. Accordingly, the historical trading performance of the Shares is out-dated and may not be meaningful in comparing with the Exit Offer Price.

In addition, trading of the Shares had been sporadic and on low trading volume during the Period Under Review. There were occasional spikes in the Share prices in May and June 2018 where the Shares had traded up to S\$0.032 based on the daily last transacted prices. However, we noted that these spikes in last transacted Share prices were done on very low traded volume (100 Shares each) as shown and highlighted in bold in the table below:

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Date	Volume of Shares traded	Share prices
22 May 2018	9,000	S\$0.015
	1,000	S\$0.014
	100*	S\$0.020
1 June 2018	120,000	S\$0.014
	100*	S\$0.027
12 June 2018	168,000	S\$0.014
	132,000	S\$0.013
	100*	S\$0.032

* last transacted Share price for that day

Otherwise, the Exit Offer Price is higher than VWAP of the Shares for the Period Under Review as shown in the market statistics below.

Market Statistics

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

Reference period	Highest traded price (\$)	Lowest traded price (\$)	VWAP ⁽¹⁾ (\$)	Premium/ (Discount) of Exit Offer Price over/ (to) VWAP (%)	Number of traded days ⁽²⁾	Average daily trading volume ⁽³⁾ ('000)	Average daily trading volume as a percentage of free float ⁽⁴⁾ (%)
<u>Prior to the Suspension Date on 21 January 2019</u>							
Last 1 year	0.033	0.003	0.01538	4.0	36	12	0.007
Last 6 months	0.033	0.003	0.01164	37.4	11	4	0.002
Last 3 months	0.017	0.003	0.00761	110.2	11	4	0.002
Last 1 month	0.015	0.003	0.00673	137.9	2	10	0.006

Source: Bloomberg L.P.

Notes:

- (1) The VWAP for the respective periods are calculated based the aggregate daily turnover value of the Shares divided by the aggregate daily trading volume of the Shares for the respective periods as extracted from Bloomberg L.P.. Off market transactions are excluded from the calculation;
- (2) Traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period;
- (3) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST (excluding off market transactions) during the relevant periods, divided by the number of days when the SGX-ST was open for trading (excluding days with full day trading halt/suspension on the Shares) during that period; and
- (4) Free float refers to the Shares other than those directly and deemed held by the Directors and substantial Shareholders. For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of approximately 178.2 million Shares based on the free float of 44.56% as disclosed in the annual report of the Company for FY2018.

We observe the following with regard to the Share price performance and trading liquidity of the Shares for the Period Under Review:

- (a) Over the 1-year period prior to the Suspension Date, the Shares have traded between a low of S\$0.003 and a high of S\$0.033. The Exit Offer Price represents a premium of S\$0.013 (or 433.3%) above the lowest transacted Share price and a discount of S\$0.017 (or 51.5%) to the

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highest transacted Share price. It is relevant to note that only 100 Shares were transacted at the highest price of S\$0.033;

- (b) The Exit Offer Price represents a premium of 4.0%, 37.4%, 110.2% and 137.9% above the VWAP of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the Suspension Date respectively;
- (c) For the 1-month period prior to the Suspension Date, trades were done on the Shares for only 2 days on 19 December 2018 and 20 December 2018. The last traded Share price was S\$0.014 on 20 December 2018; and
- (d) During the Period Under Review, the trading liquidity of the Shares was very low and the Shares were traded only on 36 days during the entire 1-year period. The average daily trading volume of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the Suspension Date represent only 0.007%, 0.002%, 0.002% and 0.006% of the free float of the Shares respectively.

7.2 Financial analysis of the Group

The Group has been incurring operating losses since 2011 which led to the Company being put on the Watch-List on 5 March 2014. The Group has also been in a net liability position or capital deficiency position since FY2015. In this regard, the Company's auditors, Deloitte & Touche LLP, had highlighted the material uncertainty relating to the Group's ability to continue as a going concern in its report on the audited financial statements of the Group for the last 7 years since FY2011 to FY2018, except for FY2012.

7.2.1 Financial performance of the Group

We set out below are the salient information on the financial performance of the Group for the last four financial years for FY2016, FY2017, FY2018 and FY2019:

S\$'000	← FY2016	Audited FY2017	→ FY2018	Unaudited FY2019
Revenue	52,575	24,356	15,747	11,194
Other operating income	66,556	2,405	15,111	4,065
(Loss)/Profit for the year	9,784	(20,588)	(2,468)	(11,748)

Source: Company's annual reports for FY2017 and FY2018, and unaudited results announcement for FY2019

FY2017 vs FY2016

In FY2017, revenue decreased by 53.7% to S\$24.4 million from S\$52.6 million in FY2016 due mainly to the Group's on-going plan to shut down some of its loss-making plants. It had, in FY2016, closed down 6 plants in the PRC (Shanghai, Chongqing and Shandong) and Malaysia (Kedah) as mentioned in Section 5 of this Letter.

Other operating income dropped by 96.4% from S\$66.6 million in FY2016 to S\$2.4 million in FY2017 due mainly to the absence of gain on disposal of subsidiaries of S\$53.5 million which occurred in FY2016.

As a result, the Group incurred a net loss of S\$20.6 million in FY2017 compared to a net profit of S\$9.8 million in FY2016. Excluding the gain on disposal of subsidiaries, the Group would have incurred a net loss of S\$43.7 million in FY2016.

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FY2018 vs FY2017

Revenue decreased further by 35.3% in FY2018 to S\$15.7 million from S\$24.4 million in FY2017 in line with the Group's on-going plan to shut down some of its loss-making plants. The Group was winding down its manufacturing business in stages with the shutdown of its facility in Suzhou, PRC.

Other operating income increased by more than 5-fold from S\$2.4 million in FY2017 to S\$15.1 million in FY2018 due mainly to the gain on disposal of land and buildings (S\$10.6 million) and net foreign exchange gain (S\$1.1 million) compared to a net foreign exchange loss of S\$2.8 million in FY2017. The gain on disposal of land and buildings of S\$10.6 million was in relation to the disposal of land and buildings in Weihai City, PRC ("**Proposed Disposal**") with aggregate proceeds of S\$19.2 million.

As a result, the Group incurred a net loss of S\$2.5 million in FY2018 compared to a net loss of S\$20.6 million in FY2017. Excluding the gain on disposal of land and buildings of S\$10.6 million, the Group would have incurred a bigger net loss of S\$13.1 million.

We understand from Management that the Proposed Disposal has been deemed completed in the PRC and the Group had received part of the cash consideration for the Proposed Disposal (S\$10.1 million out of S\$19.2 million) during FY2018. Accordingly, the Group had recognised the gain on disposal in its audited financial statements for FY2018.

The Proposed Disposal constitutes a "Major Transaction" as defined under Chapter 10 of the Listing Manual and is subject to, *inter alia*, approval of Shareholders to be convened at an EGM. However, the Company did not convene the EGM but instead had applied to the SGX-ST for the EGM Waiver to convene the EGM for the Proposed Disposal ("**EGM Waiver Application**") in view of, *among other reasons*, the Delisting Notification from the SGX-ST on 19 December 2018.

The SGX-ST had responded on 1 March 2019 that the EGM Waiver Application will be rejected unless there is a reasonable cash exit offer to minority Shareholders.

On 5 March 2020, the SGX-ST informed the Company that it has no objections to the Company's EGM Waiver Application subject to, *inter alia*, the Company and/or its controlling Shareholders providing a reasonable cash exit offer to the minority Shareholders. For the purpose of satisfying this condition, the Exit Offer Price must be S\$0.016 in cash for each Share as previously proposed and submitted by the Company and the Offeror to the SGX-ST.

On 29 April 2020, the Company and the Offeror made the Joint Announcement on the proposed Exit Offer. The formal terms of the Exit Offer are set out in the Exit Offer Letter dated 14 May 2020.

Details of the EGM Waiver are set out in the Company's announcement on 6 March 2020.

FY2019 vs FY2018

Revenue decreased by 28.9% to S\$11.2 million in FY2019 compared to FY2018 due mainly to weaker demand for telecommunications and electronics products.

Other operating income decreased by 73.1% to S\$4.1 million in FY2019 compared to FY2018 due mainly to the gain on disposal of property, plant and equipment and land use rights of S\$11.3 million which occurred in FY2018.

Overall, the Group incurred a higher loss of S\$11.7 million in FY2019 compared to a loss of S\$2.5 million in FY2018.

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Historical Price-earnings Ratio ("PER") implied by the Exit Offer Price

In our evaluation of the fairness and reasonableness of the Exit Offer Price, we would have considered the earnings multiple as implied by the Exit Offer Price as one of the relevant valuation approaches. A commonly used earnings multiple is the historical PER implied by the Exit Offer Price.

PER 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 PER 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 PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern.

As shown above, the Group had reported losses for FY2017, FY2018 and FY2019. Hence, assessment of the valuation of the Company (implied by the Exit Offer Price) which is based on the historical earnings approach would not be meaningful in view of the loss-making position of the Group.

7.2.2 Financial position of the Group

The balance sheet of the Group as at 31 December 2018 and 31 December 2019 are as follows:

S\$'000	Audited as at 31 December 2018	Unaudited as at 31 December 2019
ASSETS		
Current assets		
Cash and bank balances	6,439	2,074
Trade receivables	3,588	1,725
Other receivables, deposits and prepayments	10,515	1,468
Inventories	3,489	2,247
Total current assets	24,031	7,514
Non-current assets		
Associate	759	674
Right-of-use asset	-	443
Financial assets at fair value through other comprehensive income	34,087	47,247
Land use rights	4,278	4,051
Property, plant and equipment	14,471	12,621
Total non-current assets	53,595	65,036
Total assets	77,626	72,550
LIABILITIES AND EQUITY		
Current liabilities		
Trade payables	4,213	1,867
Other payables and accruals	24,045	26,025
Lease liability	-	70
Borrowings	42,071	22,005
Income tax payable	202	197
Total current liabilities	70,531	50,164
Non-current liabilities		
Lease liability	-	300
Borrowings	81,791	93,129
Total non-current liabilities	81,791	93,429
Total liabilities	152,322	143,593
(Capital deficiency) Equity attributable to owners of the Company	(74,696)	(71,043)
Number of Shares	400,000,000	400,000,000
Net liability and net tangible liability ("NTL") per Share	S\$(0.1867)	S\$(0.1776)

Source: Company's annual report for FY2018 and unaudited results announcement for FY2019

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As at 31 December 2018

Assets

The Group had total assets of S\$77.6 million comprising non-current assets of S\$53.6 million (representing 69.1% of total assets) and current assets of S\$24.0 million (representing 30.9% of total assets).

The main assets of the Group comprised Financial Assets at FVTOCI of S\$34.1 million (representing 43.9% of total assets), land use rights and PPE totalling S\$18.7 million (representing 24.2% of total assets). The Group's other receivables, deposits and prepayments of S\$10.5 million was mainly in relation to the outstanding proceeds of S\$9.2 million from the Proposed Disposal.

Financial Assets at FVTOCI are in relation to the Group's investments in unquoted shares in 2 Taiwanese companies, namely 16.8% shareholding interest in Smart Idea Holdings Limited ("**Smart Idea**") and 4.6% shareholding interest in 台灣花卉生物技術股份有限公司 ("**Taiwan Flower**"), which the Group intends to hold for long-term purposes. Smart Idea is engaged in, *inter alia*, the manufacturing of multi-layer printed circuit boards and Taiwan Flower is engaged in the cultivation of flowers by biotechnology. These investments were re-designated as at 1 January 2018 from available-for-sale investments under FRS 39 (which are stated at cost less impairment loss) to FVTOCI under SFRS(I) 9, which are stated at fair value) to be consistent with the Group's strategy of holding these investments for long-term purposes.

The land use rights and bulk of the PPE pertains to leasehold industrial land and buildings located in the PRC and Malaysia ("**Properties**") with total net book value of S\$18.7 million as at 31 December 2018. As disclosed in Section 5 of this Letter, the Group presently only has one manufacturing plant operational in Qingpu District, Shanghai, PRC. The other properties in PRC and in Malaysia are either left vacant and/or partly rented out.

Liabilities

The Group had total liabilities of S\$152.3 million comprising mainly borrowings of S\$123.9 million (representing 81.3% of total liabilities). Of these borrowings, S\$80.5 million were borrowed from a third party at an interest rate of 4% per annum and which were secured on the Group's investment in Smart Idea; and S\$43.3 million were borrowed from certain Directors and a related company which is owned by certain Directors which were unsecured and interest-free.

Subsequent to the year end for FY2018, the Group had obtained letters of undertaking from the lenders not to demand for repayment of the loans to the Group for at least 12 months from the date of the directors' report for FY2018.

Capital deficiency position

In view of the significant liabilities in excess of the total assets of the Group, the Group was in a capital deficiency or net liability position of S\$74.7 million as at 31 December 2018.

In this regard, the Group's auditors had in its audit report for FY2018 also highlighted material uncertainty related to going concern of the Group in view of the net current liabilities, capital deficit and losses incurred for FY2018. However, Management was confident that with the strategies of corporate restructuring to streamline operations and disposing of non-performing assets to lower costs and reduce borrowings, the Group would be able to continue operating as a going concern in the foreseeable future. The Group is dependent on Directors for their continued support and Management is satisfied that the financial support will be available when required. Hence, Management had continued to adopt the going concern assumption in preparing the financial statements for FY2018.

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The Group's net liability per Share was S\$(0.1867) as at 31 December 2018. As it does not have any intangible assets, its NTL per Share is the same as its net liability per Share.

As at 31 December 2019

Other receivables, deposit and prepayments decreased by S\$9.0 million from S\$10.5 million as at 31 December 2018 to S\$1.5 million as at 31 December 2019 due mainly to the receipt of bulk of the outstanding proceeds from the Proposed Disposal during FY2019 (S\$8.6 million out of S\$9.2 million). The Company expects to receive the remaining proceeds of S\$0.6 million in or around July 2020.

Total borrowings decreased by S\$8.7 million from S\$123.9 million as at 31 December 2018 to S\$115.1 million as at 31 December 2019 due mainly to repayment of short-term borrowings.

Financial Assets at FVTOCI increased by S\$13.2 million from S\$34.1 million as at 31 December 2018 to S\$47.2 million as at 31 December 2019 based on the fair value of these assets as ascribed by the independent valuer, ADEAL, as set out in Section 7.2.3 below.

Apart from the main changes mentioned above and the losses incurred during FY2019, the profile of the financial position of the Group as at 31 December 2019 is broadly similar to the financial position of the Group as at 31 December 2018.

The Group's NTL per Share had decreased slightly to S\$(0.1776) as at 31 December 2019 from S\$(0.1867) as at 31 December 2018.

As at 31 December 2019, the Group continued to pose a going concern issue as its current liabilities of S\$50.2 million had exceeded its current assets of S\$7.5 million. However, Management remains confident and committed to the process of corporate restructuring to streamline operations and dispose non-performing assets to lower costs and reduce borrowings.

7.2.3 Independent valuation of the Properties and Financial Assets at FVTOCI

In connection with the Exit Offer, the Company had commissioned (i) Cushman & Wakefield to carry out an independent valuation of the Group's 4 industrial properties located in the PRC; (ii) Henry Butcher to carry out an independent valuation of the Group's remaining industrial property in Kedah, Malaysia; and (iii) ADEAL to carry out an independent valuation of the Group's Financial Assets at FVTOCI, namely its investments in Smart Idea and Taiwan Flower. Details of these Valuation Reports are attached as Appendices X, XI, XII and XIII to the Exit Offer Letter.

In accordance with the accounting standards adopted by the Company for the Financial Assets at FVTOCI, these assets were stated at their fair valuation as at 31 December 2019. Accordingly, all surpluses arising from the revaluation of these assets have already been recognised and recorded as net fair value gain in the Statement of Comprehensive Income for FY2019.

Hence, for the purpose of our evaluation of the revaluation of the NTL of the Group, we therefore take into consideration the revaluation surpluses arising from the valuation of the Properties, as these Properties are not stated at their fair values as at 31 December 2019.

Valuation Methodologies

(a) Properties

The Cushman & Wakefield and Henry Butcher had determined the market value ("**Market Value**") of the Properties in the PRC and Malaysia respectively, with Market Value being similarly defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper

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marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

For the valuation of the Properties in the PRC, Cushman & Wakefield had adopted the Depreciated Replacement Cost Approach, which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. Its valuations are stated in RMB, the official currency of the PRC.

For the valuation of the Property in Malaysia, Henry Butcher had adopted the Comparison Method which is the Market Approach of comparing the subject property with similar properties that were either transacted recently or listed for sale in the vicinity. In comparing properties, due consideration was given to factors such as location, size, building differences, improvements and amenities, time element and other relevant factors to arrive at its opinion of value. As a check, the Cost Method was used. The Cost Method is a summation of the land value on an alternative site basis and the building value on a depreciated replacement cost basis. Its valuation is stated in Ringgit, the official currency of Malaysia.

(b) Financial Assets at FVTOCI

For the valuation of the Financial Assets at FVTOCI, ADEAL had adopted the market based valuation method to determine the fair value of the Group's investments in these unlisted companies as these companies have comparable companies in the market, and adjusting for the liquidity discount as these companies are not listed or traded over-the-counter.

Smart Idea was incorporated in the Cayman Islands in August 2000 and is an indirect subsidiary of 欣興電子股份有限公司, a company listed on the Taiwan Stock Exchange, which is engaged in the manufacturing of PCBs. The Group holds 12,000,000 shares in Smart Idea, representing 16.8% shareholding interest in Smart Idea. As the financial statements of Smart Idea are stated in US\$, ADEAL had stated its valuation of Smart Idea in US\$.

Taiwan Flower was incorporated Taiwan, Republic of China in May 1998. Based on the valuation report by ADEAL, Taiwan Flower is a vertically integrated flower company with several regional offices in Taiwan and branches and production facilities in Vietnam. Taiwan Flower's business includes flower production, import and export, seedling production and sales, organic vegetable production and sales, production and sales of oolong tea and various types of flower tea, etc. The Group holds 2,613,458 shares in Taiwan Flower, representing 4.6% shareholding interest in Taiwan Flower. Substantial shareholders of Taiwan Flower include 台灣糖業股份有限公司 and 金車股份有限公司. As the financial statements of Taiwan Flower are stated in New Taiwan Dollar (“NT\$”), ADEAL had stated its valuation of Smart Idea in NT\$.

Based on ADEAL's independent valuation of the Financial Assets at FVTOCI as at 31 December 2019, the market values for the Group's investment in Smart Idea and Taiwan Flower were US\$34,680,000 and NT\$11,708,292 respectively.

In accordance with the accounting standards adopted by the Company for the Financial Assets at FVTOCI, these assets were stated at their fair valuation as at 31 December 2019 based on the FX rates of US\$1.00 : S\$1.3472 and S\$1.00 : NTD22.2717 prevailing on that date.

7.2.4 Summary of the revaluation surpluses on the Properties

When compared to the net book value of the Properties as at 31 December 2019, the independent valuations of these Properties had resulted in significant revaluation surpluses as shown in the table below:

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No.		Net book value as at 31 December 2019 (\$)	Market Value as at 31 December 2019 (in respective currencies)	Market Value as at 31 December 2019 (\$ equivalent ⁽¹⁾)	Revaluation Surplus/ (Deficit) (\$)
<u>Properties in the PRC</u>					
1.	No. 2666 Zhongchun Road & No. 625 Guangzhong Road, Minhang District, Shanghai	3,174,572	RMB152,000,000	29,350,995	26,176,423
2.	No. 4469 Beiqing Road, Huaxin Town, Qingpu District, Shanghai	676,026	RMB30,500,000	5,889,509	5,213,483
3.	No.6 Fushun Road, High-tech Industrial Park, Changshu Economic Development Zone, Changshu, Jiangsu Province	10,510,548	RMB146,000,000	28,192,403	17,681,855
4.	No. 911 Middle Shenyang Road, Zhangcun Town, Huancui District, Weihai City, Shandong Province	1,904,148	RMB31,500,000	6,082,608	4,178,460
<u>Property in Malaysia</u>					
5.	No. Plot 3, Jalan Satu, Kawasan Perusahaan Bakar Arang, 08000 Sungai Petani, Kedah	351,818	MYR6,300,000	2,073,938	1,722,120
Total		16,617,112		71,589,453	54,972,341

Source: Management and Valuation Reports

Note:

(1) Based on the foreign exchange rates of S\$1.00 : RMB5.1787 and S\$1.00 : MYR3.0377 prevailing on 31 December 2019 as used by the Group in the preparation of its financial results for FY2019.

Potential tax liability

In assessing the revaluation surpluses on the Properties, we have considered whether there is any potential tax liability which would arise on the disposal of the above Properties for the purpose of Rule 26.3 of the Code.

The Company had advised that, in a hypothetical scenario where the Properties are sold, the Group may incur potential tax liability at the relevant tax rates in the respective jurisdictions.

As an illustration, the Company had informed us that for the Properties in Malaysia, a real property gains tax of 5.0% is applicable on the chargeable gain on disposal (calculated as purchase price of the property less cost of purchase). For the Properties in the PRC, the potential tax liability includes PRC business tax (5% of net revenue), urban construction and education surcharge (11% of the PRC business tax amount), PRC stamp duty (0.05%), PRC land appreciation tax (30% of the appreciated amount) and PRC corporate income tax (25% of the profit on disposal of the property and net of unabsorbed losses).

Based on the above, on an overall basis, the Management had estimated that the potential tax liability arising from the disposal of the Properties would amount to approximately S\$5.55 million.

Accordingly, the net revaluation surplus of the Properties, after taking into consideration the potential tax liability on a hypothetical sale of these Properties, would be S\$49.4 million, which represents approximately S\$0.1236 per Share.

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7.2.5 Revalued NTL of the Group

Following from the above, the revalued NTL (“**RNTL**”) of the Group would be as follows:

	S\$'000	S\$ per Share
Unaudited NTL as at 31 December 2019	(71,043)	(0.1776)
Add: Net revaluation surplus arising from the valuation of the Properties as at 31 December 2019	49,420	0.1236
RNTL as at 31 December 2019	(21,623)	(0.0541)

We note that in spite of the significant net revaluation surplus arising from the valuation of the Properties, the Group still remains in a NTL position, albeit a lower figure. Its RNTL per Share is S\$(0.0541) as at 31 December 2019.

Price-to-net asset value (“P/NAV”) and Price-to-revalued NAV (“P/RNAV”) ratios of the Group implied by the Exit Offer Price

The NAV based valuation provides an estimate of the value of a company assuming the hypothetical sale of all its assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings based valuation.

However, as the Group is in a significant NTL and RNTL position, the net asset backing approach, which shows the extent to which a company’s value is backed by its net assets, is also not meaningful for this purpose. However, based on the absolute quantum value, the Exit Offer Price of S\$0.016 represents S\$0.1936 above the NTL per Share and S\$0.0701 above the RNTL per Share as at 31 December 2019.

Confirmation by the Company

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

In respect of the above, we have sought the following confirmation from the Directors and the Management, and they have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief and save as disclosed above in relation to the valuation of the Properties and the Financial Assets at FVTOCI, and announcements made by the Company since 31 December 2019 to the Latest Practicable Date:

- (a) there are no material differences between the realizable values of the Group’s assets and their respective book values as at 31 December 2019 which would have a material impact on the NTL of the Group;
- (b) other than that already provided for or disclosed in the results announcement of Group for FY2019, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NTL of the Group as at the Latest Practicable Date;

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- (c) there are no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole;
- (d) there are no intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards (International) and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group; and
- (e) there are no material acquisitions or disposals of assets by the Group between 31 December 2019 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business.

We do not assume any responsibility to inquire about the basis of such valuations or if the contents thereof will be prepared and/or included in the Exit Offer Letter in accordance with all applicable regulatory requirements including Rule 26 of the Code.

7.3 Comparison with exit offers of companies pursuant to directed delisting by the SGX-ST

We note that the Exit Offer was made pursuant to the Delisting Notification from the SGX-ST on 19 December 2018 which sets out, *inter alia*, that the Company or its controlling shareholder(s) must comply with Rule 1309 of the Listing Manual to provide a reasonable exit alternative to Shareholders. Therefore, in our assessment of the Exit Offer Price, we have attempted to compare with exit offer of companies who had similarly received directed delisting notifications from the SGX-ST ("**Precedent Directed Delisting Transactions**").

Based on our observations, besides the Exit Offer for the Company, there are only 6 other Precedent Directed Delisting Transactions since 2015 to the Latest Practicable Date which have been completed. Of the 6 completed directed delistings, 4 of these exit offers became unconditional while 2 of these exit offers had lapsed as the exit offers did not become unconditional in all respects by the close of the respective exit offers.

Our analysis of the Precedent Directed Delisting Transactions serves as a general indication of the relevant premium/discount that the offerors had paid in order to provide a reasonable Exit Offer to the Shareholders without having regard to their specific industry characteristics or other considerations, and the comparison sets out the premium or discount represented by each of the respective offer prices to the last transacted prices and VWAPs over the 1-month and 3-month periods prior to the trading suspension of the shares.

We also wish to highlight that the target companies listed in the Precedent Directed Delisting Transactions as set out in the analysis below may not be directly comparable to the Group in terms of market capitalisation, size of operations, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits. The premium or discount that an offeror pays in any particular Precedent Directed Delisting Transaction varies in different specific circumstances depending on, *inter alia*, factors such as the intention of the offeror, the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence or absence of competing bids for the target company, and the existing and desired level of control in the target company. The list of the Precedent Directed Delisting Transactions is by no means exhaustive and as such any comparison made only serves as an illustration. Conclusions drawn from the comparisons made may not necessarily reflect the perceived or implied market valuation of the Company.

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Name of company	Sector	Date of exit offer announcement/ date of trading suspension	Premium/(Discount) of offer price over/(to)			P/NTA (times)
			Last transacted price prior to trading suspension (%)	1 month VWAP prior to trading suspension (%)	3 month VWAP prior to trading suspension (%)	
Yong Xin International Holdings Ltd.	Manufacturing and distribution of steel strips and other types of metal strips	30 April 2015/ 2 April 2015	(27.3)	(33.3)	(38.5)	0.2
TexChem-Pack Holdings (S) Ltd.	Sale of thermoformed packaging products, precision injection moulded plastic products, etc.	6 August 2015/ 4 April 2014	16.7	20.4	22.5	0.7
Pacific Healthcare Holdings Ltd ⁽³⁾	Integrated healthcare provider offering specialist medical care, dentistry and general practice medicine	26 April 2016/ 1 July 2015	(85.7)	(91.7)	(95.7)	N.A. ⁽²⁾
China Hongcheng Holdings Limited	Manufactures cotton yarn and grey fabrics	15 July 2016/ 1 October 2015	(32.5)	35.0	(61.4)	N.A. ⁽²⁾
Europtronic Group Ltd ⁽³⁾	Trading and distribution of passive and active electronic components	7 November 2017/ 1 April 2016	(98.0) ⁽¹⁾	(98.2) ⁽¹⁾	(98.7) ⁽¹⁾	N.A. ⁽²⁾
China GaoXian Fibre Fabric Holdings Ltd ("China GaoXian")	Manufacture of premium differentiated fine polyester yarn and fabric	7 November 2019/ 3 April 2019	916.7 ⁽⁵⁾	510.0 ⁽⁵⁾	408.3 ⁽⁵⁾	N.A. ⁽²⁾
High (including China GaoXian)			916.7	510.0	408.3	0.7
High (excluding China GaoXian)			16.7	35.0	22.5	0.7
Low			(98.0)	(98.2)	(98.7)	0.2
Mean			(45.4)	(33.6)	(54.4)	0.4
Median			(32.5)	(33.3)	(61.4)	0.4
Company (implied by the Exit Offer Price)		29 April 2020/ 21 January 2019	14.3 ⁽⁴⁾	137.9	110.2	N.A. ⁽²⁾

Source: SGX-ST announcements and circulars or exit offer letters to shareholders in relation to the respective Precedent Directed Delisting Transactions

Notes:

- (1) Based on discount of offer price to the last transacted price prior to the announcement of the delisting notification of Europtronic Group Ltd;
- (2) These companies were in NTL position and the exit offers represented absolute offer price premium above the NTL;
- (3) The exit offers for Pacific Healthcare Holdings Ltd. and Europtronic Group Ltd had lapsed as the offers did not become unconditional by the close of the respective offers;
- (4) Based on the Company's last transacted Share price of S\$0.014 on 20 December 2018 prior to the Suspension Date; and
- (5) Excluded as statistical outlier in the mean and median computations.

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As mentioned above, besides the Company, there are only 6 other Precedent Directed Delisting Transactions since 2015 to the Latest Practicable Date. The shares of these companies were suspended from trading long before the announcement of the exit offers and several of them were in NTL positions by the time of the exit offers. The Exit Offer by the Offeror is in a similar situation.

The upper and lower end of the range of the offer price premium of these Precedent Directed Delisting Transactions is very wide, ranging from a discount of 98.7% to a premium of 916.7%, which therefore does not serve as any meaningful comparison with the Exit Offer Price for the Company. In particular, the offer price premium of China GaoXian was 4 to 9 times above its historical market prices for the relevant periods. Excluding China GaoXian, the upper end of the range of the offer price premium would be 16.7% to 35.0%.

In comparison, the premium of 14.3% implied by the Exit Offer Price over the last transacted Share price prior to the Suspension Date is close to the upper end of the range of the premia of the Precedent Directed Delisting Transactions (excluding China GaoXian) of 16.7% when compared to the last transacted price prior to trading suspension.

The mean and median statistics of the Precedent Directed Delisting Transactions (excluding China GaoXian) were not premium but discounts, ranging from 32.5% to 61.4%. In comparison, the Exit Offer Price for the Company is at a premium above the historical market prices across the relevant periods.

Among the Precedent Directed Delisting Transactions, 2 of the companies had positive NTAs and 4 others had negative NTAs or were in NTL positions. The mean and median statistics of the P/NTA are derived from these 2 companies with positive NTAs.

As the Company is also in NTL position, comparison with the P/NTA statistics is not applicable.

Instead, we have compared the Exit Offer Price using the absolute offer price premium above its RNTL position (S\$0.0701 per Share) against the 4 companies which were also in NTL positions at the time of their delisting exercises (S\$0.004, S\$0.021, S\$0.089 and S\$0.9305). On this basis, the Exit Offer Price's absolute offer price premium is at the upper end of the range of these Precedent Directed Delisting Transactions.

7.4 Dividend track record of the Company

We note and understand from Management that the Company had not declared or paid any dividends to its Shareholders for more than 10 years. In the latest results announcement of the Company for FY2019, no dividend has been declared or recommended for FY2019.

As disclosed in the Company's latest available annual report for FY2018, the Company does not have a policy on the payment of dividends.

7.5 Other relevant considerations

7.5.1 Directed Delisting

As described in Section 6 of this Letter, the Exit Offer is made in compliance with the Delisting Notification from the SGX-ST. It is therefore important to note that the **delisting of the Company will proceed by the close of the Exit Offer regardless of the outcome of the Exit Offer, including situation where the Exit Offer lapses as it does not become unconditional in all respects by the close of the Exit Offer.**

However, in the event that the Offeror acquires not less than 90% of the Shares pursuant to Section 215(1) of the Companies Act, the Offeror has expressed its intention to exercise its right to

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compulsorily acquire all the remaining Shares. The Company will then become a wholly-owned subsidiary of the Offeror.

Shareholders should also note that Shareholders' approval is not required for the Directed Delisting by the SGX-ST pursuant to the Delisting Notification.

7.5.2 Minimum Acceptance Condition

The Exit Offer is subject to the Minimum Acceptance Condition as set out in Section 3.4 of this Letter. Save for the Minimum Acceptance Condition, the Exit Offer is unconditional in all respects.

The Concert Parties presently owns 152,674,467 Shares, representing 38.17% of the total number of issued Shares. Pursuant to the Irrevocable Undertakings, the Concert Parties have committed to accept the Exit Offer in respect of all their Shares.

However, in the event that the Minimum Acceptance Condition is not fulfilled by the close of the Exit Offer, that is, if the Offeror and the Concert Parties do not own, control or agree to acquire Shares carrying more than 50% of the voting rights attributable to the issued share capital of the Company, the Exit Offer will lapse and all acceptances tendered for the Exit Offer will be returned, including those Offer Shares tendered by the Concert Parties.

As highlighted above, the delisting of the Company will still proceed pursuant to the Delisting Notification by the SGX-ST. Implications of the delisting are set out in Section 7.5.6 below.

7.5.3 Offeror's intention not to revise the Exit Offer Price, save in a competitive situation

The Offeror has stated that he does not intend to revise the Exit Offer Price, save in a competitive situation. Shareholders should therefore not expect any revision in the Exit Offer Price from the Offeror, save in a competitive situation.

7.5.4 Absence of alternative or competing firm offers

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

We note that, as at the Latest Practicable Date, the Exit Offer by the Offeror represents the only firm offer to Shareholders to monetise their Shares.

7.5.5 Compulsory acquisition

Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the Shares (other than those already held by the Offeror, its related corporations and their respective nominees as at the date of the Exit Offer), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Exit Offer at a price equal to the Exit Offer Price.

In the event that the Offeror becomes entitled to exercise his right of compulsory acquisition pursuant to Section 215(1) of the Companies Act, it is the intention of the Offeror to exercise such right and proceed to privatise the Company.

It should be noted that pursuant to Section 215(3) of the Companies Act, Shareholders who have not accepted the Exit Offer will have the right to require the Offeror to acquire their Shares at the Exit Offer Price.

ANNEX A TO APPENDIX III

Shareholders who have not accepted the Exit Offer and who wish to exercise their rights under Section 215(3) of the Companies Act are advised to seek their own independent legal advice.

7.5.6 Implications of Shareholders holding on to unquoted Shares

Shareholders should note that shares of unquoted companies are generally valued at a discount to the shares of comparable listed companies as a result of the lack of liquidity and marketability. If the Company is delisted from the Official List of the SGX-ST, Shareholders who have not accepted the Exit Offer may face difficulties if they wish to sell their Shares in the absence of a public market for the Shares as there is no arrangement for Shareholders to exit. Even if such Shareholders were able to sell their Shares, they may receive a lower price as compared to the Exit Offer Price. In addition, any transfer or sale of Shares represented by share certificates will be subjected to stamp duties.

Shareholders should note that under the Code, except with the consent of the SIC, neither the Offeror nor any person acting in concert with him may, within 6 months of the closure of the Exit Offer, make a second offer to, or acquire any Shares from, any Shareholder on terms better than those made available under the Exit Offer.

As an unquoted company, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST. Nonetheless, as a company incorporated in Singapore, the Company will still need to comply with the Companies Act and the Company's articles of association and the interests of Shareholders who do not accept the Exit Offer will be protected to the extent provided for by the Companies Act which includes, *inter alia*, the entitlement to be sent a copy of the profit and loss statement and balance sheet at least 14 days before each annual general meeting, at which the financial statements will be presented.

If the Company is delisted from the Official List of the SGX-ST, each Shareholder who holds Shares that are deposited with CDP and has not accepted the Exit Offer will be entitled to one share certificate representing his unquoted Shares. The Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., will arrange to forward the share certificates to such Shareholders (who are not CPFIS Investors), by ordinary post and at the Shareholders' own risk, to their respective addresses as they appear in the records of CDP for their physical safekeeping. The share certificates belonging to CPFIS Investors who have not accepted the Exit Offer will be forwarded to their respective CPF Agent Banks for their safe keeping.

Shareholders who are in doubt of their position should seek independent professional advice.

In the event that the Minimum Acceptance Condition is not fulfilled by the close of the Exit Offer, all Offer Shares tendered for acceptance will be returned to Shareholders and as the Company will be delisted from the SGX-ST thereafter, Shareholders will continue to hold their Shares as unquoted shares.

Further, in the event that the Minimum Acceptance Condition is fulfilled but the Offeror is not entitled to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act and/or the Dissenting Shareholders are not entitled, pursuant to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares, the delisting of the Company will still proceed, and Shareholders who have not accepted the Exit Offer will continue to hold their Shares of the Company as an unlisted company.

Further details on the above are set out in Section 11 of the Exit Offer Letter.

ANNEX A TO APPENDIX III

8. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE EXIT OFFER

In arriving at our recommendation on the Exit Offer, we have assessed the financial terms of the Exit Offer after taking into consideration the following key consideration which we consider to be pertinent and which we consider may have a significant bearing on our assessment:

- (a) Market quotation and trading activity of the Shares;
- (b) Financial analysis of the Group;
- (c) Comparison with exit offers of companies pursuant to directed delisting by the SGX-ST;
- (d) Dividend track record of the Company; and
- (e) Other relevant considerations.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, we are of the view that the financial terms of the Exit Offer are fair and reasonable. Accordingly, we advise the Independent Directors to recommend the Shareholders to ACCEPT the Exit Offer.

As the trading of the Shares has been suspended, Shareholders should note that pursuant to Rule 729 of the Listing Manual, there must not be any transfers of the Shares unless approved by the SGX-ST. This being so, the Exit Offer is presently the only available option to Shareholders who wish to exit their investment in the Company.

The Exit Offer is conditional upon the Minimum Acceptance Condition being fulfilled. In the event that the Exit Offer is not declared unconditional as to acceptance by the close of the Exit Offer, the Exit Offer will lapse and all acceptance tendered for the Exit Offer will be returned. We wish to highlight that in this event, the Directed Delisting will still proceed in view of the Delisting Notification by the SGX-ST.

Shareholders should also note that Shareholders' approval is not required for the Directed Delisting by the SGX-ST pursuant to the Delisting Notification.

In rendering the above advice, we have not given regard to the specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any individual Shareholder. As each individual Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. The Independent Directors should advise Shareholders that the opinion and advice of Provenance Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Exit Offer.

This Letter is required under Rule 1309 of the Listing Manual as well as addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the Exit Offer and may not be used or relied on for any other purposes (other than for the purpose of the Exit Offer) without the prior written consent of Provenance Capital. The recommendation to be made by the Independent Directors to Shareholders in respect of the Exit Offer shall remain the responsibility of the Independent Directors.

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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
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

(a) The rights of Shareholders in respect of capital and shares

SHARES

- | | | |
|------------------------------|----|---|
| Company's shares as security | 6. | Save to the extent permitted by the Act, none of the funds or assets of the Company or of any subsidiary thereof shall be directly or indirectly employed in the purchase or subscription of or in loans upon the security of the Company's shares (or its holding company, if any) and the Company shall not, except as permitted by law, give any financial assistance for the purpose of or in connection with any purchase of shares in the Company (or its holding company, if any). |
| Issue of New Shares | 7. | <p>(1) Subject to the Act and these Articles, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Article 51, and to any special rights attached to any shares for the time being issued, the Directors may issue, allot, 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:–</p> <p>the proportion of the total issued capital represented by all issued preference shares shall not exceed the proportion of the total issued capital represented by all issued ordinary shares at any time, and all other restrictions or limitations in respect of the issue of preference shares as may be imposed by law or required by the listing rules of the Exchange (as so modified, amended or supplemented from time to time) shall be complied with;</p> <p>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;</p> <p>the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same; and</p> <p>subject to any direction to the contrary which may be given by the Company in General Meeting, 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.</p> |

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

- (2) Notwithstanding Article 51, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:
- (i) (a) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or
 - (b) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including without limitation, the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and
 - (ii) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

provided that:

- (aa) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Exchange;
- (bb) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Exchange for the time being in force (unless such compliance is waived by the Exchange) and these Articles;
- (cc) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest); and
- (dd) any other issue of shares, the aggregate of which would exceed the limits of the authority conferred by the Ordinary Resolution as referred to in this Article, shall be subject to the approval of the Company in general meeting.

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

Rights attached to Preference shares	8.	(1) Preference shares may be issued subject to such limitation thereof as may be prescribed by any stock exchange upon which shares in the Company may be listed. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears. (2) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.
Treasury Shares	9.	The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold and/or deal with its treasury shares in any manner authorised or prescribed by the Act.
Variation of rights	10.	(1) If at any time the share capital is divided into different classes, the special 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 whereupon any holder of such shares, present in person or by proxy, shall be entitled to one vote for each share of the class in respect of which he is a holder of such shares. If at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of such shares of the class who are personally present shall be a quorum. Provided always that where the necessary majority for the aforesaid 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. The directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or resolution to the Accounting and Corporate Regulatory Authority. Where all the issued shares of the class are held by one person, the necessary quorum shall be one person.

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

Variation of rights of Preference Shareholders	(2) The repayment of preference capital other than redeemable preference capital 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.
Creation or issue of further shares with special rights	11. 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.
Power to pay commission and brokerage	12. The Company may pay such commissions or brokerage as may be lawful on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commission or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares, or partly in one way and partly in the other.
Power to charge interest on capital	13. 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.
No trust recognized	14. Except as required by law, no person other than the Depository shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these Articles or by law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder 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 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 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.

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Joint holders	(1) The Company and the Depository shall not be bound to register more than three persons as the joint holders of any share except in the case of executors, administrators or trustees of the estate of a deceased Member. (2) If two or more persons are registered as joint holders of any share any one of such person may give effectual receipts for any dividends, bonuses or other moneys payable in respect of such share and the joint holders of a share shall, subject to the provisions of the Act, be severally as well as jointly liable for the payment of all instalments and calls and interest due in respect of such shares. (3) Only the person whose name stands first in the Register of Members as one of the joint holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint holders. Only the person whose name stands first in the Depository Register shall be entitled to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint holders.
Fractional part of a share	No person shall be recognised by the Company as having title to a fractional part of a share otherwise than as the sole or a joint holder of the entirety of such share.
Payment of instalments	If by the conditions of allotment of any shares the whole or any part of the amount of the issue price thereof shall be payable by instalments every such instalment shall, when due, be paid to the Company by the person who for the time being shall be the registered holder of the share or his personal representatives, but this provision shall not affect the liability of any allottee who may have agreed to pay the same.
Share certificates	18. The certificate of title to shares or debentures in the capital of the Company shall be issued under the Seal in such form as the Directors shall from time to time prescribe and may bear the autographic or facsimile signatures of at least two Directors, or by one Director and the Secretary or some other person appointed by the Directors in place of the Secretary for the purpose, and shall specify the number and class of shares to which it relates and the amount paid and the amount unpaid (if any) thereon. The facsimile signatures may be reproduced by mechanical or other means provided the method or system of reproducing signatures has first been approved by the Auditors of the Company. No certificate shall be issued representing shares of more than one class.

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

Entitlement to certificate	19.	(1)	Shares must be allotted and certificates despatched within 10 Market Days (or such other period as may be prescribed or approved by the Exchange from time to time) of the final closing date for an issue of shares unless the Exchange shall agree to an extension of time in respect of that particular issue. The Depository must despatch statements to successful investor applicants confirming the number of shares held under their Securities Accounts. Persons entered in the Register of Members as registered holders of shares shall be entitled to certificates within 10 Market Days (or such other period as may be prescribed or approved by the Exchange from time to time) 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 prescribed or 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 prescribed or 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 40, 44, 48 and 49, mutatis mutandis.
Issue of replacement certificates	20.	(1)	Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be replaced on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled thereto, purchaser, member firm or member company of the Exchange or on behalf of its or their client or clients as the Directors of the Company shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding S\$2 (or such other sum as may be prescribed or approved by the Exchange from time to time) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

person entitled to whom such replaced certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction, loss or theft.

New certificate
in place of
one not
surrendered

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

TRANSFER OF SHARES

Form of
transfer of
shares

21. Subject to the restrictions of these Articles and any restrictions imposed by law or the Exchange or the Depository, any Member may transfer all or any of his shares, but every transfer by any Member must either be by means of:–

an instrument in the form approved by the Exchange, which must be left at the Office or such other place or places as the Directors may appoint from time to time for registration and accompanied by the certificates of the shares to be transferred, and such other evidence (if any) as the Directors may require to prove the title of the intending transferor or his right to transfer the shares (“a registered transfer”). Shares of different classes shall not be comprised in the same instrument of transfer; or

book-entry in the Depository Register in accordance with the Act.

Execution

22. The instrument of transfer of a share which is the subject of a registered transfer shall be signed by or on behalf of the transferor and the transferee and be witnessed and the transferor shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the Register of Members in respect thereof. The Depository may transfer any share in respect of which its name is entered in the Register of Members by means of a registered transfer. The Depository shall not be required as transferee to sign any form of transfer for the transfer of shares to it. The Directors may dispense with the execution of the instrument of transfer by the transferee and the requirement that the instrument of transfer be witnessed in any case in which they think fit in their discretion to do so. Shares of different classes shall not be comprised in the same instrument of transfer. This Article 22 shall not apply to any transfer of shares by way of book-entry in compliance with the Act.

Person under
disability

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

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

Directors' power to decline to register

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

Terms of registration of transfers

- (2) The Directors may decline to register any instrument of transfer unless:–
- (i) in the case of registered transfers, such fee not exceeding S\$2 (or such other sum as may be prescribed or approved by the Exchange from time to time) as the Directors may from time to time require, is paid to the Company for the registration of each transfer (except that the Depository shall not be liable to pay any fee in respect of the registration of a transfer);
 - (ii) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;
 - (iii) the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and
 - (iv) the instrument of transfer is in respect of only one class of shares.

Retention of transfers

25. (1) In the case of registered transfers, all instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may decline to register shall (except in the case of fraud) be returned to the person depositing the same.
- (2) Subject to any legal requirements to the contrary, the Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall be conclusively presumed in the

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other documents so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. PROVIDED that:–

- (i) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
- (ii) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any circumstances which would not attach to the Company in the absence of this Article; and
- (iii) references herein to the destruction of any document include references to the disposal thereof in any manner.

Closing of Register	26.	The Register of Members and the Depository Register may be closed at such times and for such period as the Directors may from time to time determine, provided always that the Registers shall not be closed for more than thirty days in the aggregate in any year. Provided Always that the Company shall give prior notice of such closure as may be required to the Exchange, stating the period and purpose or purposes for which the closure is made.
Renunciation of allotment	27.	(1) Nothing in these Articles shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.
Indemnity against wrongful transfer		(2) Neither the Company nor its Directors nor any of its Officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other Officers, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. In every such case, the person registered as transferee, his executors, administrators and assigns, alone shall be

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

TRANSMISSION OF SHARES

Transmission
on death

28. (1) In case of the death of a registered shareholder, the survivor or survivors, where the deceased was a joint holder, and the legal representatives of the deceased, where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his interest in the shares, but nothing herein shall release the estate of a deceased registered shareholder (whether sole or joint) from any liability in respect of any share held by him.
- (2) In the case of the death of a Depositor, the survivor or survivors, where the deceased was a joint holder, and the legal personal representatives of the deceased, where he was a sole holder and where such legal representatives are entered in the Depository Register in respect of any shares of the deceased, shall be the only persons recognised by the Company as having any title to his interests in the share; but nothing herein contained shall release the estate of a deceased Depositor (whether sole or joint) from any liability in respect of any share held by him.

Persons
becoming
entitled on
death or
bankruptcy of
Member may
be registered

29. (1) Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member or by virtue of a vesting order by a court of competent jurisdiction and recognised by the Company as having any title to that share may, upon producing such evidence of title as the Directors shall require, be registered himself as holder of the share upon giving to the Company notice in writing or transfer such share to some other person. If the person so becoming entitled shall elect to be registered himself, he shall send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer executed by such Member. The Directors shall have, in respect of a transfer so executed, the same power of refusing registration as if the event upon which the transmission took place had not occurred, and the transfer were a transfer executed by the person from whom the title by transmission is derived.

Notice to
unregistered
executors and
trustees

- (2) The Directors may at any time give notice requiring any such person to elect whether to be registered himself as a Member in the Register of Members or (as the case may be), entered in the Depository Register in respect of the share or to transfer the share and if the notice is not complied with within 60 days the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.

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- (3) In the case of any person becoming entitled to the interest of a Depositor in respect of a share in consequences of the death of the Depositor, Section 130K(1) of the Act shall apply.

Rights of unregistered executors and trustees	30. A person entitled to a share by transmission shall be entitled to receive, and may give a discharge for, any dividends or other moneys payable in respect of the share, but he shall not be entitled in respect of it to receive notices of, or to attend or vote at meetings of the Company, or, save as aforesaid, to exercise any of the rights or privileges of a Member, unless and until he shall become registered as a shareholder or have his name entered in the Depository Register as a Depositor in respect of the share.
Fee for registration of probate, etc.	31. There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any share, such fee not exceeding S\$2 (or such other sum as may be prescribed or approved by the Exchange from time to time) as the Directors may from time to time require or prescribe.

CALL ON SHARES

Calls on shares	32. There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any share, such fee not exceeding S\$2 (or such other sum as may be prescribed or approved by the Exchange from time to time) as the Directors may from time to time require or prescribe.
Time when made	33. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.
Interest on calls	34. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum due from the day appointed for payment thereof to the time of actual payment at such rate not exceeding ten per cent per annum as the Directors may determine, and shall also pay all costs, charges and expenses which the Company may have incurred or become liable for in order to recover payment of or in consequence of non-payment of such call but the Directors shall be at liberty to waive payment of such interest, costs, charges and expenses wholly or in part.
Sum due to allotment	35. Any sum which by the terms of issue and allotment of a share becomes payable upon allotment or at any fixed date shall for all purposes of these Articles be deemed to be a call duly made and payable on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of the Articles as to payment of interest, costs, charges and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

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| Power to differentiate | 36. | The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payments. |
| Payment in advance of calls | 37. | The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the money uncalled and unpaid upon the shares held by him and such payments in advance of calls shall extinguish (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. |

FORFEITURE AND LIEN

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| Notice requiring payment of calls | 38. | If any Member fails to pay in full any call or instalment of a call on or before the day appointed for payment thereof, the Directors may at any time thereafter serve a notice on such Member requiring payment of so much of the call or instalment as is unpaid together with any interest and expense which may have accrued by reason of such non-payment. |
| Notice to state time and place | 39. | The notice shall name a further day (not being less than seven days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call was made will be liable to be forfeited. |
| Forfeiture on non-compliance with notice | 40. | If the requirements of any such notice as aforesaid are not complied with any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture. The forfeiture or surrender of a share shall involve the extinction at the time of forfeiture or surrender of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the share as between the Member whose share is forfeited or surrendered and the Company, except only such of those rights and liabilities as are by these Articles expressly saved, or as are by the Act given or imposed in the case of past Members. The Directors may accept a surrender of any share liable to be forfeited hereunder. |
| Notice of forfeiture to be given and entered | 41. | When any share has been forfeited in accordance with these Articles, notice of the forfeiture shall forthwith be given to the holder of the share or to the person entitled to the share by transmission, as the case may be, and an |

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entry of such notice having been given, and of the forfeiture with the date thereof, shall forthwith be made in the Register of Members or in the Depository Register (as the case may be) opposite to the share; but the provisions of this Article are directory only, and no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

Directors may allow forfeited share to be redeemed

42. Notwithstanding any such forfeiture as aforesaid, the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture, upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit.

Sale of share forfeited

43. A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person, upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. To give effect to any such sale, the Directors may, if necessary, authorise some person to transfer a forfeited or surrendered share to any such person as aforesaid.

Rights and liabilities of Members whose share have been forfeited or surrendered

44. A Member whose shares have been forfeited or surrendered shall cease to be a Member in respect of the shares, but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were payable by him to the Company in respect of the shares with interest thereon at ten per cent per annum (or such lower rate as the Directors may approve) from the date of forfeiture or surrender until payment, but such liability shall cease if and when the Company receives payment in full of all such money in respect of the shares and the Directors may waive payment of such interest either wholly or in part.

Company's lien

45. The Company shall have a first and paramount lien and charge on every share (not being a fully paid share) in the name of each Member (whether solely or jointly with others) and on the dividends declared or payable in respect thereof for all unpaid calls and instalments due on any such share and interest and expenses thereon but such lien shall only be upon the specific shares in respect of which such calls or instalments are due and unpaid and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member.

Member not entitled to privileges until all calls paid

46. No Member shall be entitled to receive any dividend or to exercise any privileges as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether solely or jointly with any other person, together with interest and expenses (if any).

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| Sale of shares subject to lien | 47. | The Directors may sell in such manner as the Directors think fit any share on which the Company has a lien but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of seven days after notice in writing stating and demanding payment of the sum payable and giving notice of intention to sell in default, shall have been given to the Member for the time being in relation to the share or the person entitled thereto by reason of his death or bankruptcy. To give effect to any such sale, the Directors may authorise some person to transfer the shares sold to the purchaser thereof. |
| Application of proceeds of such sale | 48. | The net proceeds of sale, whether of a share forfeited by the Company or of a share over which the Company has a lien, after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the unpaid call and accrued interest and expenses and the residue (if any) paid to the Member entitled to the share at the time of sale or his executors, administrators or assigns or as he may direct. |
| Title to shares forfeited or surrendered or sold to satisfy a lien | 49. | A statutory declaration in writing by a Director of the Company that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts stated therein as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof, together with the certificate under Seal for the share delivered to a purchaser or allottee thereof, shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be entered in the Register of Members as the holder of the share or (as the case may be) in the Depository Register in respect of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the forfeiture, surrender, sale, re-allotment or disposal of the share. |

ALTERATION OF CAPITAL

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| 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 Exchange's listing rules, all new shares shall before issue be offered to the Members in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled or hold. The offer shall be made by notice specifying the number of shares |

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offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.

- (2) Notwithstanding Article 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. (1) The Company may by Ordinary Resolution:–
- (i) consolidate and/or divide all or any of its share capital;
 - (ii) subdivide its shares or any of them (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;
 - (iii) cancel the number of shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or which have been forfeited and diminish its share capital in accordance with the Act; 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 purchase or acquire its issued shares

- (2) Subject to and in accordance with the provisions of the Act, the listing rules of the Exchange, and other written law, the Company may purchase or otherwise acquire ordinary shares, stocks, preference shares, options, debentures, debenture stocks, bonds, obligations, securities, and all other equity, derivative, debt and financial instruments issued by it on such terms as the Company may think fit and in the manner prescribed by the Act. Any shares so purchased by the Company shall, unless held by the Company as treasury shares in accordance with the Act, be deemed to be cancelled immediately on

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purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold and/or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.

Power to
reduce capital

54. The Company may by Special Resolution reduce its share capital or any other undistributable reserve in any manner and subject to any incident authorised and consent required by law. Without prejudice to the generality of the foregoing, upon the cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles or the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

STOCK

Power to
convert into
stock

55. The Company may by Ordinary Resolution convert any or all its paid up shares into stock and may from time to time by resolution reconvert any stock into paid up shares.

Transfer of
stock

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

Rights of
stockholders

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

Interpretation

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”.

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(b) The rights of Shareholders in respect of voting

PROCEEDINGS AT GENERAL MEETINGS

Quorum	64.	No business shall be transacted at any General Meeting unless a quorum is present at the time the meeting proceeds to business. Save as herein otherwise provided, two 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 but shall, as required by the Act, exclude the Company where it is a Member by reason of its holding of treasury shares. 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.
Adjournment if quorum not present	65.	If within half an hour from the time appointed for the holding of the Meeting 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 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.
Resolutions in writing	66.	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. For the purposes of this Article, "in writing" and "signed" include approval by telex or facsimile.
Chairman	67.	The Chairman of the Directors or, in his absence, the Deputy Chairman (if any) shall preside as Chairman at every General Meeting. If there is no such Chairman or Deputy Chairman or if at any Meeting he is not present within fifteen minutes after the time appointed for holding the Meeting or is unwilling to act, the Members present shall choose some other Director to be Chairman of the Meeting or, if no Director is present or if all the Directors present decline to take the Chair, one of themselves to be Chairman of the Meeting.
Adjournment	68.	The Chairman of the Meeting may, with the consent of any Meeting at which a quorum is present (and shall if so directed by the Meeting), adjourn the Meeting from time to time 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 fourteen days or more, at least three days' notice of the place and hour of such adjourned Meeting shall be given as in the case of the original Meeting. Save as aforesaid, it shall not be

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necessary to give any notice of an adjournment or of the business to be transacted at an adjourned Meeting.

Method of
voting

69. At any General Meeting a resolution put to the vote of the Meeting shall be decided on a show of hands by the Members present in person or by proxy and entitled to vote, unless a poll is (before or on the declaration of the result of the show of hands) demanded:–

- (i) by the Chairman of the meeting; or
- (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
- (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
- (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 not less than one-tenth of the total number of paid-up shares in the Company (excluding treasury shares) conferring a right to vote at the Meeting.
- (v) Provided always that no poll shall be demanded on the election of a Chairman of a Meeting (or any other Director as the Chairman may appoint to chair the Meeting from time to time) 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.

Taking a poll

70. If a poll is duly demanded (and the demand is not withdrawn) it shall be taken in such manner (including the use of ballot, 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.

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Votes counted in error	71.	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 unless in the opinion of the Chairman at the Meeting or at any adjournment thereof, as the case may be, it shall be of sufficient importance to vitiate the result of the voting.
Chairman's casting vote	72.	Subject to the Act and the requirements of the Exchange, in the case of equality of votes, whether on a show of hands or on a poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote in addition to the votes to which he may be entitled as a Member or as proxy of a Member.
Time for taking a poll	73.	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 to be given of a poll not taken immediately.
Continuance of business after demand for a poll	74.	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.
Voting rights of Members	75.	(1) Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Article 9, 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

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the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the number of shares standing to the credit of that Depositor's Securities Account as at the cut-off time, and the true balance standing to the Securities Account of a Depositor as at the time of the relevant General Meeting, if the instrument is dealt with in such manner as aforesaid.

Voting in respect of shares of different monetary denominations	(2)	Where the capital of the Company consists of shares of different monetary denominations, voting rights may, at the discretion of the Board of Directors, 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.
Voting rights of joint holders	76.	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.
Voting rights of Members of unsound mind	77.	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.
Right to vote	78.	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.
Objections	79.	No objection shall be raised to the qualification of any voter except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered and every vote not disallowed at such Meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the Meeting whose decision shall be final and conclusive.
Votes on a poll	80.	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.

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Appointment of proxies	81.	(1) A Member may appoint not more than two proxies to attend and vote at the same General Meeting. (2) If the Member is a Depositor, the Company shall be entitled:– 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 to accept as validly cast by the proxy or proxies appointed by the Depositor on a poll that number of votes which corresponds to or is less than the aggregate number of shares entered in its Securities Account of that Depositor as at the cut-off time as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor. (3) Where a Member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named. (4) Voting right(s) attached to any shares in respect of which a Member has not appointed a proxy may only be exercised at the relevant General Meeting by the Member personally or by his attorney, or in the case of a corporation by its representative. (5) Where a Member appoints a proxy in respect of more shares than the shares standing to his name in the Register of Members, or in the case of a Depositor, standing to the credit of that Depositor's Securities Account, such proxy may not exercise any of the votes or rights of the shares not registered to the name of that Member in the Register of Members or standing to the credit of that Depositor's Securities Account as at the cut-off time, as the case may be.
Proxy need not be a Member	82.	A proxy or attorney need not be a Member, and shall be entitled to vote on a show of hands on any question at any General Meeting.
Instrument appointing a proxy	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

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

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 any adjournment of the Meeting as for the Meeting to which it relates Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not 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 appointor to move any resolution or amendment thereto and to speak at the Meeting. 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 not to
revoke proxy

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.

Voting in
absentia

- 85A. Subject to these Articles and the Act, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

Corporations
acting by
representatives

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 and such corporation shall for the purpose of these Articles and subject to the Act, be deemed to be present in person at any such Meeting if a person so authorised is present thereat. 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.

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

(c) The rights of Shareholders in respect of dividends, reserves, capitalisation and winding up

DIVIDENDS

Payment of dividends	128.	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. No dividend shall exceed the amount recommended by the Directors and a declaration by the Directors as to the amount of profits at any time available for dividends shall be conclusive.
Apportionment of dividends	129.	Subject to the rights of holders of shares with special rights as to dividend (if any) and except as otherwise permitted under the Act, all dividends in respect of shares shall be declared and paid in proportion to the number of shares held by a Member but where shares are partly paid, all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid up shares. For the purposes of this Article only, no amount paid or credited as 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 or credited as 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	130.	Notwithstanding Article 129, 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 subject thereto may also from time to time pay to the holders of any other class of shares interim dividends thereon of such amounts and on such dates as they may think fit.
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.
Deduction from dividend	132.	The Directors may deduct from any dividend or other moneys payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith, or any other account which the Company is required by law to withhold or deduct.
Retention of dividends on shares subject to lien	133.	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.

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

Retention of dividends on shares pending transmission	134. The Directors may retain the dividends payable on shares in respect of which any person is under these Articles, as to the transmission of shares, entitled to become a Member, or which any person under these Articles is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.
Unclaimed dividends	135. 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.
Payment of dividend in specie	136. 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 the Company or 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.
Dividends payable by cheque or warrant	137. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto or, if several persons are registered as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such person and such address as such persons may by writing direct Provided that where the Member is a Depositor, the payment by the Company to the Depository of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment. Every such cheque and warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque if purporting to be endorsed or the receipt of any such person shall be a good discharge to the Company. Every such cheque and warrant shall be sent at the risk of the person entitled to the money represented thereby.
Effect of transfer	138. A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer.

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

RESERVES

Power to carry
profit to
reserve

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

BONUS ISSUE AND CAPITALISATION OF PROFITS AND RESERVES

Bonus issue
and power to
capitalize
profits and
reserves

140. (1) The Directors may, with the sanction of the Company by way of an Ordinary Resolution, including any Ordinary Resolution passed pursuant to Article 7:–
- (i) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:
 - (a) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or
 - (b) (in the case of an Ordinary Resolution passed pursuant to Article 7) such other date as may be determined by the Directors, in proportion to their then holdings of shares; and
 - (ii) capitalise any sum for the time being standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of the profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:
 - (a) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or
 - (b) (in the case of an Ordinary Resolution passed pursuant to Article 7) such other date as may be determined by the Directors,

APPENDIX IV – RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

- (2) The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under Article 140(1), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter, on behalf of all the Members interested, into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.
- (3) In addition and without prejudice to the powers provided for by Articles 140(1) and 140(2), the Directors shall have the power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full unissued shares, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting in such manner and on such terms as the Directors shall think fit.

WINDING UP

Distribution of
assets in
specie

161. If the Company is wound up (whether the liquidation is voluntary, under supervision or by the Court) the Liquidator may, with the authority of a Special Resolution, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds and may for such purpose set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The Liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Members as the Liquidator with the like authority thinks fit, and the liquidation of the Company may be closed and the Company dissolved, but no Member shall be compelled to accept any shares or other securities in respect of which there is a liability.”

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

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2018.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 33 to 100 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, with the continued financial support from directors, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Mr Hsu Hung Chun
Mr Hsu Cheng Chien
Mr Lim Hock Beng
Mr Lau Ping Sum, Pearce
Mr Hsu Ming Hung
Mr Chew Heng Ching

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

The Company – Ordinary shares	Shareholdings registered in the names of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
Mr Hsu Hung Chun	–	–	75,712,234	75,712,234
Mr Hsu Cheng Chien	500,000	500,000	75,712,233	75,712,233
Mr Hsu Ming Hung	750,000	750,000	–	–

By virtue of Section 7 of the Singapore Companies' Act, Messrs Hsu Hung Chun and Hsu Cheng Chien are deemed to have interests in all the related corporations of the Company.

The directors' interests in the shares of the Company as at January 21, 2019 were the same as at December 31, 2018.

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

4 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

5 AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Mr Lim Hock Beng, an independent director, and includes Mr Lau Ping Sum, Pearce and Mr Chew Heng Ching, both of whom are independent directors. The Audit Committee has met 4 times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors, external and internal auditors of the Company:

- (a) the audit plan of the internal and external auditors, the scope of the internal audit procedures and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Group's financial and operating results and accounting policies;
- (c) to review the annual financial statements, and quarterly announcements before submission to the Board of Directors for approval;
- (d) to review internal control and procedures, including review of the internal auditor's internal audit plan and internal audit findings;
- (e) to ensure that the internal audit function is adequately resourced;
- (f) to review the co-ordination between the external auditors and management, the assistance given by management to the auditors and addressing any issues and matters arising from the audits;
- (g) to consider and make recommendation on the re-appointment of the external auditors; and
- (h) to review Interested Person Transactions falling within the scope of the Audit Committee's term of reference.

The Audit Committee has reviewed the independence of Deloitte & Touche LLP including the value of non-audit services supplied by Deloitte & Touche LLP and is satisfied of Deloitte & Touche LLP's position as an independent external auditor. The nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

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

5 AUDIT COMMITTEE (CONT'D)

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



.....
Hsu Hung Chun



.....
Hsu Cheng Chien

March 26, 2019

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Huan Hsin Holdings Ltd (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 33 to 100.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)s”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the accompanying financial statements which indicates that as at December 31, 2018, the Group reported a net current liabilities of \$46,500,000 (December 31, 2017: \$50,337,000, January 1, 2017 : \$42,151,000) and the Group’s capital deficiency amounted to \$74,696,000 (December 31, 2017: \$81,786,000, January 1, 2017 : \$69,742,000), and the Group recorded loss for the year of \$2,468,000 (2017: \$20,588,000) for the financial year then ended.

These events or conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as going concerns. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be a key audit matter to be communicated in our report.

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

Key Audit Matters

Valuation of financial assets at fair value through other comprehensive income

As at December 31, 2018, the Group's financial assets at fair value through other comprehensive income ("FVTOCI") amounted to S\$34,087,000, representing 44% of the Group's total assets. The financial assets at FVTOCI balance comprise of unquoted equity shares stated at fair value, determined by independent professional external valuer.

The valuation of unquoted equity shares involves significant judgement in determining the appropriate valuation methods and use of subjective assumptions. The valuation is sensitive to underlying assumptions applied by the valuer such as market comparables used and liquidity reduction factor and may have a significant impact to the valuation.

Our audit performed and responses thereon

Our audit procedures includes:

- Obtained an understanding of the relevant controls and processes that management has in place in respect of valuation of unquoted equity shares;
- Obtained the external valuation report and evaluated the work scope, qualifications, competency, objectivity and independence of the external valuer;
- Discussed with the external valuer to obtain understanding of their work performed on the unquoted equity shares covering amongst others, the valuation methodology and the appropriateness of assumptions applied;
- Independently assessed the key assumptions against the data available in the market.

The key judgement and estimation on the valuation of financial assets at FVTOCI is disclosed in Note 4(c)(vi) to the financial statements, and further information related to financial assets at FVTOCI is provided in Note 13 to the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lim Bee Hui.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 26, 2019

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

		Group			Company		
	Note	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS							
Current assets							
Cash and bank balances	6	6,439	2,412	9,610	36	33	181
Trade receivables	7	3,588	7,606	12,132	–	–	–
Other receivables, deposits and prepayments	8	10,515	1,881	8,219	101	103	57,448
Inventories	9	3,489	4,083	7,491	–	–	–
Non-current assets classified as held for sale	10	–	4,363	–	–	–	–
Total current assets		24,031	20,345	37,452	137	136	57,629
Non-current assets							
Associate	11	759	780	864	–	–	–
Subsidiaries	12	–	–	–	–	–	–
Financial assets at fair value through other comprehensive income	13	34,087	–	–	–	–	–
Available-for-sale investments	13	–	22,988	25,579	–	–	–
Land use rights	14	4,278	4,046	5,534	–	–	–
Property, plant and equipment	15	14,471	21,103	27,106	–	–	–
Total non-current assets		53,595	48,917	59,083	–	–	–
Total assets		77,626	69,262	96,535	137	136	57,629
LIABILITIES AND EQUITY							
Current liabilities							
Trade payables	16	4,213	6,543	12,287	–	–	–
Other payables and accruals	17	24,045	25,879	29,542	11	110	758
Borrowings	18	42,071	37,655	37,160	–	–	–
Income tax payable		202	605	614	–	–	–
Total current liabilities		70,531	70,682	79,603	11	110	758
Non-current liability							
Borrowings	18	81,791	80,366	86,674	–	–	53,686
Capital, reserves and non-controlling interests							
Share capital	19	151,097	151,097	151,097	151,097	151,097	151,097
Capital reserve	20	54,772	54,772	54,772	–	–	–
Translation reserves		(18,463)	(17,384)	(25,928)	1,005	1,009	1,071
Legal reserves	20	30,356	30,356	30,356	–	–	–
Fair value reserves	21	9,653	–	–	–	–	–
Accumulated losses		(302,111)	(300,627)	(280,039)	(151,976)	(152,080)	(148,983)
(Capital deficiency) Equity attributable to owners of the Company		(74,696)	(81,786)	(69,742)	126	26	3,185
Total liabilities (net of capital deficiency) and equity		77,626	69,262	96,535	137	136	57,629

See accompanying notes to financial statements.

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

	Note	Group 2018 \$'000	2017 \$'000
Revenue	22	15,747	24,356
Other operating income	23	15,111	2,405
Changes in inventories of finished goods and work-in-progress		(907)	(1,312)
Raw materials and consumables used		(7,389)	(12,826)
Impairment losses		(93)	(833)
Employee benefits expenses	24	(9,587)	(13,503)
Depreciation and amortisation expense	14 & 15	(2,277)	(2,631)
Other operating expenses		(9,966)	(12,584)
Share of profit (loss) of associate	11	4	(67)
Finance costs	25	(3,504)	(3,593)
Loss before income tax	26	(2,861)	(20,588)
Income tax	27	393	–
Loss for the year, representing loss attributable to owners of the Company		(2,468)	(20,588)
Loss per share (cents):			
Basic and fully diluted	28	(0.62)	(5.15)

See accompanying notes to financial statements.

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

	Note	Group 2018 \$'000	2017 \$'000
Loss for the year		(2,468)	(20,588)
Other comprehensive income (loss):			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net fair value gain on investments in equity instruments designated as at FVTOCI	21	1,996	–
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(1,079)	8,544
		917	8,544
Total comprehensive loss for the year, representing total comprehensive loss attributable to owners of the Company		(1,551)	(12,044)

See accompanying notes to financial statements.

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

	Share capital \$'000	Capital reserve \$'000	Translation reserves \$'000	Legal reserves \$'000	Fair value reserves \$'000	Accumulated losses \$'000	Total \$'000
Group							
Balance at January 1, 2017	151,097	54,772	(25,928)	30,356	–	(280,039)	(69,742)
Total comprehensive (loss) income for the year:							
– Loss for the year	–	–	–	–	–	(20,588)	(20,588)
– Other comprehensive income for the year	–	–	8,544	–	–	–	8,544
Total	–	–	8,544	–	–	(20,588)	(12,044)
Balance at December 31, 2017 (Previously reported)	151,097	54,772	(17,384)	30,356	–	(300,627)	(81,786)
Adjustment on initial application of SFRS(I) 9	–	–	–	–	7,657	984	8,641
Balance as at January 1, 2018, as restated	151,097	54,772	(17,384)	30,356	7,657	(299,643)	(73,145)
Total comprehensive (loss) income for the year:							
– Loss for the year	–	–	–	–	–	(2,468)	(2,468)
– Other comprehensive (loss) income for the year	–	–	(1,079)	–	1,996	–	917
Total	–	–	(1,079)	–	1,996	(2,468)	(1,551)
Balance at December 31, 2018	151,097	54,772	(18,463)	30,356	9,653	(302,111)	(74,696)

See accompanying notes to financial statements.

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

	Share capital \$'000	Translation reserves \$'000	Accumulated losses \$'000	Total \$'000
<u>Company</u>				
Balance at January 1, 2017	151,097	1,071	(148,983)	3,185
Total comprehensive loss for the year				
– Loss for the year	–	–	(3,097)	(3,097)
– Other comprehensive loss for the year	–	(62)	–	(62)
Total	–	(62)	(3,097)	(3,159)
Balance at December 31, 2017	151,097	1,009	(152,080)	26
Total comprehensive income (loss) for the year				
– Profit for the year	–	–	104	104
– Other comprehensive loss for the year	–	(4)	–	(4)
Total	–	(4)	104	100
Balance at December 31, 2018	151,097	1,005	(151,976)	126

See accompanying notes to financial statements.

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

	Group	
	2018	2017
	\$'000	\$'000
Operating activities		
Loss before income tax	(2,861)	(20,588)
Adjustments for:		
Share of results of associate	(4)	67
Impairment loss on available-for-sale investments	–	758
Impairment loss on property, plant and equipment	93	75
Amortisation of land use right	137	154
Depreciation expense	2,140	2,477
Gain on disposal of property, plant and equipment and land use rights	(11,274)	(615)
Loss allowance, net of trade debts	881	113
Loss allowance, net of non-trade debts	314	–
Allowance for inventories obsolescence	178	4,324
Waiver of trade payables due from outside party	(793)	(186)
Interest expense	3,504	3,593
Interest income	(217)	(14)
Dividend income	(216)	(1,569)
Operating cash flows before movements in working capital	(8,118)	(11,411)
Trade receivables	3,827	4,507
Other receivables, deposits and prepayment	112	779
Inventories	285	595
Trade payables	(1,391)	(5,358)
Other payables	(1,003)	(2,663)
Cash used in operations	(6,288)	(13,551)
Income tax paid	(10)	(9)
Interest paid	(3,504)	(3,593)
Interest received	217	14
Net cash used in operating activities	(9,585)	(17,139)

See accompanying notes to financial statements.

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

	Group	
	2018	2017
	\$'000	\$'000
Investing activities		
Additions to property, plant and equipment	(144)	(16)
Additions to land use rights	(305)	–
Proceeds from disposal of property, plant and equipment and land use rights (Note A)	10,139	558
Proceeds from disposal of subsidiaries, net	–	5,171
Dividend income received	216	1,569
Net cash from investing activities	9,906	7,282
Financing activities		
(Repayment of) Proceeds from short-term bank loans	(251)	251
Proceeds from other loans payable	10,989	2,461
Repayment of other loans payable	(7,044)	–
Restricted cash	14	883
Net cash from financing activities	3,708	3,595
Net increase (decrease) in cash and cash equivalents	4,029	(6,262)
Cash and cash equivalents at beginning of financial year	2,365	8,680
Effects of exchange rate changes on the balance of cash held in foreign currencies	12	(53)
Cash and cash equivalents at end of financial year (Note 6)	6,406	2,365

Note A:

During the year, the Group disposed property, plant and equipment and land use rights with an aggregate proceeds of \$19,238,000 . Out of the aggregate proceeds, \$9,156,000 remained outstanding as of December 31, 2018 and had been included in other receivables.

In 2017, the Group disposed property, plant and equipment with an aggregate proceeds of \$615,000. Out of the aggregate proceeds, \$57,000 remained outstanding as of December 31, 2017 and had been included in other receivables. The outstanding balance was full received during the year.

See accompanying notes to financial statements.

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

1 GENERAL

- a) The Company (Registration Number 199509142R) is incorporated in Singapore. The Company's principal place of business and its registered office at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896. [The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").] The financial statements are expressed in Singapore dollars.
- b) The principal activities of the Company are investment holding and the provision of services to its subsidiaries. The principal activities of the associate and subsidiaries are disclosed in Notes 11 and 12 to the financial statements respectively.
- c) As at December 31, 2018, the Group reported a net current liabilities of \$46,500,000 (December 31, 2017: \$50,337,000, January 1, 2017 : \$42,151,000) and the Group's capital deficiency amounted to \$74,696,000 (December 31, 2017: \$81,786,000, January 1, 2017 : \$69,742,000), and the Group recorded loss for the year of \$2,468,000 (2017: \$20,588,000) for the financial year then ended.
- d) On February 24, 2016, the Company entered into a subscription agreement with Oriental Straits Investment Limited ("Subscriber") and China Capital Impetus Investment Limited ("CCIIL"). On March 4, 2018, the Subscriber, CCIIL and China Capital Impetus Asset Management Pte Ltd ("CCIAM") entered into a deed of novation in respect of the substitution of CCIIL by CCIAM as a party to the subscription agreement dated February 24, 2016, (as amended, supplemented and modified) ("Subscription Agreement") and the Company, the Subscriber and CCIAM had on March 4, 2018 entered into an agreement to supplement the Subscription Agreement ("Supplemental Agreement").
 - (i) The subscriber shall subscribe for, and the Company shall allot and issue to the Subscriber 3,636,363,636 ordinary shares in the share capital of the Company at the issue price of S\$0.022 per share for an aggregate subscription amount of S\$80 million in two tranches.
 - (ii) The Proposed Reverse Takeover ("Proposed RTO") refers to the sale and purchase agreement dated March 4, 2018 entered into between the Company and Jade Merit Developments Limited (the "Acquisition Agreement"), pursuant to which the Company will become the legal and beneficial owner of a 99.99% equity interest of a company incorporated in the British Virgin Islands and wholly-owned by Jade Merit Developments Limited on the terms and conditions of the Acquisition Agreement.
 - (iii) The Company shall grant each of the Subscriber and CCIAM the right but not the obligation to each subscribe for up to 454,545,455 shares at the issue price per share for up to S\$10 million upon the terms and subject to the conditions of the Subscription Agreement.

The Group has been placed on the Watch-list from March 5, 2014, with various extensions given by SGX-ST to meet the requirement for removal from the list. On March 2, 2018, SGX-ST granted the Company a final extension of time of up to March 4, 2019 to meet the requirements for removal from the Watch-List. The extension is subject to, amongst others, achieving each of the milestones by the specified timelines indicated below:

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

1 GENERAL (cont'd)

	Milestones	Timeline (on or before)
1	Signing of the Supplemental Subscription Agreement with Oriental Straits Investment Limited and China Capital Impetus Investment Limited (i.e. the Proposed Subscription)	March 4, 2018
2	Signing of the sale and purchase agreement for the proposed acquisition of vanadium mine in connection with a proposed reverse take-over (i.e. the Proposed RTO)	March 4, 2018
3	Submission of additional listing application and circular to SGX-ST in relation to the Proposed Subscription	March 15, 2018
4	Submission of RTO application and circular to SGX-ST	May 30, 2018

The above timeline was however not met in 2018, and the Company had on August 14, 2018 terminated the proposed acquisition agreement. On December 19, 2018, the Company received a notification of delisting from SGX-ST.

- e) On January 8, 2019, the Company submitted an appeal to SGX-ST in relation to the SGX-ST's decision to delist the Company ("Notification of Delisting"). The Company appealed on the grounds that the Company and the Subscriber have identified suitable assets headquartered in Beijing, which can provide the Company with a basis to support a new reverse-takeover exercise. The said assets include a group of dental clinics and dental hospital which is currently one of the largest private dental practices in Beijing and was profitable as at August 31, 2018.

Trading in the Company's securities had ceased since January 18, 2019 and had been suspended from January 21, 2019. The Company has one month from the date of notification to inform the SGX-ST of the exit offer proposal (i.e. by January 19, 2019).

On March 1, 2019, SGX-ST rejected the Company's appeal against the Notification of Delisting and provided an additional month to submit a reasonable cash exit offer proposal, i.e. up to end March 2019.

- f) Without the equity injections from the above Proposed RTO, management has explored the options available with respect to their financial affairs. The Group has obtained letters of undertaking from the directors and outside party not to demand for payment for at least twelve months from the date of directors' report for the financial year ended December 31, 2018.

Management has also prepared monthly cash flows forecasts of the Group for the financial year ending December 31, 2019 based on (i) the latest available interim financial information; (ii) the discussions with major customers about their expected orders, which however, do not represent firm or committed orders; (iii) no repayment of its borrowings; and (iv) the ability to manage its net cash outflow arising from changes in working capital. Management is of the view that the cash flows forecasts are achievable and financial support from directors will be available as and when required. According to their judgement, management believes that the Group and the Company should be able to operate as going concerns.

- g) The above matters represent material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as going concerns, and therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, management is confident that the strategies in place to improve the operating performance and financial position of the Group and the Company will allow it to continue in operational existence for the foreseeable future. The Group and the Company are dependent on directors for continued financial support and management is satisfied that the financial support will be available when required. Hence, the management continue to adopt the going concern assumption in preparing the accompanying financial statements.

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

1 GENERAL (cont'd)

- h) Accordingly, the accompanying financial statements did not include any adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group and the Company were unable to continue as going concerns. Should the going concern assumption be inappropriate, adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than their carrying amounts; (ii) provide for further liabilities that might arise; and (iii) reclassify non-current assets and non-current liabilities as current. No adjustments have been made in the accompanying financial statements in respect of these.
- i) The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2018 were authorised for issue by the Board of Directors on March 26, 2018.
- j) For all periods up to and including the year ended December 31, 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended December 31, 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 31.

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 (International) ("SFRS(I)s").

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 SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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
- 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 profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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 existing subsidiaries

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 SFRS(I)s). 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 SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In the Company's financial statements, investments in subsidiaries and associates 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.

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 SFRS(I) 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 SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *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 SFRS(I) 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *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.

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (Before January 1, 2018)

All financial assets are recognised and de-recognised on a trade date 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.

Financial assets are classified into the following specified categories: “available-for-sale” financial assets and “loans and receivables”. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest rate basis for debt instruments other than those financial instruments “at fair value through profit or loss”.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available for sale. They are carried at cost less impairment loss as there is no reliable estimates available in determining fair value. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company’s right to receive payments is established.

Loans and receivables

Trade receivables, loans 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 are initially measured at fair value and subsequently 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 recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where 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.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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 asset, such as trade 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 of 90 to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. With the exception of available-for-sale equity instruments, 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income. In respect of available-for-sale debt instruments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 assets (From January 1, 2018)

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the “revenue” line item.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of SFRS(I) 9 (Note 13).

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 4(c)(vi).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other operating income/other operating expenses" line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from various external sources of actual and forecast economic information that relate to the Group's core operations, namely the sale of wire, cable and related components and mould, moulded plastics products and finished product assembly.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower; or
- b) a breach of contract, such as a default or past due event; or
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised 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 in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Fair value is determined in the manner described in Note 4(c)(vi).

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other operating income or other operating expenses" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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 has 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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 benefit derived 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.

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 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.

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

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Costs comprise 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 first-in, first-out 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 are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land and buildings	–	10 to 50 years
Plant and equipment	–	5 to 10 years
Motor vehicles	–	5 years

Properties 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, on the same basis as other property assets, commences when the assets are ready for their intended use. No depreciation is provided on construction-in-progress.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 amount of the asset and is recognised in profit or loss.

LAND USE RIGHTS - Land use rights are measured initially at cost and amortised on a straight-line basis over the terms of the land use right certificates ranging from 50 to 88 years.

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.

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.

ASSOCIATES - 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.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates 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 SFRS(I) 9 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 SFRS(I) 1-36 *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 SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 SFRS(I) 9. 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.

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 is recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 - The Group recognises revenue from manufacturing and sale of telephone and power cords, telephone jacks and accessories, telephone handsets, moulded plastic products and notebook casing, pressed metal and electronic products. The Group also recognises revenue from dividend income and interest income.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Sale of goods

The Group sells wire, cable, related components, moulded plastic products and finished product assembly. Revenue is recognised when control of goods has transferred, being when the goods have been shipped to the port of export or address nominated by the customers. Following the delivery, the customer has full discretion and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Under the Group's standard contract terms, customers do not have a right of return.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

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

RESEARCH AND DEVELOPMENT EXPENDITURE - Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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.

RETIREMENT BENEFIT OBLIGATIONS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, are dealt with as defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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 consolidated statement of profit or loss and other 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax is recognised on 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, and is accounted for using the balance sheet liability method. 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 associates, 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 difference 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 foreseeable future.

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 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 Company's functional currency is Chinese Renminbi ("RMB"). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is 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.

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

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 Singapore dollars 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 transferred to the Group's 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, loss of joint control over a jointly controlled entity 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 associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), 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, are recognised in other comprehensive income and accumulated in foreign currency translation reserve (attributable to minority interest as appropriate).

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.

LEGAL RESERVES - Certain subsidiaries are required by laws established in their respective countries of incorporation to set aside certain percentage of their annual net profit after tax less prior years' losses, if any, as legal reserve until the accumulated reserve has reached an amount equal to the subsidiary's paid-up capital. This legal reserve can be used to offset a deficit in the retained earnings. It may be transferred to capital when the legal reserve reaches a level equivalent to a certain percentage of the subsidiary's paid-up capital.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents in the statement of cash flows comprise cash on hand, demand deposits and other short-term highly liquid assets that are readily convertible to a known amount of cash 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 to the financial statements, 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

(i) *Critical judgements in applying the Group's accounting policies*

The following are the critical judgements, apart from those involving estimates (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.

Going concern assumption

As disclosed in Note 4(c)(v), management has exercised significant judgement in preparation of projected net cash flows for the next financial year ending December 31, 2019. The areas of judgement include key assumptions and estimates in the preparation of the cash flows, changes in working capital and repayment schedule of its other unsecured debts.

In addition, management has also taken into consideration the ability to successfully negotiate with the lenders of the Group to defer repayment of its borrowings which will determine the Group's and Company's ability to service their borrowings when they fall due and ability to obtain financial support from directors.

The directors and management are confident that the successful conclusion of the above events would enable the Group to continue operations for the foreseeable future. Accordingly, the Group considers that the use of going concern basis for preparing financial statements remains appropriate.

(ii) *Key sources of estimation uncertainty*

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

(a) Impairment of leasehold land and buildings and land use rights

In assessing the recoverable amount of the leasehold land and buildings and land use rights, management relies on the valuations performed by the independent external valuers to estimate the net realisable values and there is no impairment indication based on the independent valuation report. Management views the respective leasehold buildings and the land use rights as one cash generating unit as when they sell the land use right, it will also include the leasehold building.

The carrying amounts of the land use rights and leasehold land and buildings are disclosed in Notes 14 and 15 respectively to the financial statements.

(b) Allowance for doubtful debts

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

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

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

(ii) Key sources of estimation uncertainty (cont'd)

(b) Allowance for doubtful debts (cont'd)

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The carrying amounts of the Group's trade receivables as at December 31, 2018 is US\$3,588,000 (December 31, 2017: US\$7,606,000, January 1, 2017: US\$12,132,000). The allowances as at December 31, 2018 amounted to US\$2,754,000 (December 31, 2017: US\$3,505,000, January 1, 2017: US\$4,502,000).

The carrying amounts of the Group's other receivables as at December 31, 2018 is US\$10,515,000 (December 31, 2017: US\$1,881,000, January 1, 2017: US\$8,219,000). The allowances as at December 31, 2018 amounted to US\$759,000 (December 31, 2017: US\$480,000, January 1, 2017: US\$487,000).

(c) Allowances for inventories

Management determines whether an allowance is required for inventories obsolescence or slow-moving stock or for any shortfall in net realisable value of inventories by reviewing the inventory listing on a periodic basis. The review involves an analysis of the inventories ageing, a comparison of the carrying value of the inventory items with the respective net realisable value as well as the forecasted demand for the inventories. Arising from the review, management sets up the necessary allowance for obsolete and slow-moving inventories or for any shortfall in the net realisable value of the inventories. The carrying amounts of the inventories are disclosed in Note 9 to the financial statements.

(d) Fair value measurements and valuation processes

The Group's investments in unquoted equity shares are measured at FVTOCI for financial reporting purposes. The Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of financial assets at FVTOCI are disclosed in Note 4(c)(vi).

(e) Income taxes

The Group has exposure to income tax in different jurisdictions. Significant assumption is required in determining the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises deferred tax assets for tax losses and other temporary differences based on estimates of whether the deferred tax assets can be realised. 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 amount of income tax payable is disclosed in the statement of financial position.

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

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

(ii) Key sources of estimation uncertainty (cont'd)

(f) Impairment of investments in associate and subsidiaries

The Group assesses annually whether its investments in associate and subsidiaries exhibit any indication of impairment. In assessing the impairment loss, the recoverable amounts for investments in associate and subsidiaries were determined based on the net carrying amounts of assets and liabilities recorded on the statement of financial position of the respective associate and subsidiaries, which in the management's view, approximate the fair value of the respective associate and subsidiaries.

Based on management's assessment, there is no further impairment required to be recognised for the current financial year. The carrying amount of investments in associate and subsidiaries at the end of the reporting period is disclosed in Notes 11 and 12 to the financial statements respectively.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	Company December 31, 2017 \$'000	January 1, 2017 \$'000
Financial assets						
Financial assets at amortised cost	19,755	11,282	28,933	36	33	57,561
Equity instruments designated at FVTOCI	34,087	–	–	–	–	–
Available-for-sale investments	–	22,988	25,579	–	–	–
Financial liabilities						
Financial liabilities at amortised cost	138,779	135,996	151,035	11	110	54,444

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

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

The Group and the Company do not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

(c) Financial risk management policies and objectives

The financial risk management policies of the Group 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 of financial performance of the Group. The Group's overall financial risk management and policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), credit risk, liquidity risk, cash flow interest rate risk, use of derivative financial instruments and investing excess cash. Such policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with.

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

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 transacts business in various foreign currencies, including the United States dollars ("US\$") and others (made up of Singapore dollars, Japanese Yen and Euro dollars) therefore is exposed to foreign exchange risk.

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

	December 31, 2018		December 31, 2017		January 1, 2017	
	US\$	Others	US\$	Others	US\$	Others
Group (\$'000)						
Cash and bank balances	416	28	485	60	3,559	99
Trade receivables	2,977	33	6,423	11	11,269	3
Other receivables and deposits	44	101	1	–	–	–
Trade payables	(332)	–	(1,092)	–	(4,544)	(347)
Other payables and accruals	(1)	(10)	(15)	(110)	–	(758)
Borrowings	–	–	(251)	–	–	–
Net	3,104	152	5,551	(39)	10,284	(1,003)

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL 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 Company's functional currency are as follows:

	December 31, 2018		December 31, 2017		January 1, 2017	
	US\$	Others	US\$	Others	US\$	Others
Company (\$'000)						
Cash and bank balances	10	26	9	25	155	26
Other receivables and deposits	–	102	–	103	57,380	–
Other payables and accruals	(1)	(10)	–	(110)	–	(758)
Borrowings	–	–	–	–	(53,686)	–
Net	9	118	9	18	3,849	(732)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the foreign currency against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they give rise to an impact on the Group's profit or loss and/or equity.

If the relevant currency weakens by 10% against the functional currency of each group entity, loss before income tax will (increase) decrease by:

	US\$ impact		Others impact	
	2018	2017	2018	2017
<u>Loss before income tax (\$'000)</u>				
Group	(310)	(555)	(15)	4
Company	–	(1)	(12)	(2)

If the relevant currency strengthening by 10% against the functional currency of each group entity, there would be an equal and opposite impact on the loss before income tax.

(ii) Interest rate risk management

The Group and Company does not have any significant exposure to interest rate risk as there are no significant variable interest-bearing financial assets and liabilities.

No interest rate sensitivity analysis is performed as the impact is insignificant.

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

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

(iii) Equity price risk management

The Group is exposed to equity risks arising from equity investments classified as FVTOCI. Equity investments measured at FVTOCI are held for strategic rather than trading purposes. The group does not actively trade such investments.

Further details of these equity investments can be found in Note 13.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at December 31, 2018, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL.
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired.
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired.
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off.

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

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

(iv) Credit risk management (cont'd)

The table below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Group						
December 31, 2018						
Trade receivables	7	(i)	Lifetime ECL	6,342	(2,754)	3,588
Other receivables	8	Performing	12-month ECL	9,728	–	9,728
Other receivables	8	(i)	Lifetime ECL	759	(759)	–

(i) For trade and other receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by estimating based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Notes 7 and 8 include further details on the loss allowance for these assets respectively.

Company

The Company had no financial assets and other items that are exposed to material credit risk as of December 31, 2018.

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

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

(iv) Credit risk management (cont'd)

Company (cont'd)

The Group's trade receivables are significantly attributable to multi-national corporations located in People's Republic of China and Taiwan. Ongoing credit evaluation is performed on the financial condition of trade receivable.

At the end of the reporting period, approximately 78% (December 31, 2017 : 78%, January 1, 2017 : 78%) of the Group's trade receivables were due from 5 major customers (December 31, 2017 : 5, January 1, 2017 : 5).

Cash is held with creditworthy institutions and is subject to immaterial credit loss.

Further details of credit risks on trade and other receivables are disclosed in Notes 7 and 8 to the financial statements respectively.

(v) Liquidity risk management

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group's strategy to managing liquidity risk is to ensure that the Group has sufficient funds to meet all its potential liabilities as they fall due. This strategy has not changed from prior periods.

The Group has adopted the same liquidity risk management approach as the prior period as outlined below:

- Management has taken into consideration the ability to successfully negotiate with the lenders of the Group to defer repayment of its borrowings which will determine the Group's and Company's ability to service their borrowings when they fall due and the ability to obtain financial support from directors as mentioned in Note 1.
- Management also continually assesses the balance of capital and debt funding of the Group.
- The Group is dependent on borrowings from third parties and related parties (Note 18).

Management believes that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

Liquidity and interest risk analyses

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 interests 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 statement of financial position.

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

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

(v) Liquidity risk management (cont'd)

For the purpose of above tabulation, the following amounts with no contractual repayment dates are assumed to be recoverable or payable within 5 years from the end of the reporting period:

	Weighted average effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	Adjustment \$'000	Total \$'000
Group					
December 31, 2018					
Non-interest bearing	–	44,705	13,551	–	58,256
Fixed interest rate instruments	4	15,503	81,125	(16,105)	80,523
Total		60,208	94,676	(16,105)	138,779
December 31, 2017					
Non-interest bearing	–	43,350	13,536	–	56,886
Variable interest rate instruments	3.97	261	–	(10)	251
Fixed interest rate instruments	4	12,510	82,119	(15,770)	78,859
Total		56,121	95,655	(15,780)	135,996
January 1, 2017					
Non-interest bearing	–	51,344	14,359	–	65,703
Fixed interest rate instruments	4	13,538	88,859	(17,065)	85,332
Total		64,882	103,218	(17,065)	151,035

For the purpose of above tabulation, the amounts due to a outside party with no contractual repayment dates are assumed to be payable within 5 years from the end of the reporting period.

Company

The non-derivative financial liabilities are unsecured, interest free and repayable on demand except for the loan payable to a subsidiary as disclosed in Note 18 to the financial statements.

Non-derivative financial assets

The non-derivative assets of the Group and the Company are unsecured, repayable on demand and interest free.

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

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

(vi) *Fair value of financial assets and financial liabilities*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value as at each reporting date. The Group and the Company had no financial assets or liabilities carried at fair value in 2017. The following table gives information about how the fair values of financial assets are determined.

	Fair values as at December 31, 2018 \$'000	Fair value hierarchy	Valuation techniques and key inputs
<i>Financial assets at fair value through other comprehensive income (See Note 13)</i>			
Unquoted equity shares	34,087	Level 3	Price/Earning ratio and Price/ Book ratio of comparable listed companies adjusted for liquidity reduction factor ⁽¹⁾

⁽¹⁾ Any significant isolated increases (decreases) the unobservable input (liquidity reduction factor) can result in a significantly lower (higher) fair value measurement.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to the relatively short term maturity of these financial instruments. The long term borrowing are based on market interest rates and hence their carrying amount approximate their fair value.

(d) *Capital 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 and to ensure that all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes borrowings and equity attributable to equity holders of the Company, comprising issued capital, reserves net of accumulated losses.

The Group's management reviews the capital structure on an on-going basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, 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 prior year.

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

5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties which are mainly entities controlled by a key management personnel of the Group and common shareholders. The effects of these transactions 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.

Significant transactions with the related parties other than items disclosed in other notes to the financial statements are as follows:

Transactions with affiliated entities of common directors whereby the directors have interests and significant influence over these entities:

	Group	
	2018 \$'000	2017 \$'000
Rental expense	71	71
Rental income	(9)	–
Disposal of motor vehicle	–	2

Compensation of directors and key management personnel

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

	Group	
	2018 \$'000	2017 \$'000
Short-term benefits	1,538	1,640
Post-employment benefits	39	48
Total	1,577	1,688

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

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

6 CASH AND BANK BALANCES

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	Company December 31, 2017 \$'000	January 1, 2017 \$'000
Cash at bank	6,395	2,371	9,597	36	33	181
Cash on hand	44	41	13	–	–	–
Total	6,439	2,412	9,610	36	33	181
Less: Restricted cash	(33)	(47)	(930)	–	–	–
Cash and cash equivalents in the statement of cash flows	6,406	2,365	8,680	36	33	181

Bank balances of the Group amounting to \$33,000 (December 31, 2017 : \$47,000, January 1, 2017 : \$930,000) represents the bank deposits pledged for letter of guarantee undertaken by the Group.

7 TRADE RECEIVABLES

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000
Outside parties	6,342	11,111	16,634
Less: loss allowance	(2,754)	(3,505)	(4,502)
Total	3,588	7,606	12,132

The average credit period on sales of goods ranges from 90 days to 120 days (2017 : 90 days to 120 days). No interest is charged on the outstanding trade receivables.

Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 1 year past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over 1 year past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

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

7 TRADE RECEIVABLES (CONT'D)

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with SFRS(I) 9:

	Lifetime ECL - credit-impaired \$'000
<u>Group</u>	
As at January 1, 2018, as previously reported	3,505
Restatement	–
As at January 1, 2018, as restated	3,505
Amount written off	(1,019)
Change in allowance due to net trade receivable originated, net of those derecognised due to settlement	341
Exchange alignment	(73)
Balance as at December 31, 2018	<u>2,754</u>

Previous accounting policy for trade receivables

Movement in the allowance for doubtful debts:

	Group \$'000
At January 1, 2017	4,502
Exchange realignment	(18)
Increase in allowance recognised in profit or loss	113
Written off during the year	(1,092)
At December 31, 2017	<u>3,505</u>

No interest is charged on the outstanding trade receivables. Trade receivables between 90 days and 360 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Included in the Group's trade receivables balances are debtors with a carrying amount of \$1.6 million (December 31, 2017 : \$5.3 million, January 1, 2017 : \$10.4 million) which are past due at the reporting date for which the Group has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The Group does not hold and collateral over these balances. The average age of these receivables are 222 days (December 31, 2017 : 268 days, January 1, 2017: 196 days).

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 reporting date. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

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

7 TRADE RECEIVABLES (CONT'D)

The following is an aging analysis of trade receivables:

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000
Not past due	1,942	2,271	1,767
1 to 30 days	707	1,494	3,149
30 to 60 days	725	1,886	2,556
60 to 90 days	134	796	2,679
90 to 180 days	80	1,159	1,981
Total	3,588	7,606	12,132

8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	Company December 31, 2017 \$'000	January 1, 2017 \$'000
VAT recoverable	234	157	110	–	–	–
Sundry receivables	10,015	1,038	1,383	–	–	–
Consideration receivable for disposal of subsidiaries	–	–	5,521	–	–	–
Deposits	472	706	774	–	–	–
Prepayments	553	460	918	101	103	68
Subsidiaries (Note 12)	–	–	–	–	–	81,048
Total	11,274	2,361	8,706	101	103	81,116
Less: Allowance	(759)	(480)	(487)	–	–	(23,668)
Net	10,515	1,881	8,219	101	103	57,448

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

Included in Group's sundry receivables as at December 31, 2018, was an amount of \$9,156,000 (December 31, 2017 : \$57,000 and January 1, 2017 : \$Nil) receivable for disposal of property, plant and equipment and land use rights.

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL). In determining the ECL, Management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

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

8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

Accordingly, management believes that an allowance of \$759,000 (December 31, 2017 : \$480,000, January 1, 2017 : \$487,000) is adequate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The table below shows the movement in 12-month ECL that has been recognised for other receivables in accordance with SFRS(I) 9:

	Lifetime ECL - credit-impaired \$'000
Group	
Balance as at January 1, 2018, as previously reported	480
Restatement	–
As at January 1, 2018, as restated	480
Change in allowance due to net trade receivable originated, net of those derecognised due to settlement	314
Exchange alignment	(35)
Balance as at December 31, 2018	759

Previous accounting policy for other receivables

In determining the recoverability of other receivables, the Group considers any change in the credit quality of the other receivables from the date credit was initially granted up to the reporting date. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

Movement in the allowance for doubtful debts:

	Group \$'000	Company \$'000
At January 1, 2017	487	23,668
Exchange alignment	(7)	(466)
Written off during the year	–	(23,202)
At December 31, 2017	480	–

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

9 INVENTORIES

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000
Raw materials	2,055	1,742	3,838
Work in progress	843	994	1,621
Finished goods	591	1,347	2,032
	<u>3,489</u>	<u>4,083</u>	<u>7,491</u>

In the current year, the cost of inventories recognised as expense includes \$178,000 (2017 : \$4,324,000) in respect of write-downs of inventory to net realisable value.

10 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000
Non-current assets classified as held for sale	–	4,363	–

In 2017, Greatest Innovation Investments Limited and Huan Hsin Holdings Ltd entered into a proposed acquisition term sheet with a third party for the sale of Shanghai Yi Hsin's and Shanghai Zhan Hsin's land use rights and buildings. Management expects the above transaction to be completed within 12 months and classified the land use rights and buildings as non-current assets held for sale as at December 31, 2017.

On July 25, 2018, the authorities in Shanghai issued a new notice in relation to strategic reserved area planning and land management. Under the new guidance for development concept, the authorities has delineate strategic reserved areas for future development. All developments and changes are regulated by the authorities and requires the district government to submit an application to the Municipal Planning Land and Resources Bureau ("MPLRB") for approval. Management has submitted the application to dispose the land use rights and buildings through the district government.

As at the date of report, management has yet to receive the approval from MPRLB and is of view that the expected date of completion of this transaction cannot be reliably estimated. Accordingly, the non-current assets classified as held for sale have been reclassified to land use rights (Note 14) and property, plant and equipment (Note 15).

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

11 ASSOCIATE

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000
Cost of investment in associate	1,054	1,054	1,054
Exchange realignment	(28)	(3)	14
Share of post-acquisition loss, net of dividend received	(267)	(271)	(204)
Net	759	780	864

The details of the associate, with its registration and operation in the People's Republic of China and audited by another firm of certified public accountants are as follows:

Name of associate	Principal activities	Effective interest and voting power held		
		2018 %	2017 %	2016 %
Shanghai Nichiei Precision Mold Co., Ltd	Fabricating and repairing moulds used for electronic products	30	30	30

The above associate is accounted for using the equity method in these consolidated financial statements.

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

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000
Current assets	2,572	2,191	3,078
Non-current assets	767	900	1,003
Current liabilities	(809)	(490)	(1,202)
Revenue	3,818	4,625	4,769
Loss for the year, representing total comprehensive loss for the year	12	(222)	(1,340)

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

11 ASSOCIATE (CONT'D)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shanghai Nichiei Precision Mold Co., Ltd ("Shanghai Nichiei") recognised in the consolidated financial statements:

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000
Net assets of the associate	2,530	2,601	2,879
Proportion of the Group's ownership interest in Shanghai Nichiei	30%	30%	30%
Carrying amount of the Group's interest in Shanghai Nichiei	759	780	864

12 SUBSIDIARIES

	December 31, 2018 \$'000	Company December 31, 2017 \$'000	January 1, 2017 \$'000
Unquoted equity shares, at cost	13,715	14,172	14,386
Impairment allowance	(13,715)	(14,172)	(14,386)
Net investment	–	–	–
Loans receivables	48,357	49,966	50,722
Impairment allowance	(48,357)	(49,966)	(50,722)
Net	–	–	–

Movement in the impairment allowance:

	December 31, 2018 \$'000	Company December 31, 2017 \$'000	January 1, 2017 \$'000
At beginning of year	64,138	65,108	239,279
Exchange realignment	(2,066)	(970)	(10,787)
Charge to profit or loss	–	–	50,648
Written off upon disposal	–	–	(214,032)
At end of the year	62,072	64,138	65,108

The loans to subsidiaries were unsecured and interest-free. The loans have been accounted for as capital investment as there is no contractual obligation for repayment by the subsidiaries except upon liquidation.

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

12 SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:

Name of subsidiary	Effective interest and voting power held			Principal activities
	2018 %	2017 %	2016 %	
<u>Held by Company</u>				
Huan Hsin Co. (M) Sdn Bhd ^{#4 (c)}	100	100	100	Dormant
Greatest Innovation Investments Ltd ^{#2 (a)}	100	100	100	Investment holding
<u>Held by subsidiaries</u>				
AMTEK System Co., Ltd ^{#1 (c)}	100	100	100	Dormant
Bao-Ji Development Co., Ltd ^{#1 (a)}	100	100	100	Investment holding
Chongqing Huan Hsin Technology Co., Ltd ^{#3 (c)}	100	100	100	Dormant
Huan Hsin (BVI) Ltd ^{#2 (a)}	100	100	100	Purchase raw materials and marketing of telephone cords and accessories
Real Galaxy Enterprise Limited ^{#2 (c)}	100	-	-	Investment holding
Huan Hsin (China) Investment Co., Ltd ^{#3 (c)}	100	100	100	Investment holding
Shanghai Heisei Electronics Co., Ltd ^{#3 (c)}	100	100	100	Dormant
Shanghai Huan Hsin Electronics Co., Ltd, ^{#3 (b)}	100	100	100	Manufacture and export of telephone jacks, telephone cords, wires, AC/DC cords and various types of cables
Shanghai Yao Hsin Industry Co., Ltd ^{#3 (d)}	-	100	100	Dormant
Shanghai Yi Hsin Industry Co., Ltd ^{#3 (b)}	100	100	100	Dormant
Suzhou Yi Quan Electronic Technology Co., Ltd ^{#3 (b)}	100	100	100	Dormant

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

12 SUBSIDIARIES (CONT'D)

Name of subsidiary	Effective interest and voting power held			Principal activities
	2018 %	2017 %	2016 %	

Held by subsidiaries (cont'd)

Shanghai Zhan Hsin Industry Co., Ltd #3 (b)	100	100	100	Dormant
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Shandong Dong Hsin Electronics Co., Ltd #3 (b)	100	100	100	Dormant
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Country of incorporation:

- #1 Taiwan
#2 British Virgin Islands
#3 People's Republic of China
#4 Malaysia

(a) The subsidiary is audited by overseas practices of Deloitte Touche Tohmatsu Limited.

(b) The subsidiary is audited/reviewed by overseas practices of Deloitte Touche Tohmatsu Limited for consolidation purposes.

(c) These subsidiaries are not considered to be material subsidiaries of the Group.

(d) The subsidiary was struck off during the financial period and cumulative exchange differences of \$436,000 in respect of the net assets of the subsidiary was reclassified from equity to profit or loss.

The place of operation of the subsidiaries is the same as the country of incorporation except for Huan Hsin (BVI) Ltd and Greatest Innovation Investments Ltd, which operates through their branches or offices in Taiwan.

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries		
		December 31, 2018	December 31, 2017	January 1, 2017
Investment holding	Taiwan	1	1	1
Investment holding	British Virgin Islands	2	1	1
Investment holding	People's Republic of China	1	1	1
Procurement service	British Virgin Islands	1	1	1
Manufacture of electronic related component	People's Republic of China	1	2	2
Dormant	Taiwan	1	1	1
Dormant	Malaysia	1	1	1
Dormant	People's Republic of China	6	6	6
		14	14	14

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

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME / AVAILABLE-FOR-SALE INVESTMENTS

At January 1, 2018, the Group designated the investments shown below as equity investments as at FVTOCI because these equity investments represent investments that the Group intends to hold for the long-term for strategic purposes. Accordingly, management has elected to designate these investments in equity instruments as FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long-term. In 2017, these investments were classified as available-for-sale investments under FRS 39.

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000
Unquoted equity shares:			
At fair value	34,087	–	–
At cost less impairment loss ⁽¹⁾	–	22,988	25,579

The investment in unquoted equity investments represent investment in companies that are engaged in manufacturing of multi-layer printed circuit boards, EMC/EMI/safety testing, layout-debug, anechoic chamber construction and components / instruments distribution and cultivation of flowers by biotechnology.

No investment in equity instruments measured at FVTOCI has been disposed during the current reporting period.

One of the equity investments is pledged to secure an external party loan (Note 18).

⁽¹⁾ Available-for sale investments

In 2017, available-for-sale investments are carried at cost less impairment as it is not practical within the constraint of cost to reliably determine the fair value of the unquoted equity shares due to the significant variability in the range of reasonable fair value estimates.

	Group December 31, 2017 \$'000	January 1, 2017 \$'000
Unquoted equity shares, at cost	29,820	29,820
Exchange realignment	(1,122)	965
Impairment loss	(5,710)	(5,206)
Carrying amount	22,988	25,579

Movement in impairment loss:

	Group 2017 \$'000
At beginning of year	5,206
Exchange realignment	(254)
Impairment loss	758
At end of year	5,710

In 2017, the impairment loss was determined by comparing the carrying amount of cost against the Group's share in the net assets of the investees, which according to management, was the best estimate of the recoverable amount.

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

14 LAND USE RIGHTS

	Group	
	2018 \$'000	2017 \$'000
Cost:		
At January 1	5,665	7,938
Exchange realignment	(177)	(113)
Reclassification to non-current assets classified as held for sale (Note 10)	–	(2,160)
Reclassification from non-current assets classified as held for sale (Note 10)	2,089	–
Disposal	(1,423)	–
Addition	305	–
At December 31	6,459	5,665
Accumulated amortisation:		
At January 1	1,619	2,404
Exchange realignment	(53)	(33)
Charge to profit or loss	137	154
Reclassification to non-current assets classified as held for sale (Note 10)	–	(906)
Reclassification from non-current assets classified as held for sale (Note 10)	876	–
Disposal	(398)	–
At December 31	2,181	1,619
Carrying amount:		
At December 31	4,278	4,046
At January 1	4,046	5,534

The land use rights represents premium paid for using the land for a term ranging from 50 years to 88 years from the date of grant of land use rights certificates.

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

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Construction –in–progress \$'000	Total \$'000
Group					
Cost:					
At January 1, 2017	58,507	184,626	3,362	15	246,510
Exchange realignment	(840)	(2,307)	(106)	–	(3,253)
Additions	–	12	4	–	16
Disposals	–	(116,745)	(1,918)	–	(118,663)
Reclassification to non-current assets classified as held for sale (Note 10)	(14,274)	–	–	–	(14,274)
At December 31, 2017	43,393	65,586	1,342	15	110,336
Exchange realignment	(1,364)	(2,012)	(42)	(1)	(3,419)
Additions	36	21	72	15	144
Disposals	(13,783)	(36,204)	(549)	–	(50,536)
Reclassification from non-current assets classified as held for sale (Note 10)	13,815	–	–	–	13,815
At December 31, 2018	42,097	27,391	823	29	70,340
Accumulated depreciation:					
At January 1, 2017	30,847	116,552	2,031	–	149,430
Exchange realignment	(434)	(1,290)	(146)	–	(1,870)
Depreciation	2,421	56	–	–	2,477
Disposals	–	(77,685)	(1,121)	–	(78,806)
Reclassification to non-current assets classified as held for sale (Note 10)	(11,165)	–	–	–	(11,165)
At December 31, 2017	21,669	37,633	764	–	60,066
Exchange realignment	(742)	(1,113)	(26)	–	(1,881)
Depreciation	2,121	19	–	–	2,140
Disposals	(6,844)	(22,811)	(183)	–	(29,838)
Reclassification from non-current assets classified as held for sale (Note 10)	10,805	–	–	–	10,805
At December 31, 2018	27,009	13,728	555	–	41,292

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

15 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land and buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Construction –in–progress \$'000	Total \$'000
Group					
Accumulated impairment loss:					
At January 1, 2017	689	67,997	1,288	–	69,974
Exchange realignment	8	(1,016)	(17)	–	(1,025)
Charge	–	12	63	–	75
Disposals	–	(39,060)	(797)	–	(39,857)
At December 31, 2017	697	27,933	537	–	29,167
Exchange realignment	2	(909)	(17)	–	(924)
Charge	–	20	73	–	93
Disposals	–	(13,393)	(366)	–	(13,759)
At December 31, 2018	699	13,651	227	–	14,577
Carrying amount:					
At December 31, 2018	14,389	12	41	29	14,471
At December 31, 2017	21,027	20	41	15	21,103
At January 1, 2017	26,971	77	43	15	27,106

a review of the recoverable amount of certain property, plant and equipment which resulted in the recognition of an impairment loss of \$93,000 (2017 : \$75,000).

16 TRADE PAYABLES

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000
Outside parties	4,213	6,543	12,287

The average credit period on purchases of goods is approximately 120 days (2017 : 120 days). The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Trade payables due to outside parties principally comprise amounts outstanding for trade purchases and ongoing costs.

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17 OTHER PAYABLES AND ACCRUALS

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	Company December 31, 2017 \$'000	January 1, 2017 \$'000
Accrued operating expenses	8,938	8,988	11,566	11	110	758
Sundry payables	1,766	2,444	3,348	–	–	–
VAT payable	9,713	10,286	10,055	–	–	–
Advance from customers	3,628	4,161	4,573	–	–	–
Total	24,045	25,879	29,542	11	110	758

Accrued operating expenses principally comprise amount outstanding for trade purchases and ongoing costs.

- (i) Advances from customers represent prepayments made by customers. These advance payments are to be offset against the purchases when the goods are collected by the customers. A contract liability arises from these advances received from third party customers when payment is initially received. Revenue is recognised at the point of shipment, when control of goods has transferred to the customer.

Group's revenue recognised that was included in the contract liability balance at the beginning of the period:

	Group December 31, 2018 \$'000	December 31, 2017 \$'000
Amounts received in advance of delivery	4,161	4,573

18 BORROWINGS

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	Company December 31, 2017 \$'000	January 1, 2017 \$'000
Short term loans (Note a)	–	251	–	–	–	–
Other loans payable (Note b):						
– Outside party (i)	80,523	78,859	85,332	–	–	–
– Related party*(ii)	9,894	16,154	17,030	–	–	–
– Director(s) (iii)	33,445	22,757	21,472	–	–	–
Total	123,862	117,770	123,834	–	–	–
Due to a subsidiary (Note c)	–	–	–	–	–	57,725
Less: Unamortised fair value adjustment	–	–	–	–	–	(4,039)
Net	–	–	–	–	–	53,686
Total borrowings	123,862	118,021	123,834	–	–	53,686

Presentation on statements of financial position:

Current liabilities	42,071	37,655	37,160	–	–	–
Non-current liabilities	81,791	80,366	86,674	–	–	53,686
Total	123,862	118,021	123,834	–	–	53,686

* affiliated entity with common directors

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

18 BORROWINGS (CONT'D)

Notes:

- (a) In 2017, the short term loans amounting to \$251,000 were secured by certain subsidiaries' land use rights and buildings and pledged of trade receivables, repayable within one year and bear effective interest rate at 3.97% per annum. The loan was fully repaid during the current financial year.

- (b) Included in the other loans payable are:

- (i) US\$59,000,000 or approximately \$80,523,000 (December 31, 2017 : US\$59,000,000 or approximately \$78,859,000, January 1, 2017 : US\$59,000,000 or approximately \$85,332,000) to a third party A which is secured by an unquoted equity shares (Note 13).

The repayment of the loan is divided into two tranches, set out as follows:

- I. US\$9,000,000 or approximately \$12,283,000 (December 31, 2017 : US\$9,000,000 or approximately \$12,029,000, January 1, 2017 : US\$9,000,000 or approximately \$13,017,000) is repayable on demand; and
- II. US\$50,000,000 or approximately \$68,240,000 (December 31, 2017 : US\$50,000,000 or approximately \$66,830,000, January 1, 2017 : US\$50,000,000 or approximately \$72,315,000) is not expected to be repaid within twelve months.

The loan bears an interest rate of 4% (2017 : 4%) per annum and management has estimated the fair value to approximate its carrying value.

- (ii) \$9,894,000 (December 31, 2017 : \$16,154,000, January 1, 2017 : \$17,030,000) to a related party, which is a company owned by certain directors of the Company, and is unsecured and interest-free.

The Group has obtained a letter of waiver to demand payment within twelve months from the end of the reporting period from the related party for the outstanding balances amounting to \$5,247,000 (December 31, 2017 : \$5,241,000, January 1, 2017 : \$5,559,000) and accordingly these have been classified as non-current. The remaining balances are repayable on demand;

- (iii) \$33,445,000 (December 31, 2017 : \$22,757,000, January 1, 2017 : \$21,472,000) to certain directors which are unsecured and interest-free.

The Group has obtained a letter of waiver to demand payment within twelve months from the end of the reporting period from the directors for the outstanding balances amounting to \$8,304,000 (December 31, 2017 : \$8,295,000, January 1, 2017 : \$8,800,000) and accordingly classified as non-current. Advance from a director amounting to \$25,141,000 (December 31, 2017 : \$14,462,000, January 1, 2017 : \$12,672,000) is expected to be repaid within the next 12 months.

Subsequent to year end, the Group has obtained letters of undertaking from the directors and third party A not to demand for payment of \$43,339,000 and US\$59,000,000 or approximately \$80,523,000 respectively for at least twelve months from the date of directors' report for the financial year ended December 31, 2018.

- (c) The loan payable to a subsidiary in prior year was unsecured, interest-free and is repayable on August 31, 2020.

In 2017, the loan payable to the subsidiary of \$56,591,000 and accrual of \$367,000 was net off against the receivables of \$79,132,000 and the remaining amount of \$22,174,000 was written off, resulting in S\$Nil as at December 31, 2017.

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

20 RESERVES

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000
<u>Capital reserve</u>			
Capitalisation of profits by subsidiary	54,955	54,955	54,955
Effect of change in ownership interest in subsidiary when there is no change in control	(183)	(183)	(183)
Total	<u>54,772</u>	<u>54,772</u>	<u>54,772</u>
<u>Legal reserves</u>			
At beginning of year	30,356	30,356	36,947
Disposal of subsidiaries	–	–	(6,591)
Legal reserves	<u>30,356</u>	<u>30,356</u>	<u>30,356</u>

The Board has determined the percentage of the profits of the Group's subsidiaries to be appropriated to the legal reserves in accordance with local regulations in China.

21 FAIR VALUE RESERVES

The fair value reserves represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as at FVTOCI, net of cumulative gain/loss transferred to retained earning upon disposal.

	December 31, 2018 \$'000	Group December 31, 2017 \$'000	January 1, 2017 \$'000
Balance at beginning of the year as previously reported	–	–	–
Restatement (Note 31)	7,657	–	–
Balance at beginning of year, as restated	7,657	–	–
Fair value gain on investments in equity instruments designated at FVTOCI	1,816	–	–
Exchange difference	180	–	–
Balance at end of year	<u>9,653</u>	<u>–</u>	<u>–</u>

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

22 REVENUE

The Group derives its revenue from transfer of goods and services at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (See Note 29).

A disaggregation of the Group's revenue for the year is as follows:

	Group	
	2018	2017
	\$'000	\$'000
Dividend income from financial assets at FVTOCI	216	–
Dividend income from available-for-sale investment	–	1,569
Sale of goods:		
a) Wire, cable and related components	12,346	12,492
b) Moulded plastic products & finished product assembly	2,968	10,281
Interest income	217	14
Total	15,747	24,356

23 OTHER OPERATING INCOME

	Group	
	2018	2017
	\$'000	\$'000
Net foreign exchange gain	1,081	–
Rental income	483	175
Gain on disposal of property, plant and equipment and land use rights ⁽ⁱ⁾	11,274	615
Sales of scrap	491	891
Sundry income	989	538
Waiver of trade payables due to outside party	793	186
Total	15,111	2,405

(i) In 2018, the gain on disposal includes an amount of \$10,614,000 which relates to disposal of land and buildings to Weihai Bureau of Land and Resources ("Land Authority") and the People's Government of Zhangcunzhen, Huan Cui district, Weihai City ("Village Government") (collectively, the "Purchasers" and each a "Purchaser"). The disposal constitutes a "Major Transaction" as defined under the Listing Manual and is accordingly conditional upon, among other things, approval of the shareholders being obtained at an extraordinary general meeting pursuant to Rule 1014 of the Listing Manual. The Company had since applied to the SGX-ST for a waiver of the requirement to convene an extraordinary general meeting for the Proposed Disposal ("EGM Waiver Application"). As at the date of this report, SGX-ST has yet to approve the EGM Waiver Application.

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

24 EMPLOYEE BENEFITS EXPENSES

	Group	
	2018	2017
	\$'000	\$'000
Wages and salaries	8,890	12,382
Cost of defined contribution plan	697	1,121
Total	9,587	13,503

The employees of the subsidiaries are members of state-managed retirement benefit plans, operated by the respective local governments. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

During the financial year, the Group incurred retrenchment costs amounting to \$780,000 (2017 : \$811,000).

Number of directors of the Company in remuneration bands is as follows:

	Group	
	2018	2017
\$250,000 to \$499,999	2	2
Below \$250,000	4	4
Total	6	6

25 FINANCE COSTS

	Group	
	2018	2017
	\$'000	\$'000
Interest expenses on:		
Bank loans	2	14
Other loans payable	3,229	3,291
Advance payment by customers	–	15
Others	273	273
Total	3,504	3,593

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

26 LOSS BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges (credits):

	Group	
	2018	2017
	\$'000	\$'000
Allowances for*:		
Trade receivables (Note 7)	881	113
Other receivables (Note 8)	314	–
Allowance for inventories obsolescence (Note 9)	178	4,324
Auditors' remuneration *:		
Auditors of the Company	173	173
Other auditors	86	68
Cost of inventories recognised as an expense	15,572	24,011
Directors' remuneration:		
Directors of the Company	985	995
Directors of subsidiaries	210	213
Directors' fees:		
Directors of the Company	176	220
Foreign exchange loss – net *	–	2,818
Impairment loss on:		
Property, plant and equipment (Note 15)	93	75
Available-for-sale investments (Note 13)	–	758
Non-audit fees paid to auditors *:		
Auditors of the Company	30	5
Other auditors	4	–

* Included in other operating expenses line item in the consolidated statement of profit or loss.

27 INCOME TAX CREDIT

	Group	
	2018	2017
	\$'000	\$'000
Overprovision in prior years	393	–

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

27 INCOME TAX CREDIT (CONT'D)

The Group's operations are mainly in the People's Republic of China ("PRC"). The tax expense on the profit differs from the amount that would arise using the PRC income tax rate of 25% (2017 : 25%) due to the following:

	Group	
	2018 \$'000	2017 \$'000
Loss before income tax	(2,861)	(20,588)
Income tax expense at 25% (2017 : 25%)	(715)	(5,147)
Tax effects of:		
Expenses that are not deductible in determining taxable profit	1,580	14,932
Tax exempt income	(3,125)	(9,282)
Different tax rates of subsidiaries		
operating in other jurisdictions	441	(981)
Utilisation of deferred tax benefits previously not recognised	–	(147)
Deferred tax benefit on tax losses not recognised	1,524	625
Deferred tax benefit on deductible temporary differences not recognised	295	–
Overprovision in prior years	393	–
Net	393	–

As at the end of the reporting period, the Group has tax losses which are available for offsetting against future taxable income as follows:

	Group	
	2018 \$'000	2017 \$'000
<u>Tax losses</u>		
At beginning of year	178,445	190,899
Adjustment	(386)	5,232
Exchange realignment	(4,366)	(2,454)
Utilised	–	(49)
Arising	6,094	2,500
Expired	(40,116)	(17,683)
At end of year	139,671	178,445
Deferred tax benefit on above at PRC's statutory tax rate of 25% - Unrecorded	34,918	44,611

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

27 INCOME TAX CREDIT (CONT'D)

At the end of the reporting period, the Group has other temporary differences which are available for offsetting against future taxable income as follows:

	Group	
	2018	2017
	\$'000	\$'000
<u>Other temporary differences</u>		
At beginning of year	91,153	112,551
Exchange realignment	(2,593)	(1,672)
Adjustment	(36,628)	(19,186)
Arising	1,179	–
Utilised	–	(540)
At end of year	53,111	91,153
Deferred tax benefit on above at PRC's statutory tax rate of 25% – Unrecorded	13,278	22,788

Deferred tax asset arising from the above tax losses and other temporary differences have not been recognised in the financial statements due to the unpredictability of future taxable profits which are available against which the tax losses and other temporary differences can be utilised. The realisation of the future income tax benefits from tax losses carry forwards is subject to the conditions imposed by the relevant tax authorities.

28 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company of \$2,468,000 (2017 : loss of \$20,588,000) by 400,000,000 (2017 : 400,000,000) shares, being the weighted average number of ordinary shares in issue during the year.

Diluted earnings per ordinary share is the same as basic loss per share as there are no dilutive potential ordinary shares.

29 SEGMENT INFORMATION

(a) Products and services from which reportable segments derive their revenue

The operations of the Group are in the manufacturing and sale. The Group sells wire, cable, related components, moulded plastic products & finished product assembly. Most of the assets of the Group are deployed in these operations. Total assets by segments are those assets that are used in the operations of each segment.

Segment information reported externally is analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. wire, cable and related components, mould, moulded plastic products and finished product assembly). Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the category of goods and services.

Information regarding the Group's reportable segments is presented below.

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

29 SEGMENT INFORMATION (CONT'D)

(a) Products and services from which reportable segments derive their revenue (cont'd)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Wire, cable and related components \$'000	Mould, moulded plastics products and finished product assembly \$'000	Others \$'000	Total \$'000
2018				
REVENUE				
External sales	12,346	2,968	433	15,747
RESULTS				
Segment result	(2,229)	(12,566)	433	(14,362)
Unallocated corporate expenses				(110)
Other operating income	158	14,953	–	15,111
Finance cost	–	(3,504)	–	(3,504)
Share of results of associate				4
Loss before income tax				(2,861)
Income tax				393
Loss for the year				(2,468)
OTHER INFORMATION				
Loss allowance, net of reversals on trade receivable subject to ECL	478	403	–	881
Loss allowance, on other receivables subject to ECL	119	195	–	314
Allowance of inventories obsolescence	178	–	–	178
Waiver of trade payables due to outside party	–	(793)	–	(793)
Capital additions	91	53	305	449
Depreciation and amortisation	15	2,261	–	2,276
Unallocated depreciation and amortisation				1
Total depreciation and amortisation				2,277
Impairment allowance on property, plant and equipment	93	–	–	93

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

29 SEGMENT INFORMATION (CONT'D)

(a) Products and services from which reportable segments derive their revenue (cont'd)

Segment revenues and results (cont'd)

	Wire, cable and related components \$'000	Mould, moulded plastics products and finished product assembly \$'000	Others \$'000	Total \$'000
2017				
REVENUE				
External sales	12,492	10,281	1,583	24,356
RESULTS				
Segment result	(1,375)	(16,708)	1,583	(16,500)
Unallocated corporate expenses				(2,833)
Other operating income	42	2,363	–	2,405
Finance cost	–	(3,593)	–	(3,593)
Share of results of associate				(67)
Loss for the year				<u>(20,588)</u>
OTHER INFORMATION				
Allowance for doubtful trade receivables	217	(104)	–	113
Allowance of inventories obsolescence	–	4,324	–	4,324
Waiver of trade payables due to outside party	–	(186)	–	(186)
Capital additions	2	14	–	16
Depreciation and amortisation	15	2,613	–	2,628
Unallocated depreciation and amortisation				3
Total depreciation and amortisation				<u>2,631</u>
Impairment allowance on:				
Available-for-sale investments	–	–	758	758
Property, plant and equipment	2	73		75
Total impairment allowance				<u>833</u>

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

29 SEGMENT INFORMATION (CONT'D)

(a) Products and services from which reportable segments derive their revenue (cont'd)

Segment revenues and results (cont'd)

	Wire, cable and related components \$'000	Mould, moulded plastics products and finished product assembly \$'000	Others \$'000	Total \$'000
ASSETS AND LIABILITIES				
<u>December 31, 2018</u>				
<u>Assets</u>				
Segment assets	8,422	33,351	–	41,773
Investment in associate				759
Financial assets at FVTOCI	–	–	34,087	34,087
Unallocated corporate assets				1,007
Consolidated total assets				<u>77,626</u>
<u>Liabilities</u>				
Segment liabilities	6,376	145,570	–	151,946
Unallocated corporate liabilities				174
Income tax payable				202
Consolidated total liabilities				<u>152,322</u>
<u>December 31, 2017</u>				
<u>Assets</u>				
Segment assets	8,176	32,510	–	40,686
Investment in associate				780
Non-current assets classified as at held for sale				4,363
Available-for-sale investments	–	–	22,988	22,988
Unallocated corporate assets				445
Consolidated total assets				<u>69,262</u>
<u>Liabilities</u>				
Segment liabilities	4,118	146,057	–	150,175
Unallocated corporate liabilities				268
Income tax payable				605
Consolidated total liabilities				<u>151,048</u>

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

29 SEGMENT INFORMATION (CONT'D)

- (a) Products and services from which reportable segments derive their revenue (cont'd)

Segment revenues and results (cont'd)

	Wire, cable and related components \$'000	Mould, moulded plastics products and finished product assembly \$'000	Others \$'000	Total \$'000
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ASSETS AND LIABILITIES

January 1, 2017

Assets

Segment assets	10,215	59,523	–	69,738
Investment in associate				864
Available-for-sale investments	–	–	25,579	25,579
Unallocated corporate assets				354
Consolidated total assets				<u>96,535</u>

Liabilities

Segment liabilities	4,129	160,622	–	164,751
Unallocated corporate liabilities				912
Income tax payable				614
Consolidated total liabilities				<u>166,277</u>

- (b) Geographical information

The Group operates in four geographical market segments - Malaysia, People's Republic of China, Taiwan and Singapore.

The Group's information about its segment assets (non-current assets excluding investments in associates and financial assets at FVTOCI/available-for-sale investments) by geographical location are detailed below:

	Group Non-current assets		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
People's Republic of China	18,331	25,093	32,564
Taiwan	11	–	19
Malaysia	407	56	57
Total	<u>18,749</u>	<u>25,149</u>	<u>32,640</u>

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

29 SEGMENT INFORMATION (CONT'D)

(b) Geographical information (cont'd)

The majority of the Group's products are supplied to Original Equipment Manufacturers ("OEM") and Original Design Manufacturers ("ODM"). Sales invoices are sent to centralised purchasing offices or purchasing agents of these OEMs and ODMs. The manufacturers or principals will incorporate the Group's products into their own equipment or distribute it as accessories through their distribution network. The Group has no information of end markets of their products and is therefore unable to prepare geographical segment information on the basis of end markets of the products. The Group is of the view that analysis of sales by geographical location based on the OEMs' and ODMs' location is not meaningful and has therefore not presented this information.

(c) Information about major customers

Revenue from the major customers which accounts for 10% or more of the Group's revenue are as follows:

	Group	
	2018 \$'000	2017 \$'000
Mould, moulded plastics products and finished product assembly:		
Customer 1	–	3,372
Wire, cable and related components:		
Customer 1	6,258	6,787
Customer 2	2,638	–
Customer 3	1,922	–

30 UNSECURED COMMITMENTS AND CAPITAL EXPENDITURE

(a) Operating leases commitments:

The Group as lessee

	Group	
	2018 \$'000	2017 \$'000
Minimum lease payments under operating leases recognised as an expense in the year	71	71

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

30 UNSECURED COMMITMENTS AND CAPITAL EXPENDITURE (CONT'D)

(a) Operating leases commitments:

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	December 31, 2018	Group December 31, 2017 \$'000	January 1, 2017 \$'000
Within one year	71	71	68
In the second to fifth year inclusive	23	94	158
Total	94	165	226

Operating lease payments represent rentals payable by the Group for its factory and office premises. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

The Group as lessor

The Group rents out its properties under operating leases. Property rental income earned during the year was \$483,000 (2017 : \$175,000).

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	December 31, 2018	Group December 31, 2017 \$'000	January 1, 2017 \$'000
Within one year	708	175	178
In the second to fifth year inclusive	872	–	–
Total	1,580	175	178

Rental is for an average of 3 years (December 31, 2017 : 3 years, January 1, 2017 : 3 years) and the rental rate is revised on an average of 3 years (December 31, 2017 : 3 years, January 1, 2017 : 3 years). For the purpose of the above, the prevailing lease rentals are used.

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

31 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) (“SFRS(I)”) for the first time for financial year ended December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are not presented for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017) as there were no changes compared to amounts previously reported. Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the Group’s and the Company’s previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 and SFRS(I) 15 which are effective at the same time, and the election of certain transition options available under SFRS(I) 1.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate comparatives in the year of initial application, in which case the cumulative difference in fair value changes on investments in equity instruments designated as at FVTOCI are adjusted against accumulated losses and fair value reserves. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. As at January 1, 2018, S\$984,000 and S\$7,657,000 resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and fair value reserves respectively.

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

32 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the Group and the Company in the period of their initial application.

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 Leases

Management anticipates that the adoption of the above SFRS(I) in future period will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

SFRS(I) 16 Leases

The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities are recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The standard maintains substantially the lessor accounting approach under the existing framework.

SFRS(I) 1-17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases that the Group enters into. Under SFRS(I) 16, the Group may be required to recognise a right-of-use asset and a corresponding liability in respect of all leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists. Management is currently still assessing the possible impact of implementing SFRS(I) 16. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as management has yet to complete its detailed assessment.

APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Huan Hsin Holdings Ltd (Company No: 199509142R)

Full Year Financial Statement For The Year Ended 31 December 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY(Q1,Q2&Q3),HALF YEAR AND FULL YEAR RESULTS

- 1 (a) **An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

GROUP INCOME STATEMENT for the year ended 31 December 2019

	Group		
	2019	2018	Change
	S\$'000	S\$'000	%
Revenue	11,194	15,747	(29)
Other operating income	4,065	15,111	(73)
Changes in inventories of finished goods and work-in-progress	(705)	(907)	(22)
Raw material and consumables used	(5,467)	(7,389)	(26)
Impairment losses	(52)	(93)	(44)
Employee benefits expenses	(6,371)	(9,587)	(34)
Depreciation and amortisation expense	(1,693)	(2,277)	(26)
Other operating expenses	(9,094)	(9,966)	(9)
Share of (loss)/profit of associate	(67)	4	n.m.
Finance costs	(3,547)	(3,504)	1
Loss before income tax	(11,737)	(2,861)	310
Income tax	(11)	393	n.m.
Loss for the year	(11,748)	(2,468)	376
Loss for the year attributable to:			
Equity holders of the Company	(11,748)	(2,468)	376
Total	(11,748)	(2,468)	376

Statement of Comprehensive Income for the year ended 31 December 2019

	Group		
	2019	2018	Change
	S\$'000	S\$'000	%
Loss for the year	(11,748)	(2,468)	376
Other comprehensive income / (loss) :			
Items that will not be reclassified subsequently to profit or loss:			
Net fair value gain on investments in equity instruments designated as at fair value through other comprehensive income	13,590	1,996	581
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	1,811	(1,079)	n.m.
Total comprehensive income / (loss) for the year	3,653	(1,551)	n.m.
Total comprehensive income / (loss) attributable to:			
Equity holders of the Company	3,653	(1,551)	n.m.
Total	3,653	(1,551)	n.m.

n.m. - not meaningful

APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Notes:

(I) Revenue

	Group		
	2019	2018	Change
	S\$'000	S\$'000	%
Sale of goods	11,153	15,314	(27)
Dividend income	-	216	(100)
Interest income	41	217	(81)
Total	11,194	15,747	(29)

(II) Other operating income

	Group		
	2019	2018	Change
	S\$'000	S\$'000	%
Net foreign exchange gain	2,499	1,081	131
Rental income	810	483	68
Gain on disposal of property, plant and equipment and land use rights	9	11,274	(100)
Sales of scrap	30	491	(94)
Sundry income	717	989	(28)
Waiver of trade payables due to outside party	-	793	(100)
Total	4,065	15,111	(73)

(III) Loss for the year is arrived at after charging the following:

	Group		
	2019	2018	Change
	S\$'000	S\$'000	%
Impairment loss on property, plant and equipment	(52)	(93)	(44)
Depreciation expense	(1,568)	(2,140)	(27)
Amortisation of land use right	(125)	(137)	(9)
Allowance for doubtful debts - Trade receivables	(72)	(881)	(92)
Reversal / (Allowance) for doubtful debts - Non-trade debts	340	(314)	n.m.
Allowance for inventories obsolescence	(74)	(178)	(58)
Loss on winding up of subsidiaries	(2,331)	-	-
Interest expense	(3,547)	(3,504)	1

n.m. - not meaningful

APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1 (b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

STATEMENTS OF FINANCIAL POSITION as at 31 December 2019

	Group		Company	
	31-12-19	31-12-18	31-12-19	31-12-18
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets:				
Cash and bank balances	2,074	6,439	33	36
Trade receivables	1,725	3,588	-	-
Other receivables, deposits and prepayments	1,468	10,515	102	101
Inventories	2,247	3,489	-	-
Total current assets	7,514	24,031	135	137
Non-current assets:				
Associate	674	759	-	-
Right-of-use asset	443	-	-	-
Financial assets at fair value through other comprehensive income	47,247	34,087	-	-
Land use rights	4,051	4,278	-	-
Property, plant and equipment	12,621	14,471	-	-
Total non-current assets	65,036	53,595	-	-
Total assets	72,550	77,626	135	137
LIABILITIES AND EQUITY				
Current liabilities:				
Trade payables	1,867	4,213	-	-
Other payables and accruals	26,025	24,045	11	11
Lease liability	70	-	-	-
Borrowings	22,005	42,071	-	-
Income tax payable	197	202	-	-
Total current liabilities	50,164	70,531	11	11
Non-current liabilities:				
Lease liability	300	-	-	-
Borrowings	93,129	81,791	-	-
Total non-current liabilities:	93,429	81,791	-	-
Capital, reserves and non-controlling interests:				
Share capital	151,097	151,097	151,097	151,097
Capital reserve	54,955	54,772	-	-
Translation reserves	(16,652)	(18,463)	1,002	1,005
Legal reserves	25,209	30,356	-	-
Fair value reserves	23,243	9,653	-	-
Accumulated losses	(308,895)	(302,111)	(151,975)	(151,976)
(Capital deficiency) Equity attributable to owners of the Company	(71,043)	(74,696)	124	126
Total liabilities and (capital deficiency) equity	72,550	77,626	135	137

1 (b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31-12-2019		As at 31-12-2018	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
(a) -	22,005	(a) 12,283	29,788

Amount repayable after one year

As at 31-12-2019		As at 31-12-2018	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
(a) 79,485	13,644	(a) 68,240	13,551

(a) A charge over all of the Group's present shares in Smart Idea Holdings Limited ("SIHL"), representing 16.84% of the issued share capital of SIHL.

APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Group	
	2019	2018
	S\$'000	S\$'000
Operating activities		
Loss before income tax	(11,737)	(2,861)
Adjustments for:		
Share of results of associates	67	(4)
Loss on winding up of subsidiaries	2,331	-
Impairment loss on property, plant and equipment	52	93
Amortisation of land use right	125	137
Depreciation expense	1,568	2,140
Gain on disposal of property, plant and equipment and land use right	(9)	(11,274)
Allowance for doubtful trade debts	72	881
(Reversal) / Allowance for doubtful non-trade debts	(340)	314
Allowance for inventories obsolescence	74	178
Waiver of trade payables due from outside party	-	(793)
Interest expense	3,547	3,504
Dividend income	-	(216)
Interest income	(41)	(217)
Operating cash flows before movements in working capital	(4,291)	(8,118)
Trade receivables	1,739	3,827
Other receivables, deposits and prepayment	558	112
Inventories	1,075	285
Trade payables	(2,251)	(1,391)
Other payables	(2,886)	(1,003)
Cash used in operations	(6,056)	(6,288)
Income tax paid	(16)	(10)
Interest paid	-	(3,504)
Interest received	41	217
Net cash used in operating activities	(6,031)	(9,585)
Investing activities		
Additions to property, plant and equipment	(44)	(144)
Additions to land use rights	-	(305)
Proceeds from disposal of property, plant and equipment and land use rights	8,569	10,139
Dividend income received	-	216
Net cash from investing activities	8,525	9,906
Financing activities		
Lease paid	(164)	-
Repayment of short-term bank loans	-	(251)
Proceeds from other loans payable	-	10,989
Repayment from other loans payable	(6,825)	(7,044)
Restricted cash	-	14
Net cash (used in) / from financing activities	(6,989)	3,708
Net (decrease) / increase in cash and cash equivalents	(4,495)	4,029
Cash and cash equivalents at beginning of financial year	6,406	2,365
Effects of exchange rate changes on the balance of cash held in foreign currencies	130	12
Cash and cash equivalents at end of financial year (Note 1)	2,041	6,406
Note 1:		
Cash and bank balances	2,074	6,439
Less: Restricted cash	(33)	(33)
Cash and cash equivalents per statement of cash flows	2,041	6,406

APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December 2019

Group	Share capital S\$'000	Capital reserve S\$'000	Translation reserves S\$'000	Legal reserves S\$'000	Fair value reserves S\$'000	Accumulated losses S\$'000	Attributable to owners of the Company S\$'000
Balance at 1 January 2019	151,097	54,772	(18,463)	30,356	9,653	(302,111)	(74,696)
Total comprehensive income for the year	-	-	1,811	-	13,590	(11,748)	3,653
Winding up of subsidiaries	-	183	-	(5,147)	-	4,964	-
Balance at 31 December 2019	151,097	54,955	(16,652)	25,209	23,243	(308,895)	(71,043)

Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2018	151,097	54,772	(17,384)	30,356	-	(300,627)	(81,786)
Adjustment on initial application of SFRS(I) 9	-	-	-	-	7,657	984	8,641
Balance as at January 1, 2018, as restated	151,097	54,772	(17,384)	30,356	7,657	(299,643)	(73,145)
Total comprehensive loss for the year	-	-	(1,079)	-	1,996	(2,468)	(1,551)
Balance at 31 December 2018	151,097	54,772	(18,463)	30,356	9,653	(302,111)	(74,696)

Company	Share capital S\$'000	Translation reserves S\$'000	Accumulated losses S\$'000	Total S\$'000
Balance at 1 January 2019	151,097	1,005	(151,976)	126
Total comprehensive loss for the year	-	(3)	1	(2)
Balance at 31 December 2019	151,097	1,002	(151,975)	124

Company	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2018	151,097	1,009	(152,080)	26
Total comprehensive income for the year	-	(4)	104	100
Balance at 31 December 2018	151,097	1,005	(151,976)	126

APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

- 1(d)(ii)** Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year
- There were no changes in the Company's share capital since the end of the previous period reported on
There were no outstanding convertible securities and employees' share options as at 31 December 2019 and 2018
As at 31 December 2019 and 2018, no shares were being held as treasury shares and subsidiary holdings
- 1(d)(iii)** To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.
- The total number of issued shares as at 31 December 2019 and 2018 is 400,000,000 shares
- 1(d)(iv)** A statement showing all sales, transfers, cancellation and / or use of treasury shares as at the end of the current financial period reported on
- Not applicable
- 1(d)(v)** A statement showing all sales, transfers, cancellation and / or use of subsidiary holdings as at the end of the current financial period reported on
- Not applicable
- 2** Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.
- The figures have not been audited or reviewed by the Company's auditors
- 3** Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)
- Not applicable
- 4** Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied
- The same accounting policies and methods of computation have been applied in the financial statements as compared with the most recent audited annual financial statements, except that the Group adopted SFRS(I)16 *Leases* which are effective 1 January 2019. The adoption of this standard has no significant impact to the Group's consolidated financial statements.
- 5** If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change
- NIL

APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Loss per ordinary share for the financial year based on net loss attributable to the shareholders

	Group	
	2019	2018
(i) Based on the weighted average number of ordinary shares on issue; and	(2.94) cts	(0.62) cts
(ii) On a fully diluted basis	(2.94) cts	(0.62) cts

Notes:

(a) The loss per ordinary share for the financial year ended 31 December 2019 is calculated based on 400,000,000 (31 December 2018 : 400,000,000) ordinary shares issued.

(b) As at end of December 2019 and 2018, there were no outstanding employees' share options

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group			Company		
	31-12-19	31-12-18	Change	31-12-19	31-12-18	Change
	cents	cents	%	cents	cents	%
Net (liabilities) / asset value per ordinary share based on existing issued share capital as at the end of the period reported on	(17.7608)	(18.6740)	(5)	0.0310	0.0315	(2)

Note:

The net (liabilities) / asset value per ordinary share for the financial period ended 31 December 2019 is calculated based on the issued share capital of 400,000,000 shares (31 December 2018: 400,000,000 shares)

APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8

A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors, and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Full year ended 31 December 2019 ("FY 2019")

Revenue

For the full year ended 31 December 2019 ("FY 2019"), the Group revenue decreased by 29% to S\$11.2 million from S\$15.7 million in FY2018. The decline in revenue was the result of weaker demand for telecommunications and electronic products.

Other operating income

Other operating income decreased to S\$4.1 million in FY2019 from S\$15.1 million in FY2018, mainly due to gain on disposal of property, plant and equipment and land use rights of S\$11.3 million in FY2018.

Raw material and consumables used

Changes in inventories of finished goods and work-in-progress

Cost of inventories decreased to S\$6.2 million in FY2019 from S\$8.3 million in FY2018 which was in line with the lower revenue.

Employee benefits expenses

Employee benefits expenses decreased by 34% to S\$6.4 million in FY2019 from S\$9.6 million in FY2018 resulting from lower headcount.

Other operating expenses

Other operating expenses (which include selling and distribution costs and manufacturing overheads) decreased by 9% to S\$9.1 million in FY2019 from S\$10.0 million in FY2018. In FY2019, there was a one-off loss relating to the winding up of subsidiaries of S\$2.3 million.

Group net loss

As a result of the above, the Group incurred a net loss of S\$11.7 million in FY2019 compared to a net loss of S\$2.5 million in FY2018.

Review of Financial Position

The Group's total current assets stood at S\$7.5 million as at 31 December 2019 compared to S\$24.0 million as at 31 December 2018. The decrease in other receivables, deposits and prepayments was mainly due to proceeds from disposal of property, plant and equipment and land use rights.

In 2018, the Group disposed property, plant and equipment and land use rights with aggregate proceeds of S\$19,238,000. Out of the aggregate proceeds, S\$9,156,000 remained outstanding as of 31 December 2018 and had been included in other receivables. A further sum of S\$8,560,000 was received during FY2019.

The Group's total current liabilities stood at S\$50.2 million as at 31 December 2019 compared to S\$70.5 million as at 31 December 2018. The decrease in borrowings was due to repayment of short-term borrowings and reclassification of S\$12.1 million from current liabilities to non-current liabilities.

Review of Cash Flow Statement

In FY2019, net cash used in operating activities was S\$6.0 million which was primarily due to operation loss. Net cash from investing activities of S\$8.5 million consisted of proceeds from disposal of property, plant and equipment and land use rights. Net cash used in financing activities of S\$7.0 million was mainly due to repayment of borrowings.

Going concern

As at 31 December 2019, the Group's current assets were S\$7.5 million and current liabilities were S\$50.2 million. This poses a going concern issue. Management remains confident and is committed to the process of corporate restructuring to streamline operations and disposing non-performing assets to lower costs and reduce borrowings.

APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

- 9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

There were no forecast or prospect statement disclosed to shareholders previously.

- 10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

As announced by the Company on 1 March 2019, the SGX-ST had granted the Company up until 1 April 2019 to submit a reasonable cash exit offer proposal (“Exit Offer Proposal”).

The Company and its controlling shareholders however require more time to finalise the Exit Offer Proposal and had accordingly applied to the SGX-ST for more time to provide a reasonable cash exit offer to the Company’s shareholders. Subsequently, the deadline was extended by SGX-ST.

The Company will continue to keep shareholders updated via announcements on the SGXNet as and when there are any material developments or updates on the Exit Offer Proposal.

- 11 Dividend**

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on ?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

- 12 If no dividend has been declared/recommended, a statement to that effect**

No dividend has been declared/recommended for the year ended 31 December 2019

- 13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Company does not have any interested person transaction mandate

- 14 Negative confirmation pursuant to Rule 705(5).**

Not required for announcement on full year results

- 15 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company has procured undertakings from all its directors and executive officers under Rule 720(1)

APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

16 Segment revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

(A). Segment revenues and results

2019

	Wire, cable and related components S\$'000	Mould, moulded plastics products and finished product assembly S\$'000	Others S\$'000	Total S\$'000
REVENUE				
External sales	11,153	-	41	11,194
RESULTS				
Segment result	(4,153)	(7,936)	41	(12,048)
Unallocated corporate expenses				(140)
Other operating income	219	3,846	-	4,065
Finance costs	-	(3,547)	-	(3,547)
Share of results of associates				(67)
LOSS BEFORE INCOME TAX				(11,737)
Income tax				(11)
LOSS FOR THE YEAR				(11,748)
OTHER INFORMATION				
Loss allowance, net of reversals on trade receivable subject to expected credit losses	(34)	106	-	72
Reversal on allowance, on other receivables subject to expected credit losses	7	(347)	-	(340)
Allowance for inventories obsolescence	74	-	-	74
Capital additions	38	6	-	44
Depreciation and amortisation	84	1,601	-	1,685
Unallocated depreciation and amortisation				8
Total depreciation and amortisation				1,693
Impairment allowance on property, plant and equipment	39	13	-	52
<u>Assets</u>				
Segment assets	6,609	17,321	-	23,930
Investment in associates				674
Financial assets at fair value through other comprehensive income	-	-	-	47,247
Unallocated corporate assets				699
Consolidated total assets				72,550
<u>Liabilities</u>				
Segment liabilities	3,943	139,284	-	143,227
Unallocated corporate liabilities				169
Income tax payable				197
Consolidated total liabilities				143,593

APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

<u>2018</u>	Wire, cable and related components	Mould, moulded plastics products and finished product assembly	Others	Total
	S\$'000	S\$'000	S\$'000	S\$'000
REVENUE				
External sales	12,346	2,968	433	15,747
RESULTS				
Segment result	(2,229)	(12,566)	433	(14,362)
Unallocated corporate expenses				(110)
Other operating income	158	14,953	-	15,111
Finance costs	-	(3,504)	-	(3,504)
Share of results of associates				4
LOSS BEFORE INCOME TAX				(2,861)
Income tax				393
LOSS FOR THE YEAR				(2,468)
OTHER INFORMATION				
Loss allowance, net of reversals on trade receivable subject to expected credit losses	478	403	-	881
Loss allowance, on other receivables subject to expected credit losses	119	195	-	314
Allowance for inventories obsolescence	178	-	-	178
Waiver of trade payables due to outside party	-	(793)	-	(793)
Capital additions	91	53	305	449
Depreciation and amortisation	15	2,261	-	2,276
Unallocated depreciation and amortisation				1
Total depreciation and amortisation				2,277
Impairment allowance on property, plant and equipment	93	-	-	93
<u>Assets</u>				
Segment assets	8,422	33,351	-	41,773
Investment in associates				759
Financial assets at fair value through other comprehensive income	-	-	34,087	34,087
Unallocated corporate assets				1,007
Consolidated total assets				77,626
<u>Liabilities</u>				
Segment liabilities	6,376	145,570	-	151,946
Unallocated corporate liabilities				174
Income tax payable				202
Consolidated total liabilities				152,322

APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(B). Geographical information

	Group	
	Non-current assets	
	2019	2018
	S\$'000	S\$'000
People's Republic of China	16,650	18,331
Taiwan	78	11
Malaysia	387	407
Total	17,115	18,749

The majority of the Group's products are supplied to Original Equipment Manufacturers ("OEM") and Original Design Manufacturers ("ODM"). Sales invoices are sent to centralised purchasing offices or purchasing agents of these OEMs and ODMs. The manufacturers or principals will incorporate the Group's products into their own equipment or distribute it as accessories through their distribution network. The Group has no information of end markets of their products and is therefore unable to prepare geographical segment information on the basis of end markets of the products. The Group is of the view that analysis of sales by geographical location based on the OEMs' and ODMs' location is not meaningful and has therefore not presented this information.

(C). Information about major customers

Revenue from the major customers which accounts for 10% or more of the Group's revenue are as follows:

	Group	
	2019	2018
	S\$'000	S\$'000
Wire, cable and related components:		
Customer 1	6,367	6,258
Customer 2	1,351	2,638
Customer 3	-	1,922

- 17 **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Please refer to Paragraph 8

- 18 **A breakdown of sales**

	Group		
	2019	2018	Change
	S\$'000	S\$'000	%
Sales reported for first half year	7,809	8,871	(12)
Operating loss after tax before deducting non-controlling interests reported for first half year	(6,066)	(5,940)	2
Sales reported for second half year	3,344	6,443	(48)
Operating (loss) / gain after tax before deducting non-controlling interests reported for second half year	(5,682)	3,472	n.m.

n.m. - not meaningful

- 19 **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total Annual Dividend

	2019	2018
	S\$'000	S\$'000
Ordinary	-	-
Preference	-	-
Total	-	-

APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20 **Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Name (Age)	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
HUAN HSIN HOLDINGS LTD (“THE COMPANY”)			
Hsu Hung Chun (65)	*Brother of Hsu Cheng Chien (Managing Director and Substantial Shareholder)	Executive Director and Chairman of the Company since December 1995.	Nil
	*Uncle of Hsu Ming Hung (Director)	Responsible for the Group’s investment policy, banking and financial issues.	
	*Husband of Hsu Chang Yu Mei (Substantial Shareholder)		
	*Brother-in-law of Yang Yu Lin (Substantial Shareholder)		
Hsu Cheng Chien (63)	*Brother of Hsu Hung Chun (Director and Substantial Shareholder)	Executive Director and Managing Director of the Company since December 1995 and May 1997 respectively	Nil
	*Uncle of Hsu Ming Hung (Director)	Responsible for setting and implementing long term business objectives and strategic planning of the Group.	
	*Husband of Yang Yu Lin (Substantial Shareholder)		
	*Brother-in-law of Hsu Chang Yu Mei (Substantial Shareholder)		
Hsu Ming Hung (59)	*Nephew of Messrs Hsu Hung Chun and Hsu Cheng Chien (Directors and Substantial Shareholders)	Executive Director of the Company since May 1997	Nil
	*Nephew of Hsu Chang Yu Mei and Yang Yu Lin (Substantial Shareholders)	Assist the Managing Director in implementing, reviewing and verifying the overall corporate strategy and policies of the Group.	

**APPENDIX VI – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

SHANGHAI HUAN HSIN ELECTRONICS CO., LTD (PRINCIPAL SUBSIDIARY) ("SHH")			
Chang Shih Hsing (58)	*Brother-in-law of Hsu Hung Chun (Director and Substantial Shareholder)	General Manager	Nil
	* Brother of Hsu Chang Yu Mei (Substantial Shareholder)	Responsible for the technical aspects of the operations, quality management and research and development.	
		Oversees employee training programs and human resource development and <u>management.</u> Year position was first held : 2008	
Lu Chung Yu (53)	*Nephew of Messrs Hsu Hung Chun and Hsu Cheng Chien (Directors and Substantial Shareholders)	General Manager (Sales)	
	*Nephew of Hsu Chang Yu Mei and Yang Yu Lin (Substantial Shareholders)	Responsible for customer liaison and ensuring their needs and requirements are met and also working closely with the production and engineering divisions.	
		Year position was first held : 2019	

BY ORDER OF THE BOARD

Hsu Hung Chun

Chairman

Date : 27 March 2020

APPENDIX VII – ANNOUNCEMENT DATED 22 NOVEMBER 2018 IN RESPECT OF THE PROPOSED DISPOSAL

HUAN HSIN HOLDINGS LTD
(Incorporated in the Republic of Singapore)
Company Registration No. 199509142R

PROPOSED DISPOSAL OF LAND AND BUILDINGS LOCATED AT NO. 911 SHENYANG MIDDLE ROAD, ZHANGCUNZHEN, WEIHAI CITY, SHANDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA

1. INTRODUCTION

The board of directors (the **"Board"** or **"Directors"**) of Huan Hsin Holdings Ltd (the **"Company"**, and together with its subsidiaries, the **"Group"**) wishes to announce the proposed disposal of land use rights (**"LURs"**) in relation to the Land (as defined below) and buildings located on top of the Land in Weihai City, the People's Republic of China (**"PRC"**), by the Company's wholly owned subsidiary, Shandong Dong Hsin Electronics Co., Ltd (山东东鑫电子有限公司) (the **"Seller"**).

In connection with the abovementioned disposal of LURs and buildings, the Seller has on 22 November 2018, entered into a tripartite state-owned land use right recovery agreement (**"Recovery Agreement"**) (国有建设用地使用权收回协议书) with the Weihai Bureau of Land and Resources (威海市国土资源局) (**"Land Authority"**) and the People's Government of Zhangcunzhen, Huan Cui district, Weihai City (威海市环翠区张村镇人民政府) (**"Village Government"**) (collectively, the **"Purchasers"** and each a **"Purchaser"**) pursuant to which the Seller has agreed to sell, and the Land Authority has agreed to purchase, the following:

- (a) LURs to a parcel of land (**"Land"**) with an area of 118,855 square metres, located at Shenyang Middle Road No. 911, Zhangcunzhen, Weihai City, Shandong Province, PRC (张村镇沈阳中路 911 号);
- (b) the buildings and structures (**"Buildings"**) located on the Land with a total gross floor area of 35,178.42 square metres, comprising the following:
 - (i) two buildings which have been issued with property ownership certificates:
 - (1) a building with a registered total floor area of 3,772.08 square metres (鲁(2017)威海市不动产权第 0056504 号);
 - (2) a building with a registered total floor area of 8,182.93 square meters (鲁(2017)威海市不动产权第 0056971 号);
 - (ii) all remaining buildings and structures which have not been registered with property ownership certificates, as well as other ancillary facilities located within the boundaries of the Land (the **"Unregistered Property"**) ; and

(the LURs to the Land together with the Buildings are collectively referred to as the **"Property"**, and such sale and purchase, the **"Proposed Disposal"**). The Seller, the Land Authority and the Village Government shall be collectively referred to as the **"Parties"**, and each a **"Party"**.

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2. RATIONALE FOR THE PROPOSED DISPOSAL

For purposes of optimising the allocation of land resources, effecting city urban planning policies and city development in accordance with PRC laws and regulations, the Purchasers have requested to repurchase the Property from the Seller. Having understood the Purchasers' intention, the Seller agreed to dispose of the Property to the Purchasers. Further, the management has been considering disposing of non-performing assets to lower operation costs and reducing the losses of the Group. In view of the circumstances, also taking into account that it would be possible to realise an immediate gain from the Proposed Disposal, the Board and the management believes that it is in the best interest of the Group to sell the Property to the Purchasers.

3. INFORMATION RELATING TO THE PURCHASERS

Both Purchasers are part of the local government authority of Zhangcunzhen, Huan Cui district, Weihai City. The Purchasers are not related to the Company, its subsidiaries, its controlling shareholders or any of the Directors.

4. INFORMATION RELATING TO PROPERTY

4.1 Current usage of the Property

The Land is classified for purpose of industrial use. The Property was previously used for the manufacturing of electronic products such as laser printers, toner cartridges and other spare components for electrical appliances. There are currently no ongoing operations on the Property, as the Seller had ceased the relevant operations back in 2014.

4.2 Book value of Property and excess of Consideration over book value

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 ("FY2017"), the book value of the Property was approximately RMB42,345,808 (or approximately S\$8,469,162) as at 31 December 2017. The excess of the Consideration (as defined in paragraph 5.2 below) over the book value of the Property amounts to approximately RMB50,077,969 (or approximately S\$10,015,594). After deducting the estimated expenses in connection with the Proposed Sale of approximately RMB123,777 (or approximately S\$24,755), the net gain on the Proposed Disposal is approximately RMB49,954,192 (or approximately S\$9,990,839).

Unless otherwise stated, all amounts converted from RMB into S\$ in this announcement shall be based on an indicative exchange rate of RMB1.00 : S\$0.20.

4.3 Independent Valuation Reports and Valuers

4.3.1 Valuation Commissioned by the Village Government (one of the Purchasers)

Based on a valuation report dated 18 January 2018 (威海地 [2018] 字第 40008 号房地产估价报告) ("Valuation Report A"), the market value of the Property is estimated at RMB92,423,777 (or approximately S\$18,484,755). The Valuation Report A was prepared by Weihai Huadi Land and Property Appraisal Co., Ltd. (威海华地土地房地产评估有限公司), an independent valuer ("Valuer A"), commissioned by the Village Government. The Valuation Report A was prepared based on the cost method, which

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requires determining the market value of the Land in its existing use, taking into consideration the replacement cost of the Property at the time of valuation.

The Valuer A is a highly reputed property valuer in Weihai City, and is listed as one of the recommended independent valuers by the Chinese local authority. It has participated in numerous valuation projects, land acquisition / recovery exercises and land leasing in Weihai City.

More information regarding the Valuer A is available at the web link below:

<http://whhuadi.com/index.php>.

4.3.2 Valuation Commissioned by the Company

In anticipation of possible corporate exercises, the Company had also separately commissioned Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. ("**Valuer B**") to issue an independent valuation report (Valuation Report No. F/SH/2018/000069) dated 21 May 2018 on all the properties held by the Group in the PRC ("**Valuation Report B**"). Valuation Report B indicates that the value of the Property is estimated at the range of RMB58,033,386 (or approximately S\$11,606,677) to RMB75,725,570 (or approximately S\$15,145,114). Valuation Report B is prepared based on the depreciation replacement cost approach, which requires a valuation of the market value of the Land in its existing use and an estimate of the new replacement costs for the Property, from which deductions are made for depreciation costs.

The Valuer B is a leading global real estate services firm with 20 offices across the PRC. For more information on the Valuer B, please visit the web link below:

<https://www.cushmanwakefield.com.cn/en/>.

5. SALIENT TERMS OF THE RECOVERY AGREEMENT

5.1 Seller's representations and warranties to the Property

Upon transfer of the Property to the Purchasers, the Property should not be subject to any mortgage, security, guarantee, or seizure. In particular, there should be no ownership disputes or claims over the Unregistered Property, and all title, rights and interests in the Unregistered Property should wholly and entirely belong to the Seller.

5.2 Consideration

The consideration payable by the Purchasers for the Proposed Disposal shall be RMB92,423,777.00 (or approximately S\$18,484,755) ("**Consideration**") in cash comprising the following:

- (a) RMB40,172,990.00 (or approximately S\$8,034,598) in respect of the compensation of the LURs in relation to the Land;

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- (b) RMB51,294,386.00 (or approximately S\$10,258,877) in respect of the compensation of the Buildings; and
- (c) RMB956,401.00 (or approximately S\$191,280) in respect of, *inter alia*, demolition, relocation and discontinuation of operations.

The Consideration was arrived at on a willing-buyer, willing-seller basis after taking into consideration both Valuation Report A and Valuation Report B. It is further noted that the Consideration is substantially higher than the estimated value of the Property concluded by Valuation Report B which was commissioned by the Company, and it is the same as the estimated value of the Property concluded by Valuation Report A which was commissioned by the Village Government. Accordingly, the Company is of the view that the Consideration agreed by the Parties in accordance with the Recovery Agreement is in the best interest of the Company.

In terms of the settlement of the Consideration, the Parties agree that the Consideration will be paid in cash by the Village Government on behalf of the Land Authority to the Seller first with an understanding that the Land Authority will reimburse the Village Government eventually.

5.3 Parties' Rights and Obligations

- (i) In the event that the Land Authority fails to make payment of the Consideration in accordance with the schedule as set out in paragraph 5.2 ("**Overdue Amount**"), the Land Authority shall pay the Seller liquidated damages calculated at a daily rate of 0.0001% of the Overdue Amount after the expiry of the relevant stipulated time period. However, the total amount of liquidated damages payable should not exceed 20% of the Consideration.
- (ii) If the Seller fails to:
 - (a) return the land use right certificate and other relevant documents to the Land Authority upon signing of the Recovery Agreement, and cooperate with the Land Authority in completion of the Proposed Disposal; or
 - (b) cancel its applications for the registration of property ownership certificates for the Unregistered Property within 10 days of Weihai City People's Government (威海市人民政府) approving the Proposed Disposal (at Seller's own expense);

the Land Authority can compel the Seller to pay liquidated damages calculated at a daily rate of 0.0001% of the Consideration by deducting such liquidated damages from the Consideration. The total amount of liquidated damages shall not exceed 20% of the Consideration.

- (iii) Should the Property result in any loss to the Land Authority due to any mortgage, security, lien, guarantee, seizure, ownership disputes or claims, all such losses should be borne by the Seller. The Land Authority shall have the right to deduct sums from the Consideration to mitigate such losses, and this shall rank in priority to paying the Seller. The Land Authority shall also have the right to retain 20% of the Consideration as liquidated damages.
- (iv) In the event any:

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- (a) legitimate third party interest arises in relation to the Property; or
- (b) controversy, dispute or claim arises as a result of the Consideration, the Seller agrees to bear the consequences of such controversy, dispute or claim and mitigate as such by deducting from the Consideration.
- (v) Within 20 days of Weihai City People's Government approving the Proposed Disposal, the Seller shall deliver the Property in its present state to the Land Authority ("**Delivery**"). Upon Delivery, the Buildings will become property of the state. Should the Seller attempt to demolish or move away any part of it, the Land Authority shall have the right to refuse to pay the Consideration, or alternatively, elect to retain 20% of the Consideration as liquidated damages.

6. USE OF PROCEEDS FOR THE PROPOSED DISPOSAL

The Group intends to use the net proceeds from the Proposed Disposal for general working capital purposes, and to improve its cash flow position.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects as set out below are strictly for illustrative purposes and do not necessarily reflect the actual financial position and performance of the Company or its subsidiaries, prepared according to the relevant accounting standards, following the Proposed Disposal.

The financial effects of the Proposed Disposal are prepared based on the latest audited consolidated financial statements of the Group for FY2017 and the following assumptions:

- (a) the Company's existing share capital comprises 400,000,000 ordinary shares ("**Existing Share Capital**");
- (b) the Group's consolidated net tangible liabilities per share ("**NTL**") was computed assuming that the Proposed Disposal was completed on 31 December 2017;
- (c) the Group's consolidated earnings per share ("**EPS**") was computed assuming that the Proposed Disposal was completed on 1 January 2017; and
- (d) expenses in connection with the Proposed Disposal are disregarded for the purposes of calculating the financial effects.

7.1 NTL

	Before the Proposed Disposal	After the Proposed Disposal
NTL of the Group (S\$)	(81,786,000)	(71,770,406)
Number of issued shares in the capital of the Company (" Shares ")	400,000,000	400,000,000

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NTL per Share (S\$) (0.2045) (0.1794)

7.2 EPS

	Before the Proposed Disposal	After the Proposed Disposal
Profit/(loss) of the Group after tax and minority interests (S\$)	(20,588,000)	(10,572,406)
Number of issued Shares	400,000,000	400,000,000
Earnings/(loss) per Share (S\$)	(0.0515)	(0.0264)

7.3 Share Capital

The Proposed Disposal will not have any impact on the Existing Share Capital.

8. MAJOR TRANSACTION

8.1 Relative Figures

The relative figures of the Proposed Disposal computed on the applicable bases set out in Rule 1006(a) to (e) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”) are as follows:

<u>Rule 1006(a):</u> Net asset value of assets to be disposed of, compared with the Group's net liabilities value. ⁽¹⁾	(8.78)% ⁽¹⁾
<u>Rule 1006(b):</u> Net profits attributable to the assets disposed of, compared with the Group's net profits. ⁽²⁾	5.07%
<u>Rule 1006(c):</u> The aggregate value of RMB92,423,777 (or approximately S\$18,484,755) for the total consideration for the Proposed Disposal, compared with the Company's market capitalisation ⁽³⁾ of approximately S\$6,800,000.	271.83%
<u>Rule 1006(d):</u> Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in	Not applicable ⁽⁴⁾

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issue.	
<u>Rule 1006(e):</u> Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable ⁽⁵⁾

Notes:

- (1) The net asset value of the Property and the net liabilities value of the Group as at 30 September 2018 were S\$8,028,067 and S\$(91,463,000) respectively, net of cash and bank balances to be retained by the Group.
- (2) Under Rule 1002(3) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) The Company's market capitalisation is based on 400,000,000 issued Shares (excluding treasury shares) as at 30 October 2018, being the last market day preceding the date of the Recovery Agreement on which Shares were traded on the Singapore Exchange Securities Trading Limited, at a volume weighted average price of S\$0.017 per Share. For the avoidance of doubt, there was no trade of the Shares during the period from 31 Oct 2018 to 21 November 2018.
- (4) Rule 1006(d) is not applicable as the transaction contemplated is not an acquisition.
- (5) Rule 1006(e) is not applicable as the Proposed Disposal is not a disposal of mineral, oil and gas assets.

8.2 Major Transaction

As the relative figures computed under Rules 1006 of the Listing Manual exceed 20%, the Proposed Disposal therefore constitutes a "Major Transaction" as defined under Chapter 10 of the Listing Manual and is accordingly conditional upon, *inter alia*, approval of the shareholders (the "**Shareholders**") being obtained at the EGM pursuant to Rule 1014 of the Listing Manual.

8.3 Extraordinary General Meeting

A circular to Shareholders (the "**Circular**") setting out information on the Proposed Disposal, together with a notice of the extraordinary general meeting to be convened, will be despatched to Shareholders in due course. In the meantime, Shareholders are advised to refrain from taking any action in relation to their Shares in the Company which may be prejudicial to their interests until they or their advisers have considered the information and recommendations to be set out in the Circular.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDER

None of the directors or controlling shareholders of the Company (other than in their capacity as director or shareholder of the Company, as the case may be) has any interest, direct or indirect in the Proposed Disposal.

10. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

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11. DOCUMENTS FOR INSPECTION.

Copies of the following documents will be made available for inspection during normal business hours at the registered office of the Company for three months from the date of this announcement (“**Announcement**”):

- (1) Recovery Agreement;
- (2) Valuation Report A; and
- (3) Valuation Report B

12. RESPONSIBILITY STATEMENT

The Directors (including any Director who may have delegated detailed supervision of the preparation of this Announcement) collectively and individually accept full responsibility for the accuracy of the information given in this Announcement (other than information relating to the Purchaser) and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed herein (other than information relating to the Purchaser) are fair and accurate in all material respects as at the date hereof and that this Announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

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

By Order of the Board

Hsu Hung Chun
Chairman

22 November 2018

APPENDIX VIII – ANNOUNCEMENT DATED 6 MARCH 2020 IN RESPECT OF VARIOUS APPROVALS GRANTED BY THE SGX-ST

HUAN HSIN HOLDINGS LTD
(Company Registration No. 199509142R)
(Incorporated in the Republic of Singapore)

APPROVAL OF WAIVERS GRANTED BY SGX-ST IN RELATION TO THE COMPANY'S APPLICATIONS FOR:

- (1) **AN EXTENSION OF TIME TO ANNOUNCE THE FULL YEAR FINANCIAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019;**
 - (2) **AN EXTENSION OF TIME TO HOLD ANNUAL GENERAL MEETING; AND**
 - (3) **A WAIVER FROM THE REQUIREMENT TO SEEK SHAREHOLDERS' APPROVAL FOR THE PROPOSED DISPOSAL OF LAND USE RIGHTS AND BUILDINGS LOCATED AT NO.911 SHENYANG MIDDLE ROAD, ZHANGCUNZHEN, WEIHAI CITY, SHANDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA AS A MAJOR TRANSACTION**
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1. INTRODUCTION

- 1.1. The Board of Directors (the **"Board"**) of the Huan Hsin Holdings Ltd (the **"Company"**) refers to the Company's announcement dated 29 February 2020 (the **"Extensions Applications Announcement"**) in relation to the Company's applications to the Singapore Exchange Securities Trading Limited (**"SGX-ST"**) in respect of (i) an extension of time until 28 March 2020 for the Company to announce its financial results for the financial year ended 31 December 2019 (**"FY2019"**) and (ii) an extension of time until 30 June 2020 for the Company to hold its annual general meeting (**"AGM"**), and the Company's announcement dated 22 November 2018 in respect of the proposed disposal (the **"Proposed Disposal"**) of land use rights and buildings (collectively, the **"Property"**) located at No.911 Shenyang Middle Road, Zhangcunzhen, Weihai City, Shandong Province, the People's Republic of China (**"PRC"**) as a major transaction (**"Proposed Disposal Announcement"**).
- 1.2. Unless otherwise defined or the context requires otherwise, all capitalised terms used herein shall have the same meanings ascribed to them in the Extensions Applications Announcement and the Proposed Disposal Announcement.

2. EXTENSION OF TIME TO ANNOUNCE FY2019 RESULTS

- 2.1. The Board wishes to inform shareholders that the SGX-ST has, by way of a letter dated 5 March 2020 (**"SGX-ST 5 March 2020 Letter"**), informed the Company that it has no objections to the Company's application for an extension of time to 28 March 2020 to announce its FY2019 results with regard to Rule 705(1) of the Listing Manual, subject to the following conditions:
 - (i) the Company announcing the period of extension granted, the reasons for seeking the extension of time, the conditions as required under Rule 107 of the Listing Manual, and if the conditions have been satisfied. If the conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met; and

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- (ii) Submission of a written confirmation from the Company that it is not aware of any information that will have a material bearing on investors' decision which has yet to be announced by the Company.
- 2.2. The Company had previously announced on 29 February 2020 the reasons for seeking an extension of time until 28 March 2020 to announce its FY2019 results. Please refer to paragraph 2.2 of the Extensions Applications Announcement for further details.
- 2.3. The Company will be providing the written confirmation required under paragraph 2.1(ii) above to the SGX-ST in due course.
- 2.4. **Shareholders should note that as the Company had on 19 December 2018 received a notification ("Delisting Notification") from the SGX-ST informing the Company, among other things, that the SGX-ST will proceed to delist the Company pursuant to Rule 1315 of the Listing Manual, the Company will not be subjected to the requirements under Rule 705(1) of the Listing Manual to announce its FY2019 results if its shares are delisted prior to the extended deadline of 28 March 2020 for the announcement of its FY2019 results.**
- 3. **EXTENSION OF TIME TO HOLD AGM**
 - 3.1. The SGX-ST had also informed the Company in the SGX-ST 5 March 2020 Letter that the SGX-ST has no objections to the Company's application for an extension of time to 30 June 2020 to hold its AGM with regard to Rule 707(1) of the Listing Manual, subject to the following conditions:
 - (i) The Company announcing the period of extension granted, the reasons for seeking the extension of time, the conditions as required under Rule 107 of the Listing Manual, and if the conditions have been satisfied. If the conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met.
 - (ii) The Company convening the AGM by 30 June 2020.
 - 3.2. The Company had previously announced on 29 February 2020 the reasons for seeking an extension of time until 30 June 2020 to hold its AGM. Please refer to paragraph 3 of the Extensions Applications Announcement for further details.
 - 3.3. As mentioned in paragraph 3.2(iv) of the Extensions Applications Announcement, the Company has stated that it will make an application to the Accounting and Corporate Regulatory Authority ("**ACRA**") of Singapore for an extension of time to hold its AGM and to file its annual returns in the event that the SGX-ST grants the Company an extension of time to hold its AGM and to inform the SGX-ST of the outcome. For the avoidance of doubt, the Company has not made the relevant application to ACRA. The Company will be making the relevant application to ACRA in due course.
 - 3.4. **Shareholders should note that as the Company will be delisted from the SGX-ST pursuant to Rule 1315 of the Listing Manual as stated in the Delisting Notification, the Company will not be subjected to the requirements under Rule 707(1) of the Listing Manual to hold its AGM if its shares are delisted prior to the extended deadline of 30 June 2020 for the Company to hold its AGM.**

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4. WAIVER FROM THE REQUIREMENT TO SEEK SHAREHOLDERS' APPROVAL FOR THE PROPOSED DISPOSAL

4.1. As announced in the Proposed Disposal Announcement, as the relative figures in respect of the Proposed Disposal computed under Rule 1006(c) of the Listing Manual exceed 20%, the Proposed Disposal constitutes a “major transaction” as defined under Chapter 10 of the Listing Manual. Pursuant to Rule 1014(2) of the Listing Manual, the Proposed Disposal is conditional upon the approval of shareholders being obtained at an extraordinary general meeting (“**EGM**”) to be convened unless such condition is waived by the SGX-ST.

4.2. As announced by the Company on 1 March 2019, the Company had applied to the SGX-ST for a waiver (“**EGM Waiver**”) from having to comply with Rule 1014(2) of the Listing Manual to seek shareholders' approval for the Proposed Disposal (“**EGM Waiver Application**”), and the SGX-ST had indicated in its letter dated 1 March 2019 (“**SGX-ST 1 March 2019 Letter**”) that, among other things, the EGM Waiver Application will be rejected unless there is a reasonable cash exit offer to minority shareholders.

4.3. The Board wishes to inform shareholders that the SGX-ST had informed the Company in the SGX-ST 5 March 2020 Letter that, as a follow up to the SGX-ST 1 March 2019 Letter, the SGX-ST has no objections to the Company's application for the EGM Waiver with regard to compliance with Rule 1014(2) of the Listing Manual in respect of the Proposed Disposal, subject to the following:

- (i) The Company announcing the EGM Waiver granted, the reasons for seeking the EGM Waiver, the conditions as required under Rule 107 of the Listing Manual, and if the EGM Waiver conditions are satisfied. If the EGM Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met; and
- (ii) The Company and/or its controlling shareholders providing a reasonable cash exit offer to the minority shareholders. As at the date of this announcement, this condition is not satisfied. The Company will update the shareholders as and when there are any material developments on such exit offer.

4.4. The EGM Waiver application was sought on the following grounds:

A. The Property being disposed of in the Proposed Disposal is a non-core and loss-making asset

- (i) The Company had applied for the EGM Waiver on the ground that the Property being disposed of is a non-core and loss-making asset and as such shareholders would not be concerned with the Proposed Disposal.
- (ii) Pursuant to Paragraph 3.3.3 of Practice Note 10.1 of the Listing Manual, where an issuer proposes to dispose of a non-core asset (for example, a vacant factory) without affecting the nature of its main business, it is reasonable in normal circumstances to expect shareholders to not be overly concerned about the disposal, and the SGX-ST may grant a waiver under such circumstances. There are currently no operations on the Property as the seller (i.e. Shandong Dong Hsin Electronics Co., Ltd (山东东鑫电子有限公司), a wholly-owned subsidiary of the Company) (“**Seller**”) had ceased the relevant operations since 2014. The Property is therefore akin to a “vacant factory” and would be a “non-core asset” of the Company and its group

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(“Group”) that is not and will not be generating any revenue. Further, the relative figure computed on the bases of comparison under Rule 1006(b) of the Listing Manual is less than 20% - this further illustrates that the Property does not constitute a core asset of the Group (as the Group is loss-making, the relative figure computed on the bases of comparison under Rule 1006(a) is not meaningful). The Company therefore submitted that as the shareholders will not be concerned with the Proposed Disposal, the Company should be granted the EGM Waiver.

- (iii) Paragraph 4.1 of Practice Note 10.1 of the Listing Manual further provides that shareholders generally are less concerned if the assets to be disposed of are non-core or **loss-making**, and that for such disposals, the SGX-ST may grant a waiver of Rule 1014 from the requirement to seek shareholder approval for the disposal. As explained in Paragraph 4.4A(ii) above, the Proposed Disposal is a disposal of a non-core asset. The Company wishes to point out that on top of the fact that there are no operations on the Property, the continued ownership of the Property by the Seller also translates into significant, unnecessary and recurring costs for the Group, as the Seller is required to pay Land Use Tax (土地使用税) which amounts to about RMB1,545,115.00 per year. In other words, the Property is not only non-core, it is also **loss-making**. The Proposed Disposal would enable the Group to stem the flow of unnecessary costs via recurring payments of the Land Use Tax for a property which generates **zero revenue** for the Group, and therefore shareholders would be unconcerned with the disposal of such non-core, loss-making and inoperative property.

B. The Proposed Disposal is in the interests of Shareholders

- (i) As the Property being disposed of is a non-core and loss-making asset, shareholders would not be concerned with the Proposed Disposal.
- (ii) As stated in Paragraph 2 of the Proposed Disposal Announcement, the Company has been looking to dispose of non-performing assets to reduce the operating costs and losses of the Group. The Proposed Disposal provides the Company with such an opportunity to not only reduce the losses of the Group but also to realise an immediate gain. The Group intends to utilise approximately 70% of the net proceeds from the Proposed Disposal to repay existing borrowings and liabilities. The balance of the net proceeds will be retained as working capital to support the Group's core businesses.
- (iii) The Company also wishes to highlight that the consideration for the Proposed Disposal (i.e. the sum of RMB92,423,777.00) (“**Consideration**”) is significantly higher than the value of the Property as indicated by Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. (the valuer engaged by the Company), which as stated in Paragraph 4.3.2 of the Proposed Disposal Announcement is estimated at the range of RMB58,033,386.00 to RMB75,725,570.00 - the Consideration is therefore about 22.1% to 59.3% higher than the said indicated valuation. The Consideration also represents a premium of approximately 118.3% over the book value of the Property, which as stated in Paragraph 4.2 of the Proposed Disposal Announcement, was approximately RMB42,345,808.00 as at 31 December 2017. The Company is therefore of the view that, considering the lack or absence of operations on the Property, the Consideration offered is favourable to the Company.

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- (iv) The Proposed Disposal would also bring about positive financial effects for shareholders – the losses per share of the Group will be reduced from S\$0.0515 per Share to S\$0.0264 per share (calculated on the assumption that the Proposed Disposal was completed on 1 January 2017). Please refer to Paragraph 7 of the Proposed Disposal Announcement for further details on the financial effects of the Proposed Disposal.

C. The Proposed Disposal is in the interests of Shareholders

- (i) As mentioned in paragraph 4 of the Company's announcement dated 19 December 2018 in respect of the Delisting Notification, the Company or its controlling shareholder(s) are required to provide a reasonable exit offer to shareholders.
- (ii) In the event that a potential offeror(s) makes a formal exit offer to shareholders, the Company will have to consult various professional advisers and will have to incur significant professional costs in relation to the said exit offer (such as preparation of relevant announcements, letter to shareholders, engagement of independent financial adviser etc).
- (iii) If shareholder's approval at an EGM is required for the Proposed Disposal, the Company will however also have to dedicate a significant amount of time and resources for such EGM which would further delay the completion of the Proposed Disposal. The Company submits that this is unnecessary for the reasons set out in Paragraphs 4.4A and 4.4B above, as the Proposed Disposal is in the interest of shareholders and shareholders would be least concerned with the disposal of a non-core and loss-making asset. Further, if the Company is required to hold an EGM for the Proposed Disposal, the Company will also face delays in the implementation and completion of any exit offer as it would have to hold the EGM for the Proposed Disposal first. As such, the Company submits that it would be in the interests of both the Company and shareholders to avoid incurring such unnecessary costs, expenses and time in convening an EGM to vote on the Proposed Disposal in the present case, given the Company's circumstances – its resources are better conserved and spent elsewhere, such as on the preparation and implementation for an exit offer of the Company (when it is made) instead.

D. The support from shareholders holding a controlling interest in the Company for the Proposed Disposal means that the results of any EGM are practically pre-determined

- (i) Shareholders holding in aggregate of approximately 37.98% of the Shares in the share capital of the Company have indicated to the Company that they are in favour of the Proposed Disposal, and if required, they would be willing to undertake to vote in favour of the Proposed Disposal if an EGM to approve the same is required to be convened.
- (ii) The said shareholders comprise Mr Hsu Hung Chun, Mr Hsu Cheng Chien and their affiliates (collectively referred to as the "**Hsu Family**"), further details of which are set out in the table below for reference. To clarify, each of Mr Hsu Hung Chun and Mr Hsu Cheng Chien is deemed interested in approximately 18.93% of the Shares in the capital of the Company, and Mr Hsu Cheng Chien has a direct interest in approximately 0.13% of the Shares in the capital of the Company - these represent a collective interest of 37.98% (due to rounding, the percentage figures may not add precisely to the total indicated). Please also refer to the explanatory notes below for

APPENDIX VIII – ANNOUNCEMENT DATED 6 MARCH 2020 IN RESPECT OF VARIOUS APPROVALS GRANTED BY THE SGX-ST

further details on the deemed interests of Mr Hsu Hung Chun and Mr Hsu Cheng Chien.

Table setting out details of the Hsu Family's Shareholdings in the Company

	As at the date of this application			
	Direct Interest		Deemed Interest	
Shareholders	No. of Shares	%	No. of Shares	%
Hsu Hung Chun ⁽¹⁾	-	-	75,712,234	18.93%
HungChun Holdings Limited ⁽¹⁾	54,534,175	13.63%	-	-
HungChun Assets Limited ⁽¹⁾	18,178,059	4.54%	-	-
Hsu Chang Yu-Mei ⁽¹⁾	3,000,000	0.75%	72,712,234	18.18%
Hsu Cheng Chien ⁽²⁾	500,000	0.13%	75,712,233	18.93%
CCH Holdings Limited ⁽²⁾	54,534,175	13.63%	-	-
CCH Assets Limited ⁽²⁾	18,178,058	4.54%	-	-
Yang Yu Lin ⁽²⁾	3,000,000	0.75%	73,212,233	18.30%

Notes:

- (1) Mr Hsu Hung Chun is, by virtue of (i) his interest in HungChun Holdings Limited which holds 54,534,175 Shares; (ii) his interest in HungChun Assets Limited which holds 18,178,059 Shares; and (iii) his wife Ms Hsu Chang Yu-Mei holding 3,000,000 Shares, deemed to be a substantial shareholder of the Company. HungChun Holdings Limited and HungChun Assets Limited are companies incorporated in the British Virgin Islands and wholly-owned by Mr Hsu Hung Chun.
- (2) Mr Hsu Cheng Chien is, by virtue of (i) his direct interest of 500,000 Shares; (ii) his interest in CCH Holdings Limited which holds 54,534,175 Shares; (iii) his interest in CCH Assets Limited which holds 18,178,058 Shares; and (iv) his wife Ms Yang Yu Lin holding 3,000,000 Shares, deemed to be a substantial shareholder of the Company. CCH Holdings Limited and CCH Assets Limited are companies incorporated in the British Virgin Islands and wholly-owned by Mr Hsu Cheng Chien.

5. CAUTIONARY STATEMENT

- 5.1. Shareholders should note that the waivers granted in the SGX-ST 5 March 2020 Letter will not be effective if any of the conditions have not been fulfilled, and that the SGX-ST reserves

APPENDIX VIII – ANNOUNCEMENT DATED 6 MARCH 2020 IN RESPECT OF VARIOUS APPROVALS GRANTED BY THE SGX-ST

the right to amend and/or vary the above decisions and such decisions are subject to changes in the SGX-ST's policies.

- 5.2. The Company will keep shareholders updated on any developments and make the appropriate announcements as and when there are any material updates.

BY ORDER OF THE BOARD

Hsu Hung Chun
Chairman

6 March 2020

APPENDIX IX – MATERIAL CONTRACTS WITH INTERESTED PERSONS

APPENDIX IX – MATERIAL CONTRACTS WITH INTERESTED PERSONS

No.	Date of Contract	Name of parties	Description	Consideration	Salient terms and conditions
1.	1 March 2015	(1) Shandong Dong Hsin Electronics Co., Ltd ("SDDH"); and (2) Weihai Jinfu Electronics Limited ("Weihai Jinfu")	Rental income for the premises at 威海市环翠区张村镇沈阳中路 911-3号	RMB900,000 (or equivalent to approximately S\$187,000 based on an exchange rate of RMB4.81 : S\$1.00)	The relevant premises were let out to Weihai Jinfu for the term from 1 March 2015 to 29 February 2016 for a monthly rental of RMB75,000
2.	1 March 2016	(1) SDDH; and (2) Weihai Jinfu	Rental income for the premises at 威海市环翠区张村镇沈阳中路 911-3号	RMB900,000 (or equivalent to approximately S\$187,000 based on an exchange rate of RMB4.81 : S\$1.00)	The relevant premises were let out to Weihai Jinfu for the term from 1 March 2016 to 28 February 2017 for a monthly rental of RMB75,000
3.	1 March 2017	(1) SDDH; and (2) Weihai Jinfu	Rental income for the premises at 威海市环翠区张村镇沈阳中路 911-3号	RMB825,000 (or equivalent to approximately S\$172,000 based on an exchange rate of RMB4.81 : S\$1.00)	The relevant premises were let out to Weihai Jinfu for the term from 1 March 2017 to 31 January 2018 for a monthly rental of RMB75,000
4.	1 February 2018	(1) SDDH; and (2) Weihai Jinfu	Rental income for the premises at 威海市环翠区张村镇沈阳中路 911-3号	RMB420,000 (or equivalent to approximately S\$87,000 based on an exchange rate of RMB4.81 : S\$1.00)	The relevant premises were let out to Weihai Jinfu for the term from 1 February 2018 to 31 January 2019 for a monthly rental of RMB35,000 (renewable every 12-month period on the same terms)
5.	1 June 2016	(1) SDDH; and (2) Weihai Jinfu	Consideration received for the disposal of machinery and equipment	RMB1,942,800 (or equivalent to S\$410,000 based on an exchange rate of RMB4.74 to S\$1.00).	Disposal of machinery and equipment to Weihai Jinfu in view of SDDH shutting down operations.

APPENDIX IX – MATERIAL CONTRACTS WITH INTERESTED PERSONS

No.	Date of Contract	Name of parties	Description	Consideration	Salient terms and conditions
6.	6 July 2016	(1) SDDH; and (2) Weihai Jinfu	Consideration received for the disposal of machinery and equipment	RMB1,200,000 (or equivalent to S\$253,000 based on an exchange rate of RMB4.74 to S\$1.00)	Disposal of machinery and equipment to Weihai Jinfu in view of SDDH shutting down operations
7.	30 September 2018	(1) Huan Hsin Co (M) Sdn Bhd (“HHM”); and (2) Huan Hsin Electrical System (M) SDN BHD (“HHESM”). Note: HHM is a subsidiary of the Company. HHESM is not a subsidiary of the Company.	Rental income for the premises at Plot 3 Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah	Annual rent of RM108,000 (or equivalent to S\$36,000 based on an exchange rate of RM3.00 : S\$1.00)	The premises are let out to HHESM for the term from 1 October 2018 to 30 September 2021 for a monthly rental of RM9,000 (or equivalent to S\$3,000)

APPENDIX X – EXTRACT OF VALUATION REPORT OF CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO., LTD. DATED 31 MARCH 2019 AND ITS LETTER DATED 27 MARCH 2020 IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



42-43/F,
Tower 2, Plaza 66,
1366 Nanjing West Road
Jing'an District
Shanghai

Valuation Report No.
F/CWSH/2019/0000056
31 March 2019

The Board of Directors
Huan Hsin Holdings Ltd
c/o 77 Robinson Road,
#13-00 Robinson 77, Singapore 068896

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with the instruction of Huan Hsin Holdings Ltd. (referred to as the "Company") for us to value the properties (the "Properties", individually the "Property") held by the Company and its subsidiaries (together referred to as the "Huan Hsin Group") in the People's Republic of China (the "PRC") (as more particularly described in the attached valuation certificates) for the purpose of the exit offer for the Company, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of market values in existing state of the Properties as at 31 March 2019 ("Valuation Date").

Definition of Market Value

Our valuation of each of the Properties represents its market value which in accordance with The RICS Valuation – Global Standards January 2017 (Red Book) published by The Royal Institution of Chartered Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis And Assumption

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Properties situated in the PRC, we have assumed that transferable land use rights in respect of the Properties for specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Huan Hsin Group regarding the title to the Properties and the interests in the Properties. In valuing the Properties, we have assumed that the grantees or the users of the Properties have free and uninterrupted right to use or to assign the Properties for the whole of the unexpired term as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

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Method of Valuation

We have adopted Depreciated Replacement Cost (“DRC”) Approach, which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence.

In valuing the Properties, we have complied with the requirements set out in The RICS Valuation – Global Standards January 2017 (Red Book) published by The Royal Institution of Chartered Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the Huan Hsin Group or other related parties and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of the Properties, completion dates of building, particulars of occupancy, tenancy details, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Huan Hsin Group which is material to the valuations. We were also advised by the Huan Hsin Group that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by the Company with extracts of copies of document in relation to the titles to the Properties. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our Valuers, Vanessa Pan from our Cushman & Wakefield Shanghai office, Nic Zhou from our Cushman & Wakefield Qingdao office, have inspected the exterior of the Properties in March 2019. We have based on the status and condition of the Properties as inspected recently to carry out our valuations. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Properties are free of rot, infestation or other structural defects. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the floor areas of the Properties and we have assumed that the gross floor areas advised to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

APPENDIX X – EXTRACT OF VALUATION REPORT OF CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO., LTD. DATED 31 MARCH 2019 AND ITS LETTER DATED 27 MARCH 2020 IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



We attach herewith a summary of our valuations and valuation certificates.

Yours faithfully,
for and on behalf of
CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO., LTD.


Yi Fan
MRICS
Director

Note: Mr. Yi Fan is a professional surveyor who has over 20 years' experience in the valuation of properties in the PRC.

* *The English translation of the Chinese names is included for information purposes only and should not be regarded as their official English translation.*

APPENDIX X – EXTRACT OF VALUATION REPORT OF CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO., LTD. DATED 31 MARCH 2019 AND ITS LETTER DATED 27 MARCH 2020 IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



SUMMARY OF VALUATIONS

Properties	Market Value in existing state as at 31 March 2019 RMB	Interest Attributable to the Huan Hsin Group %	Market Value in existing state as at 31 March 2019 attributable to the Huan Hsin Group RMB
1. An industrial complex, situated at No. 2666, Zhongchun Road & No. 625, Guangzhong Road, Minhang District, Shanghai, the PRC	152,000,000	100	152,000,000
2. An industrial complex, situated at No. 4469, Beiqing Road, Huaxin Town, Qingpu District, Shanghai, the PRC	30,500,000	100	30,500,000
3. An industrial complex, situated at No. 6, Fushun Road, High-tech Industrial Park, Changshu Economic Development Zone, Changshu, Jiangsu Province, the PRC	146,000,000	100	146,000,000
4. An industrial complex situated at No. 911 Middle Shenyang Road, Zhangcun Town, Huancui District, Weihai City, Shandong Province, the PRC	31,500,000	100	31,500,000
Grand Total in RMB:	360,000,000		360,000,000

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VALUATION CERTIFICATE

		Market Value in existing state as at 31 March 2019																																					
Property	Description and tenure	Particulars of occupancy																																					
1. An industrial complex, situated at No. 2666, Zhongchun Road & No. 625, Guangzhong Road, Minhang District, Shanghai, the PRC	The Property comprises 4 blocks of workshops, 4 blocks of facility buildings and 2 blocks of guard rooms with a total gross floor area of 49,066.31 sq m, erected on 2 parcels of land with a total site area of 48,518.00 sq m. The completed year and breakdown of gross floor area of the Property are shown as below: <table><tr><th>Blocks</th><th>Completed Year</th><th>Gross Floor Area (sq m)</th></tr><tr><td>Workshop</td><td>1997</td><td>10,986.00</td></tr><tr><td>Workshop & dining room</td><td>1997</td><td>8,663.00</td></tr><tr><td>Transformer room1</td><td>1997</td><td>265.00</td></tr><tr><td>Workshop & office</td><td>1999</td><td>26,514.69</td></tr><tr><td>Guard room1</td><td>1999</td><td>94.09</td></tr><tr><td>Transformer room2</td><td>1999</td><td>259.73</td></tr><tr><td>Sewage treatment room</td><td>1999</td><td>50.21</td></tr><tr><td>Workshop</td><td>1999</td><td>2,212.35</td></tr><tr><td>Guard room2</td><td>1999</td><td>10.86</td></tr><tr><td>Facilities</td><td>1999</td><td>10.38</td></tr><tr><td>Total</td><td></td><td><u>49,066.31</u></td></tr></table> The land use rights of the Property have been granted for a term of 50 years expiring on 24 August 2046 for industrial use and a term of 50 years expiring on 18 January 2049 for industrial use respectively.	Blocks	Completed Year	Gross Floor Area (sq m)	Workshop	1997	10,986.00	Workshop & dining room	1997	8,663.00	Transformer room1	1997	265.00	Workshop & office	1999	26,514.69	Guard room1	1999	94.09	Transformer room2	1999	259.73	Sewage treatment room	1999	50.21	Workshop	1999	2,212.35	Guard room2	1999	10.86	Facilities	1999	10.38	Total		<u>49,066.31</u>	As at the Date of Valuation, No. 625, Guangzhong Road is subject to a tenancy agreement, whilst the remainder of the Property is self-occupied by the owner.	RMB152,000,000
Blocks	Completed Year	Gross Floor Area (sq m)																																					
Workshop	1997	10,986.00																																					
Workshop & dining room	1997	8,663.00																																					
Transformer room1	1997	265.00																																					
Workshop & office	1999	26,514.69																																					
Guard room1	1999	94.09																																					
Transformer room2	1999	259.73																																					
Sewage treatment room	1999	50.21																																					
Workshop	1999	2,212.35																																					
Guard room2	1999	10.86																																					
Facilities	1999	10.38																																					
Total		<u>49,066.31</u>																																					

APPENDIX X – EXTRACT OF VALUATION REPORT OF CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO., LTD. DATED 31 MARCH 2019 AND ITS LETTER DATED 27 MARCH 2020 IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



Notes:-

1. According to two Certificates of Real Estate Ownership Nos. HFDSZ(1999)005736 and HFDSZ(2000)004072 issued by Shanghai Housing & Land Resources Administration Bureau dated 1 December 1999 and 6 July 2000 respectively, the land use rights with a total site area of 48,518.00 sq m have been granted for a land use term of 50 years for industrial use, and the building ownership rights of the Property, comprising a total gross floor area of 49,066.31 sq m., are vested in Shanghai Yi Hsin Industry Co., Ltd (上海宜鑫实业有限公司) and Shanghai Zhan Hsin Industry Co., Ltd (上海展鑫实业有限公司). Details are as follows:-

Certificate No.	Location	Lot No.	Land Use term	Site Area (sq m)	GFA (sq m)
HFDSZ(1999)005736	No. 2666, Zhongchun Road	Qiu 1, Jiefang 73, Zhuangqiao Town, Minhang District	From 25 August 1996 to 24 August 2046	43,658.00	46,832.72
HFDSZ(2000)004072	No. 625, Guangzhong Road	Qiu 3, Jiefang 40, Zhuangqiao Town, Minhang District	From 19 January 1999 to 18 January 2049	4,860.00	2,233.59
Total:				48,518.00	49,066.31

2. According to Business Licence No. 913100006073508598 dated 23 June 2016, Shanghai Yi Hsin Industry Co., Ltd (上海宜鑫实业有限公司) was established as a limited company with a registered capital of USD40,100,000 for a valid operation period from 28 March 1996 to 27 March 2046.
3. According to Business Licence No. 91310000607350840B dated 6 January 2017, Shanghai Zhan Hsin Industry Co., Ltd (上海展鑫实业有限公司) was established as a limited company with a registered capital of USD5,150,000 for a valid operation period from 28 March 1996 to 27 March 2046.
4. We have prepared our valuation on the following assumptions:-
 - (i) Shanghai Yi Hsin Industry Co., Ltd (上海宜鑫实业有限公司) & Shanghai Zhan Hsin Industry Co., Ltd (上海展鑫实业有限公司) are in possession of a proper legal title to the Property and is entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - (iii) the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (iv) the Property can be freely disposed of to third parties.
5. The status of title and grant of major approvals and licenses in accordance with the information provided by the Huan Hsin Group are as follows:

Certificate of Real Estate Ownership	Yes
Business License	Yes

APPENDIX X – EXTRACT OF VALUATION REPORT OF CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO., LTD. DATED 31 MARCH 2019 AND ITS LETTER DATED 27 MARCH 2020 IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2019
2. An industrial complex, situated at No. 4469, Beiqing Road, Huaxin Town, Qingpu District, Shanghai, the PRC	The Property comprises 2 blocks of workshops, one block of office building, one block of facility building, one block of warehouse and one block of guard room with a total gross floor area of 16,241.00 sq m, erected on a parcel of land with a site area of 10,761.20 sq m.	As at the Date of Valuation, the Property is currently self-occupied by the owner.	RMB30,500,000

The completed year and breakdown of gross floor area of the Property are shown as below:

Blocks	Completed Year	Gross Floor Area (sq m)
Workshop & office	1994	10,366.00
Transformer room	1994	291.00
Warehouse	1994	1,080.00
Office & dining room	1994	991.00
Guard room	1994	24.00
Workshop	1995	<u>3,489.00</u>
Total		<u>16,241.00</u>

The land use right of the Property has been granted for a term of 50 years expiring on 25 November 2043 for industrial use.

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Notes:-

1. According to Shanghai Certificate of Real Estate Ownership No. HFDQZ(2007)010520 issued by Shanghai Housing & Land Resources Administration Bureau dated 6 November 2007, the particulars as stipulated in the said certificate are summarized as follows:-

- | | | | |
|--------|------------------|---|---|
| (i) | Owner | : | Shanghai Huan Hsin Electronics Co., Ltd
(上海奂鑫电子有限公司) |
| (ii) | Location | : | No. 4469, Beiqing Road, Huaxin Town, Qingpu District |
| (iii) | Lot No. | : | Qiu 80/1, Jiefang 17, Huaxin Town, Qingpu District |
| (iv) | Total Site Area | : | 10,761.20 sq m |
| (v) | Use | : | Industrial |
| (vi) | Land Use Term | : | From 26 November 1993 to 25 November 2043 |
| (vii) | Gross Floor Area | : | 16,241.00 sq m |
| (viii) | Remark | : | Block No. 5 with a gross floor area of 24.00 sq m and portion of block No. 4 with an approximately gross floor area of 435.30 sq m, erected on a land for greening use. |

2. According to Business Licence No. 91310000607278332T dated 11 July 2016, Shanghai Huan Hsin Electronics Co., Ltd (上海奂鑫电子有限公司) was established as a limited company with a registered capital of USD7,200,000 for a valid operation period from 16 November 1993 to 15 November 2043.

3. We have relied on the information provided by the Company and prepared our valuation on the following assumptions:

- (i) Shanghai Huan Hsin Electronics Co., Ltd (上海奂鑫电子有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
- (ii) all land premium and public utilities costs have been fully settled;
- (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (iv) the Property may be disposed of or lease out freely to third parties.

4. The status of title and grant of major approvals and licenses in accordance with the information provided by the Huan Hsin Group are as follows:

Certificate of Real Estate Ownership	Yes
Business License	Yes

APPENDIX X – EXTRACT OF VALUATION REPORT OF CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO., LTD. DATED 31 MARCH 2019 AND ITS LETTER DATED 27 MARCH 2020 IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2019																														
3. An industrial complex, situated at No. 6, Fushun Road, High-tech Industrial Park, Changshu Economic Development Zone, Changshu, Jiangsu Province, the PRC	The Property comprises 8 blocks of workshops with a total gross floor area of 80,337.17 sq m, erected on a parcel of land with a site area of 128,377.00 sq m. The completion year and breakdown of gross floor area of the Property are shown as below: <table><tr><th>Blocks</th><th>Completed Year</th><th>Gross Floor Area (sq m)</th></tr><tr><td>1</td><td>2010</td><td>12,683.00</td></tr><tr><td>4</td><td>2008</td><td>10,661.21</td></tr><tr><td>5</td><td>2008</td><td>8,344.91</td></tr><tr><td>6</td><td>2009</td><td>6,586.63</td></tr><tr><td>7</td><td>2008</td><td>16,064.36</td></tr><tr><td>8</td><td>2008</td><td>19,011.97</td></tr><tr><td>9</td><td>2009</td><td>1,380.71</td></tr><tr><td>10</td><td><u>2009</u></td><td><u>5,604.38</u></td></tr><tr><td>Total</td><td></td><td><u>80,337.17</u></td></tr></table>	Blocks	Completed Year	Gross Floor Area (sq m)	1	2010	12,683.00	4	2008	10,661.21	5	2008	8,344.91	6	2009	6,586.63	7	2008	16,064.36	8	2008	19,011.97	9	2009	1,380.71	10	<u>2009</u>	<u>5,604.38</u>	Total		<u>80,337.17</u>	As at the Date of Valuation, Block 5 and Block 6 are subject to two tenancy agreements, whilst the remainder of the Property is self-occupied by the owner.	RMB146,000,000
Blocks	Completed Year	Gross Floor Area (sq m)																															
1	2010	12,683.00																															
4	2008	10,661.21																															
5	2008	8,344.91																															
6	2009	6,586.63																															
7	2008	16,064.36																															
8	2008	19,011.97																															
9	2009	1,380.71																															
10	<u>2009</u>	<u>5,604.38</u>																															
Total		<u>80,337.17</u>																															

The land use rights of the Property have been granted for a term of 50 years expiring on 24 December 2056 for industrial use and a term of 50 years expiring on 4 December 2058 for industrial use respectively.

APPENDIX X – EXTRACT OF VALUATION REPORT OF CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO., LTD. DATED 31 MARCH 2019 AND ITS LETTER DATED 27 MARCH 2020 IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



Notes:-

1. According to 2 Certificates for State-owned Land Use Rights CGY(2009)ZD11287 and CGY(2009)ZD000279 dated 20 November 2009 and 27 February 2009 issued by Changshu Municipal Government, the land use rights of the Property with a total site area of approximately 128,377.00 sq m, has been granted to Suzhou Yiquan Electronic Technology Co., Ltd (苏州宜铨电子科技有限公司) for a term of 50 years expiring on 24 December 2056 for industrial use and a term of 50 years expiring on 4 December 2058 for industrial use respectively.

2. According to Certificate of Building Ownership SFQZYSZD10004567 dated 25 January 2010 issued by Changshu Municipal Real Estate Administration Bureau, the Property with a total gross floor area of approximately 67,654.17 sq.m. was vested in Suzhou Yiquan Electronic Technology Co., Ltd (苏州宜铨电子科技有限公司).

We have noted that the Building Ownership Certificate of block 1 with gross floor area of 12,683.00 sq m has not been obtained. In the course of our valuation, we have assumed that the Building Ownership Certificate of block 1 will be issued in due course and the related fees incurred have been fully paid and settled.

3. According to Permit for Commencement of Construction Works No. 320581200907300301 dated 30 July 2009 issued by Construction Bureau of Changshu Municipal, block 1 of the Property with a total gross floor area of 12,683.00 sq m, is in compliance with the requirements for works commencement and have been permitted.

4. According to Business Licence No. 913205817919733265 dated 18 September 2016, Suzhou Yiquan Electronic Technology Co., Ltd (苏州宜铨电子科技有限公司) was established as a limited company with a registered capital of USD30,000,000 for a valid operation period from 18 October 2006 to 17 October 2056.

5. We have relied on the information provided by the Company and prepared our valuation on the following assumptions:

- (i) Suzhou Yiquan Electronic Technology Co., Ltd (苏州宜铨电子科技有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
- (ii) all land premium and public utilities costs have been fully settled;
- (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (iv) the Property may be disposed of or lease out freely to third parties.

6. The status of title and grant of major approvals and licenses in accordance with the information provided by the Huan Hsin Group are as follows:

Certificates for State-owned Land Use Rights	Yes
Certificate of Building Ownership	Yes
Permit for Commencement of Construction Works	Yes
Business License	Yes

APPENDIX X – EXTRACT OF VALUATION REPORT OF CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO., LTD. DATED 31 MARCH 2019 AND ITS LETTER DATED 27 MARCH 2020 IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2019															
4. An industrial complex situated at No. 911 Middle Shenyang Road, Zhangcun Town, Huancui District, Weihai City, Shandong Province, the PRC	The Property comprises a dormitory building, 1 blocks of workshops and other facility buildings with a total gross floor area of 23,963.27 sq m, erected on a parcel of land with a site area of 37,786.00 sq m. The completed year and breakdown of gross floor area of the Property are shown as below: <table><tr><th>Block Nos.</th><th>Completed Year</th><th>GFA (sq m)</th></tr><tr><td>1</td><td>2008</td><td>5,445.93</td></tr><tr><td>3</td><td>2006</td><td>13,991.84</td></tr><tr><td>Warehouse</td><td>2010</td><td>4,525.50</td></tr><tr><td>Total</td><td></td><td>23,963.27</td></tr></table> The land use rights of the Property have been granted for a term of 50 years commencing from 10 December 2006 and expiring on 9 December 2056 for industrial use.	Block Nos.	Completed Year	GFA (sq m)	1	2008	5,445.93	3	2006	13,991.84	Warehouse	2010	4,525.50	Total		23,963.27	As at the Date of Valuation, the Property is currently self-occupied by the owners.	RMB31,500,000
Block Nos.	Completed Year	GFA (sq m)																
1	2008	5,445.93																
3	2006	13,991.84																
Warehouse	2010	4,525.50																
Total		23,963.27																

APPENDIX X – EXTRACT OF VALUATION REPORT OF CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO., LTD. DATED 31 MARCH 2019 AND ITS LETTER DATED 27 MARCH 2020 IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



Notes:-

1. According to four Real Property Ownership Certificate Nos. 20180042682 and 20180040299 issued by Weihai Bureau of Land and Resources dated 21 May 2018 and 10 August 2017 respectively, the land use rights of the Property with a site area of 37,786.00 sq m have been granted to Shandong Dong Hsin Electronics Co., Ltd.(山东东鑫电子有限公司) for a term due to expire on 9 December 2056 for industrial use.
2. According two Real Property Ownership Certificate Nos. 20180042682 and 20180040299 issued by Weihai Bureau of Land and Resources dated 21 May 2018 and 10 August 2017 respectively, the building ownership rights of the Property, comprising a total gross floor area of 19,437.77 sq m., is vested in Shandong Dong Hsin Electronics Co., Ltd.(山东东鑫电子有限公司).

Certificate No.	Building	Nos. of Storey	Gross Floor Area (sq m)
20180042682	N0. 1	5	5,445.93
20180040299	No. 3	1	13,991.84
Total:			19,437.77

We have noted that the Real Property Ownership Certificate of warehouse with a total gross floor area of approximately 4,525.50 sq m, has not been obtained. In the course of our valuation, we have assumed that the Building Ownership Certificate of the aforesaid portion will be issued in due course and the related fees incurred have been fully paid and settled.

3. According to Business Licence No. 91371000764821810F dated 5 May 2016, Shandong Dong Hsin Electronics Co., Ltd (山东东鑫电子有限公司) was established as a limited company with a registered capital of USD19,000,000 for a valid operation period from 16 July 2004 to 15 July 2054.
4. We have relied on the information provided by the Company and prepared our valuation on the following assumptions:
5. We have relied on the information provided by the Company and prepared our valuation on the following assumptions:
 - (i) Shandong Dong Hsin Electronics Co., Ltd (山东东鑫电子有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - (ii) all land premium and public utilities costs have been fully settled;
 - (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
 - (iv) the Property may be disposed of or lease out freely to third parties.

APPENDIX X – EXTRACT OF VALUATION REPORT OF CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO., LTD. DATED 31 MARCH 2019 AND ITS LETTER DATED 27 MARCH 2020 IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



6. The status of title and grant of major approvals and licenses in accordance with the information provided by the Huan Hsin Group are as follows:

Real Property Ownership Certificate
Business License

Yes(partly)
Yes

APPENDIX X – EXTRACT OF VALUATION REPORT OF CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO., LTD. DATED 31 MARCH 2019 AND ITS LETTER DATED 27 MARCH 2020 IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



Huan Hsin Holdings Ltd
c/o 77 Robinson Road,
#13-00 Robinson 77, Singapore 068896

Our Ref:

C/CWSH/2019/000011

Attn: The Board of Directors

Date: 27 March 2020

Dear Sirs,

Re: Valuations of 4 industrial complexes situated in Shanghai, Changshu and Weihai City in the People's Republic of China (the "Properties")

As instructed by Huan Hsin Holdings Ltd (the "Company"), for the purpose of exit offer for the Company, based on our valuation of the Properties as at 31 March 2019 (Valuation Report No. F/CWSH/2019/0000056) and after taking into account the market performance since 31 March 2019 to 31 December 2019. We are of the opinion that the updated Market Value in existing state of the Properties as at 31 December 2019 remained unchanged at **RMB360,000,000**. The breakdown is summarized as follows:-

	Properties	Use	GFA (sq m)	Market Value in existing state (RMB)
1	An industrial complex, situated at No. 2666, Zhongchun Road & No. 625 Guangzhong Road, Minhang District, Shanghai, the PRC	Industrial	49,066.31	152,000,000
2	An industrial complex, situated at No. 4469, Beijing Road, Huaxin Town, Qingpu District, Shanghai, the PRC	Industrial	16,241.00	30,500,000
3	An industrial complex, situated at No. 6, Fushun Road, High-tech Industrial Park, Changshu Economic Development Zone, Changshu, Jiangsu Province, the PRC	Industrial	80,337.17	146,000,000
4	An industrial complex situated at No. 911 Middle Shenyang Road, Zhangcun Town, Huancui District, Weihai City, Shandong Province, the PRC	Industrial	23,963.27	31,500,000
Total			169,607.75	360,000,000

For avoidance of doubt, this letter does not constitute a formal valuation and should be read in conjunction with our Valuation Report No. F/CWSH/2019/0000056.

Neither the whole nor any part of this letter or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

Cushman & Wakefield, 42-43F, Plaza 66, Tower 2, 1366 Nanjing Road West, Shanghai, 200040 China
Tel (8621) 2208 0088 Fax (8621) 6288 7526

戴德梁行房地产咨询(上海)有限公司 上海市南京西路 1366 号恒隆广场办公楼 2 号楼 42-43 楼 邮编 200040
电话 (8621) 2208 0088 传真 (8621) 6288 7526

APPENDIX X – EXTRACT OF VALUATION REPORT OF CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO., LTD. DATED 31 MARCH 2019 AND ITS LETTER DATED 27 MARCH 2020 IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



Finally and in accordance with our standard practice, we must state that this letter is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Yours faithfully,
for and on behalf of

CUSHMAN & WAKEFIELD INTERNATIONAL PROPERTY ADVISERS (SHANGHAI) CO.,LTD.

A handwritten signature in black ink, appearing to read "Yi Fan".

Yi Fan
Director



**APPENDIX XI – EXECUTIVE SUMMARY OF VALUATION REPORT
OF HENRY BUTCHER MALAYSIA (KEDAH) SDN. BHD. DATED
31 MARCH 2019 AND ITS LETTER DATED 31 DECEMBER 2019
IN RESPECT OF ITS UPDATED VALUATION**



HENRY BUTCHER MALAYSIA

International Asset Consultants

EXECUTIVE SUMMARY

Your Reference No.	:	N/A
Our Reference No.	:	CKM/24078/K/19
Purpose	:	Exit offer for the company
Customer's Name	:	M/S Huan Hsin Co. (M) Sdn. Bhd.
Date of Valuation	:	March 14, 2019
Date of Inspection	:	March 14, 2019
Property Description / Type	:	A factory complex of individual architectural design and construction
Property Address	:	Plot No. 3, Jalan Satu, Kawasan Perusahaan Bakar Arang, 08000 Sungai Petani, Kedah
Registered Leaseholder	:	Perbadanan Kemajuan Negeri Kedah
Registered Sub-lessee	:	Huan Hsin Co. (M) Sdn. Bhd.,
Title Details	:	Title No. HS (M) 146/1977, Mukim of Sungai Pasir, District of Kuala Muda, State of Kedah.
Land Area	:	17,207.501 sq. m. (185,220 sq. ft.)
Land Tenure	:	Leasehold for a term of 99 years expiring on January 30, 2076. The un-expired term is about 57 years.
Land Tenure under Valuation	:	Sub-leased for a term of 60 years commencing from January 29, 1977 and expiring on January 28, 2037. The un-expired term is about 18 years.
		Extension of sub-leased for a term of 38 years commencing from January 29, 2037 and expiring on January 28, 2075. The total un-expired term considered in this Report and Valuation is about 56 years.
Reservation Area	:	Nil

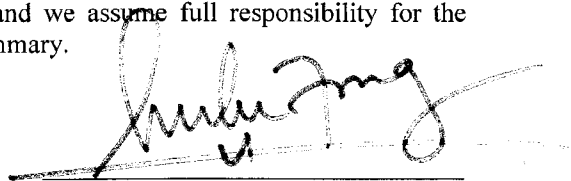
**APPENDIX XI – EXECUTIVE SUMMARY OF VALUATION REPORT
OF HENRY BUTCHER MALAYSIA (KEDAH) SDN. BHD. DATED
31 MARCH 2019 AND ITS LETTER DATED 31 DECEMBER 2019
IN RESPECT OF ITS UPDATED VALUATION**

Report & Valuation of
Title No. HS (M) 146/1977,
Mukim of Sungai Pasir,
District of Kuala Muda, Kedah.

EXECUTIVE SUMMARY (Cont'd)

Express Conditions	:	The land held under this title shall be used as the site of buildings for industrial purpose and other uses related to that purpose. Buildings for residential use are strictly prohibited to be built on the site.
Restriction-In-Interest	:	Not stated
Endorsement In Title	:	Nil
Planning Details	:	Industrial use
Present Land Use	:	Industrial use
Encumbrances	:	Nil
Caveat	:	Nil
Occupancy Status	:	Tenanted
Total Gross Floor Area	:	9,265.355 sq. m. (99,728 sq. ft.)
Condition of Building	:	Fair condition
Market Value	:	RM6,300,000.00

We understand that you will rely on this Executive Summary which will be read in conjunction with the accompanying Valuation Report and we assume full responsibility for the correctness of all information stated in this Executive Summary.



Registered Valuer's Signature & Chop
Date : 31-03-2019

**APPENDIX XI – EXECUTIVE SUMMARY OF VALUATION REPORT
OF HENRY BUTCHER MALAYSIA (KEDAH) SDN. BHD. DATED
31 MARCH 2019 AND ITS LETTER DATED 31 DECEMBER 2019
IN RESPECT OF ITS UPDATED VALUATION**



HENRY BUTCHER MALAYSIA

International Asset Consultants

Your Ref: N/A

Our Ref: CKM/24429-A/CV/K/19 (CKM/24078/K/19)

Date : December 31, 2019

The Directors,
M/S Huan Hsin Co. (M) Sdn. Bhd.,
Plot No 3, Jalan Satu,
Kawasan Perusahaan Bakar Arang,
08000 Sungai Petani, Kedah.

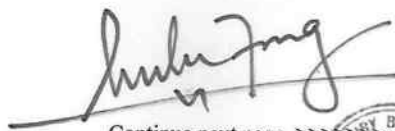
Dear Sirs,

Re: **CERTIFICATE OF VALUE OF A FACTORY COMPLEX OF INDIVIDUAL
ARCHITECTURAL DESIGN AND CONSTRUCTION BEARING POSTAL ADDRESS NO.
PLOT 3, JALAN SATU, KAWASAN PERUSAHAAN BAKAR ARANG, 08000 SUNGAI
PETANI, KEDAH HELD UNDER TITLE NO. HS (M) 146/1977, MUKIM OF SUNGAI
PASIR, DISTRICT OF KUALA MUDA, STATE OF KEDAH.**

We thank you for your instruction to conduct an update valuation on our previous full Report and Valuation under Reference No. CKM/24078/K/19 dated March 31, 2019 so as to advise on the **Market Value** of the abovementioned industrial property for updating the value for the purpose of **Exit Offer For The Company**.

We have completed our Valuation Survey of the subject property and with a brief check on the duplicate copy of the land title made available to us and no further checks done on the other details usually contained in a full Report and Valuation.

The subject property is a factory complex of individual architectural design and construction bearing postal address Plot No. 3, Jalan Satu, Kawasan Perusahaan Bakar Arang, 08000 Sungai Petani, Kedah.


Continue next page >>>

HENRY BUTCHER MALAYSIA (Kedah) Sdn Bhd (229800-H)
No. 169, Kompleks Alor Setar, Lebuhraya Darulaman,
05100 Alor Setar, Kedah Darul Aman
tel : 604 731 5525, 731 5405 fax : 604 731 5699



LPPEH No. V/110008/2



**APPENDIX XI – EXECUTIVE SUMMARY OF VALUATION REPORT
OF HENRY BUTCHER MALAYSIA (KEDAH) SDN. BHD. DATED
31 MARCH 2019 AND ITS LETTER DATED 31 DECEMBER 2019
IN RESPECT OF ITS UPDATED VALUATION**

To : The Directors,
M/S Huan Hsin Co. (M) Sdn. Bhd.

Date : December 31, 2019

We have completed our UPDATE VALUATION of the subject property and wish to advise that the **Market Value (MV)** of the **sub-leased** unencumbered interest in the subject property in its existing physical condition with the benefit of vacant possession, free from all encumbrances and on the basis expressed in this Certificate of Value is :-

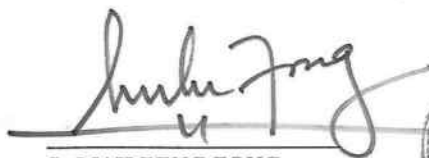
MV – RM6,300,000.00 (Ringgit Malaysia : Six Million And Three Hundred Thousand Only).

We must state that this letter of valuation is for use only by you for the purpose of **Exit Offer For The Company** and no responsibility is accepted to any third party.

Please do not hesitate to contact us if you require any further information or assistance.

Thank you.

Yours faithfully,
HENRY BUTCHER MALAYSIA (Kedah) Sdn. Bhd.,



Sr MAH BENG FONG
MRISM
Registered Valuer (V-358)



Our Ref : CKM/24429-A/CV/K/19
Disk : TD(S)

APPENDIX XII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON SMART IDEA HOLDINGS LIMITED DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019

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And it is for reference only

This is to certify that this document is
a word to word translation of the
source document (Ref No.: **19HX02**)

Date: **30 OCT 2019**




APPENDIX XII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON SMART IDEA HOLDINGS LIMITED DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019

**Smart Idea Holdings Limited
Stock Valuation Report**

Client : Huan Hsin Holdings Limited
Valuation Purpose : Obtain fair stock price of Smart Idea Holdings Limited as reference for transaction purpose
Valuer : Ding Rong Jheng
Valuation Benchmark Date : June 30, 2019
Valuation Date : August 01, 2019

ADEAL Financial Consult Corporation Limited

1, 11/F, No. 65 Songde Road, Xinyi District, Taipei

Phone: (02) 7718-1331

APPENDIX XII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON SMART IDEA HOLDINGS LIMITED DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019

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APPENDIX XII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON SMART IDEA HOLDINGS LIMITED DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019

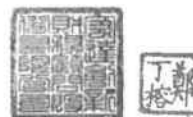


Statement

ADEAL Financial Consult Corporation Limited (hereinafter referred to as Adeal) hereby makes the following statement for Huan Hsin Holdings Limited (hereinafter referred to as Huan Hsin)'s intention to value the fair stock value of Smart Idea Holdings Limited (hereinafter referred to as Smart Idea):

1. The information on which the valuation report is based is from Huan Hsin and Smart Idea. Adeal has not verified the information provided or disclosed to it. Adeal assumes that the aforementioned information is correct and it only provides valuation opinions and important explanations on the information. We should not be liable for the loss to third parties or litigation arising from false contents or material mistake in the information provided.
2. The valuation report is based on the latest information obtained on the valuation benchmark date. Therefore, this report is not liable for any possible changes and differences in the overall economic environment in the future, and the possible distortion or difference caused to the valuation report.
3. The relevant parties have no interests in the valuation subject, and the preparation of the valuation report does comply with the valuation criteria issued by the China Accounting and Development Foundation of the Republic of China and the professional ethics of professional valuers, and adheres to the principle of independence, objectiveness and fairness. We will be liable for the violation of the above provisions.

Statement made by:



Republic of China August 01, 2019

APPENDIX XII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON SMART IDEA HOLDINGS LIMITED DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



I. Foreword:

In order to obtain the fair stock value of Smart Idea as reference for the transaction purpose, Huan Hsin has entrusted Adeal to evaluate the fair value of the valuation subject.

Adeal has been specialized in financial advisory and asset evaluation business since its incorporation. In the valuation plan of enterprise and intellectual property rights, Adeal currently has an intellectual property valuation team, most members of which have obtained the intellectual property professional valuer certification issued by the Taiwan Technology Exchange Market Integration Center, the intellectual property valuation seed teacher certification issued by the Industrial Bureau of the Ministry of Economic Affairs, and securities analyst license, therefore, in valuing this case, Adeal is capable of providing a reasonable valuation result based on fair and objective stance through complete and thorough investigation.

APPENDIX XII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON SMART IDEA HOLDINGS LIMITED DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



1. Client: Huan Hsin

2. Valuation purpose: Huan Hsin intends to entrust Adeal to value the stock price of Smart Idea as a reference for the transaction.

3. Introduction of valuation subject:

Smart Idea was incorporated in Cayman Islands in August 2000. Smart Idea's parent company is Unimicron Electronics Limited (hereinafter referred to as Unimicron), and its major business is investing in China's printed circuit board companies.

4. Industry overview:

Printed circuit boards can be used in a variety of electronic products, including information, communication and consumer products, such as: televisions, video recorders, computer peripherals, fax machines, notebook computers, tablet computers, smart handheld devices, communication network devices, as well as smart wearable device products.

According to Research and Markets (2019), the global printed circuit board (PCB) industry is expected to reach \$89.7 billion in 2024, with a compound annual growth rate of 4.3% from 2019 to 2024. The main growth momentum comes from the demand for IoT equipment in the communications industry and automotive electronics.

5. Valuation benchmark date: June 30, 2019

APPENDIX XII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON SMART IDEA HOLDINGS LIMITED DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



6. Valuation process:

Looking at the price valuation of this case, the valuation purpose and the valuation subject should be first determined, and then the valuation scope should be confirmed, including the nature of valuation subject, company profile, financial status and profitability of valuation subject, then the international customary valuation methods, including market-based valuation method, asset-based valuation method, income-based valuation method, etc., will be used. At a word, we will refer to objective and empirical information, and select the appropriate valuation method to evaluate the subject.

7. Major sources of information:

Because this valuation case was commissioned by Huan Hsin to evaluate the stock of Smart Idea, we hereby give explanation as follows for the major sources of information:

(1) Financial information of the valuation subject:

The financial information used in this case is based on Smart Idea's financial statements in June 2018, audited financial report in 2018, and financial statements in June 2019.

(2) Peer information used in market comparison method for valuation subject:

As Smart Idea is a holding company established by Huan Hsin, it mainly invests in China's printed circuit board companies, but there is no 100% identical listed companies or over-the-counter companies in the market. Therefore, we have to choose Taiwan listed and over-the-counter companies that have businesses in mainland China as the comparable peers, including: Huan Hsin (3037), WUS Printed Circuit (2316), TPT (8213) and HannStar (5469).

APPENDIX XII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON SMART IDEA HOLDINGS LIMITED DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



II. Valuation Method:

1. Valuation scope:

(1) Nature of valuation subject:

The purpose of this valuation case is to identify the marketability of the stock, but Smart Idea does not trade in the open market on the valuation benchmark date, so the liquidity risk should be considered. Moreover, it is not a listed or over-the-counter company, having no quote in the active market. According to the fair value principle of IFRS, we adopt the second priority method, the appropriate price to value the subject.

Priority order	Information content that determines the fair value	Adoption principle
First priority	Open quotation in the active market: use open quotation of commodity in the active market	Market quotations are directly recognized by the company
Second priority	1. Open quotation of similar commodity in the active market 2. Open quotation of same commodity in the inactive market 3. Non-quote market parameters or non-observable market parameters	The professional valuation experts will help carry out valuation by using the valuation technology and referring the market-based method.
Third priority	No similar commodity or no active market available for comparative valuation	Commission valuation experts to use appropriate value assessment methods to estimate reasonable fair value

(2) Financial status of valuation subject:

1. Profit and loss profile

Unit: USD

	Jan - June 2018	2018	Jan - June 2019	Going back one year from June 30, 2019
Net operating revenue	246,465,844	538,883,480	259,721,080	552,138,715
Current net profit	15,816,117	24,949,832	(3,871,625)	5,262,090

APPENDIX XII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON SMART IDEA HOLDINGS LIMITED DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019

 ADEAL Financial Consult Corporation Limited

Source: Huan Hsin provides Smart Idea's financial statements in June 2018, audited financial report in 2018 and financial statements in June 2019, which are organized by Adeal.

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2. Balance sheet

Unit: USD

Item	Amount	Item	Amount
Total current assets	284,616,080	Total liabilities	293,733,915
Total non-current assets	300,623,007	Total shareholders' equity	291,505,172
Total assets	585,239,087	Total liabilities and shareholders' equity	585,239,087

Source: Smart Idea's balance sheet as of June 30, 2019 provided by Huan Hsin was organized by Adeal. Note: The Smart Idea's share capital is USD 71,261,904, equivalent to 71,261,904 shares given USD 1 per share.

3. Financial indicators per share

Unit: USD

Revenue per share	Earnings per share	Net value per share
7.75	0.07	4.09

Note: The revenue per share is equal to the net operating revenue/shares in one year before the benchmark date; the earnings per share is equal to the net profit after taxes/shares in one year before the benchmark date; the net value per share is equal to the net value of shareholders' equity/shares on the benchmark date; and the number of shares is 71,261,904 shares.

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2. Analysis on evaluation method and applicability:

(1) The valuation method to be used for the valuation subject:

Smart Idea, the valuation subject that Huan Hsin entrusted us to conduct valuation is not a listed company or over-the-counter company, according to the IFRS fair price table, the appropriate valuation method for Smart Idea is as follows:

Nature	Criteria met		Valuation method
Non-listed and over-the-counter companies, and related equity investment	1. No significant events (the company should provide details related to the valuation subject recognized by cost method when the difference between the self-assessed fair value and the cost is not significant to the accountants)		Recognized by cost method
	2. Investors in 3-6 months		The investment valuation in line with fair value and if there is no significant change in its operations and assets between the investment day and the valuation date, the investment price can be referred.
	3. There is increase in capital or equity traders between March and June		For unspecified people and the trading conditions are consistent with general trading cases, and there is no significant change in the operation and assets between the capital increase date or trading date and valuation date, the cash capital increase price or the equity trading price can be referred.
	4. Significant and rather than case 2 and 3 above	Target records losses for consecutive years or has gloomy outlook	(1) Market-based method (e.g. P/B ratio method) (2) Asset-based method (such as net asset method - net value method)
		The valuation subject is in maturity/expansion /growth period	(1) Has comparable companies: market-based method (e.g. P/B ratio method, P/E ratio method) (2) Has no comparable companies (e.g. Cash flow discount method)
		The valuation subject is in start-up period	Adopt appropriate valuation method based on actual situation

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		The valuation subject is in reorganization (restructuring) period	Determine the appropriate valuation method based on actual situation, the possible valuation methods include: (1) asset-based valuation method (2) cash flow method
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Because the valuation subject is not a listed or over-the-counter company, and its securities are not available to the general public, so it is necessary to adopt a reasonable valuation method based on actual situation, Smart Idea is in mature/expansion/growth period, and has comparable companies in the market, so we can use the market-based valuation method.

(2) Asset-based method

The asset-based valuation method is represented by the net value method and the net value adjustment method, in which the net value method is mainly used to re-evaluate the fair value of each asset and liability, the difference between the two is the stock value. The net value method does not consider the valuation subject's profitability or prosperity, so it is more suitable for the newly established company. The net value method can be divided into three types:

1. Book value method: Based on the book value shown in the valuation subject's balance sheet.

2. Liquidation value method: Calculate the value of assets under the premise that the valuation subject does not continue to operate.

3. Replacement cost method:

Refers to the cost to copy the assets of the valuation subject. But this cost is assumed to have a potential buyer, to avoid that the original asset owner is willing to pay the amount taking into account the time and cost it spend in the development of the asset, this method only applies to asset-intensive industries such as steel, petrochemical, cement or holding companies.

(3) Income-based method:

The income-based valuation method is represented by the cash flow method, which refers to the estimate of discounted value of future cash flow from the expected income to be generated by the valuation subject's operations. The future cash flow refers to the future cash inflow and outflow that are expected to be generated through the continued use of the assets and their final disposal;

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and the preceding cash flow is discounted through an appropriate discount rate, so as to obtain the so-called corporate asset value. The valuer uses this method to calculate the net present value by discount the operating cash flow created by valuation subject and the capital cost. The cash flow valuation method is explained as follows:

$$NPV = \sum_{t=1}^n \frac{CF_t}{(1 + WACC)^t}$$

Where CF_t is the operating cash flow for period t ; WACC is the discount rate. This method is based on the profit and cash flow generated by the valuation subject in a period of time, and then obtain the present value of future cash flow of the valuation subject from such cash from at a discount rate sufficient to represent or cover the risks of the valuation subject and the market, plus taking into account the currency and time value of cash. Its advantages are in line with the theoretical value inference of the valuation subject's future income, and can reflect its sustainable business value, growth and risk. The shortcoming is that the parameters used are numerous, and most of which are subjective estimates, plus lengthy estimated time, so it is quite difficult to obtain the recognition of investors and it is difficult to understand. In the discounted cash flow method, the valuation subject's earnings and cash flow in the next few years are the necessary basis for valuation. The financial forecast is relatively difficult, and the information may not be very accurate, so it is difficult to accurately use this evaluation method to make a reasonable assessment on the value that the valuation subject should have.

(4) Market-based methods:

At present, the market-based valuation method such as commonly used stock valuation method includes the market price method, e.g. the P/E ratio method. (Price/Earnings ratio, P/E ratio), Price/Book value ratio, etc., such methods compare the published information, the entire market, the peers with similar

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business and history of valuation subject, so as to value the valuation subject, and then adjust the value according to the difference between the valuation subject and the sample company. Here are some common market-based methods:

1. P/E ratio method (profit and loss statement view):

The P/E comparison method, based on the profitability and financial information of the valuation subject, calculates the earnings per share, compare the average P/E ratio of the broader market or the P/E ratio of the listed companies in the same industry to estimate the stock price, and then adjust the price according to the liquidity, reputation, shareholding structure, etc., so as to reflect the difference between the valuation subject and similar companies and finally obtain the equity value of the valuation subject. This is the most commonly used valuation method in the market, but it is not applicable to companies with low profitability or low EPS.

2. P/B ratio method (balance sheet view):

The P/B ratio method, based on the financial structure and status of the valuation subject, calculates the net book value per share, compare the P/B ratio of the listed companies and over-the-counter companies, or the listed companies in the same industry, and then adjust the price according to the liquidity, reputation and other conditions to reflect the price of the valuation subject, this method is the most commonly used valuation method in the market.

3. The Price/Sales ratio method:

The price/sales ratio refers to the ratio of the stock price to the revenue per share (stock price per share/revenue per share). Apart from the P/E ratio and P/B ratio, the P/S ratio is often used to value the equity. This method considers that the valuation subject's stock price is the P/S ratio multiplied by the sales

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value, so the value calculated will never be negative, and is less likely to vary because of different accounting standards, but the P/S ratio cannot reflect the management ability in cost control, operation or finance.

III. Value Assessment and recommendations:

1. Selection and reasons for the valuation method:

There are many methods to evaluate the stock price, each method has pros and cons, and the results of the evaluation are also different. Currently, the stock evaluation methods commonly used in the market include market-based valuation methods such as the P/E ratio, P/B ratio, etc., such methods evaluate the stock value through the published information, compare the peers with similar businesses, the history of the valuation subject, etc., then adjust the price according to the difference between the valuation subject and the sampled companies. However, if the listed companies or over-the-counter companies with similar business nature and profit model are not available, the P/E ratio or P/B ratio methods will not be easy to evaluate the stock price. The asset-based methods such as net value adjustment method refers to using the adjustment of the book value of the assets on the balance sheet as the basis of the equity evaluation, and is generally applicable to the share purchase or asset restructuring that has controlling interest; The income-based valuation method, such as the discounted cash flow method, emphasizes the ability to create cash flow in the future. Regardless of the valuation method, it is necessary to consider the valuation subject's operating performance, industry involved, market environment and the market conditions of the industry when conducting evaluation. Due to the cumbersome procedures of the cash flow method, which is necessary to estimate a large number of variables, causing huge costs and high uncertainty, besides, it also needs to forecast the valuation subject's detailed cash flow and capital costs, and confirm that the valuation subject operates stably and has no capital, otherwise the reasonable price cannot be

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obtained. Because the hypothetical information is heavily relied, it is hard to find out sample companies in the industry according to the IFRS evaluation benchmark. Therefore, the cash flow discount method is not used in this case. In summary, Adeal considers the listed or over-the-counter peers whose main products have promising prospects, and the valuation method to be used is simple, parameters are easy to obtain, and not easy to be damaged by profits and loss (such as companies in loss, net profit after tax is volatile, EPS is relatively low, causing distortion to evaluation), the use of data is objective, publicly available and in line with the valuation subject's operation, therefore, the market-based methods such as P/B method and P/S method that easily obtain the adjustment factors are used as the main valuation method in this case.

2. Value assessment:

The case will be based on the market-based valuation method - market multiplier method, and considers the liquidity discount of the stock to evaluate the reasonable stock price of Smart Idea. The market multiplier method states as follows:

This method assumes that the value of the valuation subject is closely related to similar companies in the same industry. Therefore, similar companies in the same industry are used as the criteria for evaluation and comparison, and usually the P/B ratio (P/S ratio) of the listed or over-the-counter peers is multiplied by the net book value per share (revenue per share) of the valuation subject to evaluate the reasonable market price of the valuation subject. The valuation process is as follows:

Valuation process	Description
Step 1	Collect the market value, related financial indicators or information of listed companies similar to the valuation subject.
Step 2	Obtain the valuation subject's historical financial performance indicators or information

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Step 3	Calculate the market multiplier using the financial indicators or information collected in Step 1.
Step 4	Calculate the equity value of the valuation subject on the valuation benchmark date by using the valuation subject's historical financial performance indicators or information (commonly used performance metrics include after-tax earnings, book value of shareholders' equity or sales revenue, EBITDA) and market multiplier of comparable listed or over-the-counter companies.
Step 5	Discount accordingly (e.g. Liquidity discount) or add premium (e.g. Premium for controlling interest) to the equity value obtained in Step 4 to calculate the equity value of valuation subject on the valuation benchmark date.

3. Financial variables:

The financial parameters based on Smart Idea's financial statements in June 2018, the audited financial report in 2018, and the financial statements in June 2019 are as follows:

Unit: USD

Revenue per share	Earnings per share	Net value per share
7.75	0.07	4.09

Smart Idea's earnings per share is too low, and the use of the P/E ratio valuation method may result in distortion of the valuation results. Therefore, we will not use the P/E ratio method, instead, we will use the P/B ratio method and P/S ratio method for valuation.

4. Using market multiplier of the peers:

The use of market multiplier method must have similar peers for comparison, the P/B ratio and P/S ratio of the listed or over-the-counter peers are summarized as follows:

Unit: multiplier

Sampling peers	P/B	P/S
Huan Hsin (3037)	1.24	0.69
WUS (2316)	0.72	0.98
TPT (8213)	0.86	0.44
HannStar (5469)	0.65	0.32

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First quartile	0.70	0.41
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Source: TEJ, reorganized by Adeal.

Note: Since Smart Idea's turnover, company size, profitability, etc., are outranked by the peers, this valuation intends to use the first quartile of the multiples of the peers as a reasonable market multiple indicator to evaluate the fair value of Smart Idea's equity.

5. Fair stock price:

According to the valuation process, the fair value of the overall equity of Smart Idea calculated by using the P/B ratio method and the P/S ratio method is shown in the following table:

Unit: multiplier;
USD

	Financial Indicator Parameters	Market Multiplier	Value per share	Evaluation results
Net Share Value Ratio Method	4.09	0.70	2.87	3.03
Stock Price Ratio Method	7.75	0.41	3.18	

Note: Both evaluation methods have their own advantages and disadvantages. The evaluation results of the two evaluation methods are used as the calculation results of fair value. The results are calculated by EXCEL and expressed after rounding to the second decimal place. There may be a minor difference in decimal place.

This evaluation is based on the market-based valuation method - the net share value ratio method and the stock price ratio method. The fair value of the equity of Smart Idea on the benchmark date is calculated. The fair value per share is \$ 3.03 without considering the liquidity discount.

6. Liquidity Discount:

Since Smart Idea is not a listed or over-the-counter company on the valuation benchmark date, according to the International Private Equity and Venture Capital Valuation Guideline developed by AFIC, BVCA and EVCA, generally

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speaking, the discount range for the stock price that lacks market liquidity should be between 10%~30%, subject to individual cases and factors. According to the "Enterprise Valuation Certification Course" organized by the "China Intangible Assets Appraisal Association", Professor Su Gua Teng believes that the discount range for stock price that is not publicly available should be 10% - 33%, and the practical application range is about 20% - 25%, after discussion with Huan Hsin, we use 20% - 30% as liquidity discount to carry out situational analysis.

7. Sensitivity analysis:

For the evaluation of the case, the valuers will use the unaudited financial statements as at 30 June 2019 as the basis for calculating the financial indicators. However, there may be differences between the unaudited figures and the certified figures. This evaluation is intended to be used as a reference for price conclusions in the context of 5% below or above the fair value evaluation results.

Unit: USD/Share

Sensitivity Analysis	Fair Value -5%	Reasonable share price calculated based on unaudited figures	Fair Value +5%
Liquidity discount 20%	2.30	2.42	2.54
Liquidity discount 25%	2.16	2.27	2.38
Liquidity discount 30%	2.01	2.12	2.22

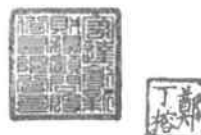
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IV. Value Conclusion:

Huan Hsin intends to deal with the equity of Smart Idea. Adeal carried out the investigation and decided that the liquidity discount rate should be between 20% and 30%, there may be differences between the unaudited financial statements and the accountants' review of financial statements in evaluating the results. Sensitivity analysis was performed at 5% up and down to evaluate the results, the fair value per share of Smart Idea is about USD 2.01~2.54. We therefore suggest that Huan Hsin should consider the stock of Smart Idea at a price of not less than USD 2.27 per share.

Valuer

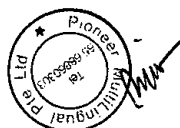


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Preface:

Huan Hsin earlier consigned Adeal to evaluate the fair values of the stock of Smart Idea on the base day of June 30, 2019 for the purpose of serving as a reference for transaction purpose. Now, Huan Hsin wants to consign Adeal to update the fair values of the stock of Smart Idea on the base day of December 31, 2019.

Unit: USD

Evaluated Subject Name	Company Profile	Peer Samples and Reasons	Net Value Per Share	Sales Value Per Share	Note
Smart Idea Holdings Limited (Smart Idea)	Smart Idea was incorporated in August 2000 and registered in the Cayman Islands, and its parent company is Unimicron Technology Corporation (Unimicron). Smart Idea's principal operation is to reinvest in Chinese printed circuit board companies.	Smart Idea is a holding company sponsored by Unimicron, and mainly reinvests in Chinese printed circuit board companies but there are no listed companies that have 100% same operating modes as the company. Therefore, we have selected those Taiwan-listed companies that have also built plants in the Chinese Mainland, including Unimicron (3037), WUS Printed Circuit (2316), Taiwan Printed Circuit Board Techvest Co., Ltd. (8213) and Hann Star Board Corp. (5469).	4.10	7.85	Considering it is incapable to obtain the audited financial reports on the base day, we have selected the unaudited financial reports of these companies as of December 31, 2019 to estimate the net value per share on the base day. If there is a great difference between the unaudited financial reports and the audited financial reports of 2019 as of December 31, 2019, we will recommend the revaluation and representation.

Data source: Screen peers based on data provided by the evaluated target company, industrial value chain information platforms, TEJ, the Market Operation Post System and other databases

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Unit: Multiple

	Collect market multiples of peers on evaluation day	Price-book ratio	Price-sales ratio
Smart Idea	Unimicron (3037)	1.43	0.79
	WUS Printed Circuit (2316)	0.99	1.35
	Taiwan Printed Circuit Board Techvest Co., Ltd (8213)	0.88	0.45
	Hann Star Board Corp. (5469)	0.97	0.50
	First quartile	0.95	0.49

Note: Considering Smart Idea is inferior to peers in turnover, size, profitability and other aspects, the valuation will use the first quartile of the market multiples of the sampled peers to serve as the reasonable market multiple indicator for calculating the fair value of the equities in Smart Idea.

Data source: TEJ

Unit: USD and multiple

Evaluated Subject Name	Evaluation Method	Financial Indicator Parameter	Market Multiple	Fair Value (Liquidity discount excluded)
Smart Idea	Net Share Value Ratio Method	4.10	0.95	3.88
	Stock Price Ratio Method	7.85	0.49	3.83
	Average of both			3.86

Note : Under the net share value ratio method, the financial indicator parameter is the net value per share and the market multiple is the net share value ratio, while under the stock price ratio method, the financial indicator parameter is the sales per share and the market multiple is the stock price ratio method.

The financial indicator parameter and market multiple are rounded off to the second decimal place with possible rounding error.

The shares of the subject unlisted companies under the recent evaluation are not circulated, which makes it necessary to consider the liquidity discount risk. The discount range is recommended at 10%-30%, subject to the adjustment based on individual situation and factor in line with the general practice, according to the International Private Equity and Venture Capital Valuation Guideline developed by the AFIC, the BVCA and the EVCA. Under the general evaluation practices in Taiwan, the liquidity discount range is about 10% to 30%, according to the research of the Accounting Research and Development Foundation on the [Examples of Evaluation of Unlisted Companies and Venture Capital Firms under the IFRS9]. In the opinion of Professor Su Guateng, the discount range is about 10%-33% under general practices and the applied range falls between 20% to 25%, if there is no open market, according to the Enterprise Valuation and Appraisal Seminar organized by the Chinese Association of Business and Intangible Assets Valuation. This calculation will perform the sensitivity analysis with a liquidity discount of 20%-30%.

For the evaluation subjects under this case, the Valuator will perform the evaluation based on the unaudited financial reports of the subject companies as of December 31, 2019 to serve as the financial indicator. However, the data in the unaudited financial reports may contain deviations, the valuation will define the scenarios of a premium or discount of 5% over or from the fair value result as the reference for price valuation.

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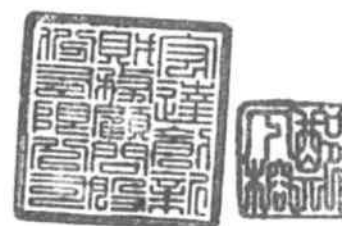
Below are the valuation results:

Unit: USD

	-5% scenario	Reasonable share price based on unaudited financial report	+5% scenario
Liquidity discount at 20%	2.93	3.08	3.24
Liquidity discount at 25%	2.75	2.89	3.04
Liquidity discount at 30%	2.56	2.70	2.83

Conclusion:

Huan Hsin intends to deal with the equity of Smart Idea. After valuation, Adeal's valuers have decided to perform the sensitivity analysis with a premium and discount of 5% over or from the valuation result, considering the liquidity discount ratio falls between 20%-30% and there may be differences between the unaudited financial reports and the audited financial reports. Then, the fair value range of USD per share will be between USD2.56-3.24, and we suggest Huan Hsin should consider the stock of Smart Idea at a price of no less than USD2.89 per share.



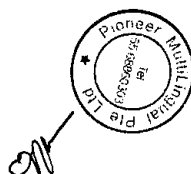
APPENDIX XIII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON TAIWAN FLOWER BIOTECHNOLOGY LIMITED (台湾花卉生物技术股份有限公司) DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019

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APPENDIX XIII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON TAIWAN FLOWER BIOTECHNOLOGY LIMITED (台湾花卉生物技术股份有限公司) DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019

Taiwan Flower Biotechnology Limited
Stock Valuation Report

Client	:	Huan Hsin Holding Limited
Valuation Purpose	:	Fair stock price of Taiwan Flower Biotechnology as reference for transaction purpose
Valuer	:	Ding Rong Jheng
Valuation Benchmark Date	:	June 30, 2019
Valuation Date	:	August 01, 2019

ADEAL Financial Consult Corporation Limited

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APPENDIX XIII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON TAIWAN FLOWER BIOTECHNOLOGY LIMITED (台湾花卉生物技术股份有限公司) DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019

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Statement

ADEAL Financial Consult Corporation Limited (hereinafter referred to as Adeal) hereby makes the following statement for Huan Hsin Holdings Limited (hereinafter referred to as Huan Hsin)'s intention to value the fair stock value of Taiwan Flower Biotechnology Limited (hereinafter referred to as Taiwan Flower):

1. The information on which the valuation report is based is from Huan Hsin and Taiwan Flower. Adeal has not verified the information provided or disclosed to it. Adeal assumes that the aforementioned information is correct and it only provides valuation opinions and important explanations on the information. We should not be liable for the loss to third parties or litigation arising from false contents or material mistake in the information provided.
2. The valuation report is based on the latest information obtained on the valuation benchmark date. Therefore, this report is not liable for any possible changes and differences in the overall economic environment in the future, and the possible distortion or difference caused to the valuation report.
3. The relevant parties have no interests in the valuation subject, and the preparation of the valuation report does comply with the valuation criteria issued by the China Accounting and Development Foundation of the Republic of China and the professional ethics of professional valuers, and adheres to the principle of independence, objectiveness and fairness. We will be liable for the violation of the above provisions.

Statement made by:



Republic of China August 01, 2019

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I. Foreword:

In order to obtain the fair stock price of Taiwan Flower as reference for the transaction purpose, Huan Hsin has entrusted Adeal to evaluate the fair value of the valuation subject.

Adeal has been specialized in financial advisory and asset evaluation business since its incorporation. In the valuation plan of enterprise and intellectual property rights, Adeal currently has an intellectual property valuation team, most members of which have obtained the intellectual property professional valuer certification issued by the Taiwan Technology Exchange Market Integration Center, the intellectual property valuation seed teacher certification issued by the Industrial Bureau of the Ministry of Economic Affairs, and securities analyst license, therefore, in valuing this case, Adeal is capable of providing a reasonable valuation result based on fair and objective stance through complete and thorough investigation.

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1. Client: Huan Hsin

2. Valuation purpose: Huan Hsin intends to entrust Adeal to value the stock price of Taiwan Flower as a reference for the transaction.

3. Introduction of valuation subject:

Taiwan Flower was incorporated in May 1998 according to the information from the Department of Commerce of the Ministry of Economic Affairs. Taiwan Flower is a vertically integrated flower company with several regional offices in Taiwan and branches and production facilities in Vietnam. Taiwan Flower's business includes flower production, import and export, seedling production and sales, organic vegetable production and sales, production and sales of oolong tea and various types of flower tea, etc.

4. Industry overview :

According to analysts at Technavio, the global flower market will grow at a compound annual growth rate of nearly 6% in 2022. According to the latest report of the IMARC Group, the global seed market value reached US\$66.9 billion in 2018. It is expected that the global seed market will grow at a compound annual growth rate of 6.6% between 2019 and 2024, and will reach a value of US\$98.1 billion by 2024.

According to a report issued by TechNavio in 2018, the global tea market will grow at a compound annual growth rate of nearly 5% in the future, and tea sales will grow further as the global population increases.

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5. Valuation benchmark date: June 30, 2019

6. Valuation process:

Looking at the price valuation of this case, the valuation purpose and the valuation subject should be first determined, and then the valuation scope should be confirmed, including the nature of valuation subject, company profile, financial status and profitability of valuation subject, then the international customary valuation methods, including market-based valuation method, asset-based valuation method, income-based valuation method, etc., will be used. At a word, we will refer to objective and empirical information, and select the appropriate valuation method to evaluate the subject.

7. Major sources of information:

Because this valuation case was commissioned by Huan Hsin to evaluate the stock of Taiwan Flower. We hereby give explanation as follows for the major sources of information:

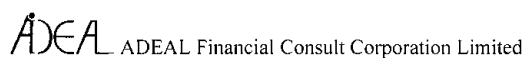
(1) Financial information of the valuation subject:

The financial information used in this case is based on Taiwan Flower's financial statements in March 2018, audited financial report in 2018, and financial statements in March 2019.

(2) Peer information used in market comparison method for valuation subject:

Because Taiwan Flower is mainly engaged in the cultivation, import and export of flowers, seedlings and agricultural products, but there is no 100% identical listed companies or over-the-counter companies in the market. Therefore, we have to choose listed and over-the-counter companies that have similar agricultural business as the comparable peers, including: Tenren (1233), TTC (2913), Taiwan Fertilizer (1722) and SINON (1712).

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II. Valuation Method:

1. Valuation scope:

(1) Nature of valuation subject:

The purpose of this valuation case is to identify the marketability of the equity, but Taiwan Flower does not trade in the open market on the valuation benchmark date, so the liquidity risk should be considered. Moreover, it is not a listed or over-the-counter company, having no quote in the active market. According to the fair value principle of IFRS, we adopt the second priority method, the appropriate price to value the subject.

Priority order	Information content that determines the fair value	Adoption principle
First priority	Open quotation in the active market: use open quotation of commodity in the active market	Market quotations are directly recognized by the company
Second priority	1. Open quotation of similar commodity in the active market 2. Open quotation of same commodity in the inactive market 3. Non-quote market parameters or non-observable market parameters	The professional valuation experts will help carry out valuation by using the valuation technology and referring the market-based method.
Third priority	No similar commodity or no active market available for comparative valuation	Commission valuation experts to use appropriate value assessment methods to estimate reasonable fair value

(2) Financial status of valuation subject:

1. Profit and loss profile

Unit: NTD

	Jan - June 2018	2018	Jan - June 2019	Going back one year from June 30, 2019
Net operating revenue	41,867,934	73,161,804	37,285,911	68,579,781
Current net profit	(2,587,952)	(67,699,938)	(8,094,358)	(73,206,344)

Source: Huan Hsin provides Taiwan Flower's financial statements in June 2018, audited financial report in 2018 and financial statements in June 2019, which are organized by Adeal.

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2. Balance sheet

Unit: NTD

Item	Amount	Item	Amount
Total current assets	243,113,529	Total liabilities	6,431,315
Total non-current assets	237,335,140	Total shareholders' equity	474,017,354
Total assets	480,448,669	Total liabilities and shareholders' equity	480,448,669

Source: Taiwan Flower's balance sheet as of June 31, 2019 provided by Huan Hsin was organized by Adeal. Note: The Taiwan Flower's share capital is NTD 568,351,210, equivalent to 56,835,121 shares.

3. Financial indicators per share

Unit: NTD

Revenue per share	Earnings per share	Net value per share
1.21	(1.29)	8.34

Note: The revenue per share is equal to the net operating revenue/shares in one year before the benchmark date; the earnings per share is equal to the net profit after taxes/shares in one year before the benchmark date; the net value per share is equal to the net value of shareholders' equity/shares on the benchmark date; and the number of shares is 56,835,121 shares.

2. Analysis on evaluation method and applicability:

(1) The valuation method to be used for the valuation subject:

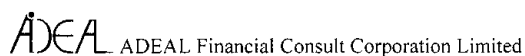
Taiwan Flower, the valuation subject that Huan Hsin entrusted us to conduct valuation is not a listed company or over-the-counter company, according to the IFRS fair price table, the appropriate valuation method for Taiwan Flower is as follows:

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Nature	Criteria met		Valuation method
Non-listed and over-the-counter companies, and related equity investment	1. No significant events (the company should provide details related to the valuation subject recognized by cost method when the difference between the self-assessed fair value and the cost is not significant to the accountants)		Recognized by cost method
	2. Investors in 3-6 months		The investment valuation in line with fair value and if there is no significant change in its operations and assets between the investment day and the valuation date, the investment price can be referred.
	3. There is increase in capital or equity traders between March and June		For unspecified people and the trading conditions are consistent with general trading cases, and there is no significant change in the operation and assets between the capital increase date or trading date and valuation date, the cash capital increase price or the equity trading price can be referred.
	4. Significant and rather than case 2 and 3 above	Target records losses for consecutive years or has gloomy outlook	(1) Market-based method (e.g. P/B ratio method) (2) Asset-based method (such as net asset method - net value method)
		The valuation subject is in maturity/expansion /growth period	(1) Has comparable companies: market-based method (e.g. P/B ratio method, P/E ratio method) (2) Has no comparable companies (e.g. Cash flow discount method)
		The valuation subject is in startup period	Adopt appropriate valuation method based on actual situation
		The valuation subject is in reorganization (restructuring) period	Determine the appropriate valuation method based on actual situation, the possible valuation methods include: (1) asset-based valuation method (2) cash flow method

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Because the valuation subject is not a listed or over-the-counter company, and its securities are not publicly available, so it is necessary to adopt a reasonable valuation method based on actual situation, Taiwan Flower is in mature/expansion/growth period, and has comparable companies in the market, so we can use the market-based valuation method.

(2) Asset-based method

The asset-based valuation method is represented by the net value method and the net value adjustment method, in which the net value method is mainly used to re-evaluate the fair value of each asset and liability, the difference between the two is the stock value. The net value method does not consider the valuation subject's profitability or prosperity, so it is more suitable for the newly established company. The net value method can be divided into three types:

1. Book value method: Based on the book value shown in the valuation subject's balance sheet.

2. Liquidation value method: Calculate the value of assets under the premise that the valuation subject does not continue to operate.

3. Replacement cost method:

Refers to the cost to copy the assets of the valuation subject. But this cost is assumed to have a potential buyer, to avoid that the original asset owner is willing to pay the amount taking into account the time and cost it spend in the development of the asset, this method only applies to asset-intensive industries such as steel, petrochemical, cement or holding companies.

(3) Income-based method:

The income-based valuation method is represented by the cash flow method, which refers to the estimate of discounted value of future cash flow from the expected income to be generated by the valuation subject's operations. The future cash flow refers to the future cash inflow and outflow that are expected to be generated through the continued use of the assets and their final disposal; and the

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preceding cash flow is discounted through an appropriate discount rate, so as to obtain the so-called corporate asset value. The valuer uses this method to calculate the net present value by discount the operating cash flow created by valuation subject and the capital cost. The cash flow valuation method is explained as follows:

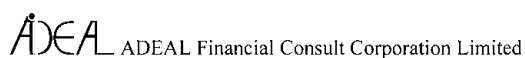
$$NPV = \sum_{t=1}^n \frac{CF_t}{(1 + WACC)^t}$$

Where CF_t is the operating cash flow for period t ; WACC is the discount rate. This method is based on the profit and cash flow generated by the valuation subject in a period of time, and then obtain the present value of future cash flow of the valuation subject from such cash from at a discount rate sufficient to represent or cover the risks of the valuation subject and the market, plus taking into account the currency and time value of cash. Its advantages are in line with the theoretical value inference of the valuation subject's future income, and can reflect its sustainable business value, growth and risk. The shortcoming is that the parameters used are numerous, and most of which are subjective estimates, plus lengthy estimated time, so it is quite difficult to obtain the recognition of investors and it is difficult to understand. In the discounted cash flow method, the valuation subject's earnings and cash flow in the next few years are the necessary basis for valuation. The financial forecast is relatively difficult, and the information may not be very accurate, so it is difficult to accurately use this evaluation method to make a reasonable assessment on the value that the valuation subject should have.

(4) Market-based methods:

At present, the market-based valuation method such as commonly used stock valuation method includes the market price method, e.g. the P/E ratio method. (Price/Earnings ratio, P/E ratio), Price/Book value ratio, etc., such methods compare the published information, the entire market, the peers with similar

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business and history of valuation subject, so as to value the valuation subject, and then adjust the value according to the difference between the valuation subject and the sample company. Here are some common market-based methods:

1. P/E ratio method (profit and loss statement view):

The P/E comparison method, based on the profitability and financial information of the valuation subject, calculates the earnings per share, compare the average P/E ratio of the broader market or the P/E ratio of the listed companies in the same industry to estimate the stock price, and then adjust the price according to the liquidity, reputation, shareholding structure, etc., so as to reflect the difference between the valuation subject and similar companies and finally obtain the equity value of the valuation subject. This is the most commonly used valuation method in the market, but it is not applicable to companies with low profitability or low EPS.

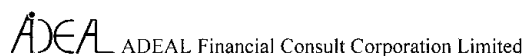
2. P/B ratio method (balance sheet view):

The P/B ratio method, based on the financial structure and status of the valuation subject, calculates the net book value per share, compare the P/B ratio of the listed companies and over-the-counter companies, or the listed companies in the same industry, and then adjust the price according to the liquidity, reputation and other conditions to reflect the price of the valuation subject, this method is the most commonly used valuation method in the market.

3. The Price/Sales ratio method:

The price/sales ratio refers to the ratio of the stock price to the revenue per share (stock price per share/revenue per share). Apart from the P/E ratio and P/B ratio, the P/S ratio is often used to value the equity. This method considers that the valuation subject's stock price is the P/S ratio multiplied by the sales value, so the value calculated will never be negative, and is less likely to vary because of

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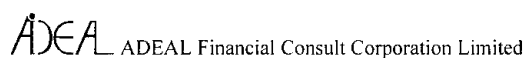
different accounting standards, but the P/S ratio cannot reflect the management ability in cost control, operation or finance.

III. Value Assessment and recommendations:

1. Selection and reasons for the valuation method:

There are many methods to evaluate the stock price, each method has pros and cons, and the results of the evaluation are also different. Currently, the stock evaluation methods commonly used in the market include market-based valuation methods such as the P/E ratio, P/B ratio, etc., such methods evaluate the stock value through the published information, compare the peers with similar businesses, the history of the valuation subject, etc., then adjust the price according to the difference between the valuation subject and the sampled companies. However, if the listed companies or over-the-counter companies with similar business nature and profit model are not available, the P/E ratio or P/B ratio methods will not be easy to evaluate the stock price. The asset-based methods such as net value adjustment method refers to using the adjustment of the book value of the assets on the balance sheet as the basis of the equity evaluation, and is generally applicable to the share purchase or asset restructuring that has controlling interest; The income-based valuation method, such as the discounted cash flow method, emphasizes the ability to create cash flow in the future. Regardless of the valuation method, it is necessary to consider the valuation subject's operating performance, industry involved, market environment and the market conditions of the industry when conducting evaluation. Due to the cumbersome procedures of the cash flow method, which is necessary to estimate a large number of variables, causing huge costs and high uncertainty, besides, it also needs to forecast the valuation subject's detailed cash flow and capital costs, and confirm that the valuation subject operates stably and has no capital, otherwise the reasonable price cannot be obtained. Because the hypothetical information is heavily relied, it is hard to find out sample companies in the

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industry according to the IFRS evaluation benchmark. Therefore, the cash flow discount method is not used in this case. In summary, Adeal considers the listed or over-the-counter peers whose main products have promising prospects, and the valuation method to be used is simple, parameters are easy to obtain, and not easy to be damaged by profits and loss (such as companies in loss, net profit after tax is volatile, EPS is relatively low, causing distortion to evaluation), the use of data is objective, publicly available and in line with the valuation subject's operation, therefore, the market-based methods such as P/B method and P/S method that easily obtain the adjustment factors are used as the main valuation method in this case.

2. Value assessment:

The case will be based on the market-based valuation method - market multiplier method, and considers the liquidity discount of the stock to evaluate the reasonable stock price of Taiwan Flower. The market multiplier method states as follows:

This method assumes that the value of the valuation subject is closely related to similar companies in the same industry. Therefore, similar companies in the same industry are used as the criteria for evaluation and comparison, and usually the P/B ratio (P/S ratio) of the listed or over-the-counter peers is multiplied by the net book value per share (revenue per share) of the valuation subject to evaluate the reasonable market price of the valuation subject. The valuation process is as follows:

Valuation process	Description
Step 1	Collect the market value, related financial indicators or information of listed companies similar to the valuation subject.
Step 2	Obtain the valuation subject's historical financial performance indicators or information
Step 3	Calculate the market multiplier using the financial indicators or information collected in Step 1.

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Step 4	Calculate the equity value of the valuation subject on the valuation benchmark date by using the valuation subject's historical financial performance indicators or information (commonly used performance metrics include after-tax earnings, book value of shareholders' equity or sales revenue, EBITDA) and market multiplier of comparable listed or over-the-counter companies.
Step 5	Discount accordingly (e.g. Liquidity discount) or add premium (e.g. Premium for controlling interest) to the equity value obtained in Step 4 to calculate the equity value of valuation subject on the valuation benchmark date.

3. Financial variables:

The financial parameters based on Taiwan Flower's financial statements in June 2018, the audited financial report in 2018, and the financial statements in June 2019 are as follows:

Unit: NTD

Revenue per share	Earnings per share	Net value per share
1.21	(1.29)	8.34

Taiwan Flower's earnings per share is negative, so the P/E ratio method is not applicable to it. Therefore, we will use the P/B ratio method and P/S ratio method for valuation.

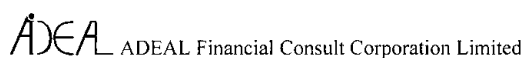
4. Using market multiplier of the peers:

The use of market multiplier method must have similar peers for comparison, the P/B ratio and P/S ratio of the listed or over-the-counter peers are summarized as follows:

Unit: Multiplier

Sampling peers	P/B	P/S
Tenren (1233)	2.18	1.61
TTC (2913)	0.79	48.12
Taiwan Fertilizer (1722)	0.91	3.73
SINON (1712)	1.23	0.48
Median	1.07	2.67

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Source: TEJ, reorganized by Adeal. Note: To avoid the effects of extreme values, the median of the sampling peers is used as a reference for the reasonable market multiplier.

5. Fair stock price:

According to the valuation process, the fair value of the overall equity of Taiwan Flower calculated by using the P/B ratio method and the P/S ratio method is shown in the following table:

Unit: Multiplier;
New Taiwan Dollar

	Financial Indicator Parameters	Market Multiplier	Value per share	Evaluation results
Net Share Value Ratio Method	8.34	1.07	8.92	6.07
Stock Price Ratio Method	1.21	2.67	3.22	

Note 1: Both valuation methods have pros and cons, and the valuation results from the two valuation methods are used as the calculation results of fair value.
This result is calculated using EXCEL and is rounded to the second decimal place. There may be a minor difference in decimal place.

6. Liquidity discount:

Since Taiwan Flower is not a listed or over-the-counter company on the valuation benchmark date, according to the International Private Equity and Venture Capital Valuation Guideline developed by AFIC, BVCA and EVCA, generally speaking, the discount range for the stock price that lacks market liquidity should be between 10%~30%, subject to individual cases and factors. According to the "Enterprise Valuation Certification Course" organized by the "China Intangible Assets Appraisal Association", Professor Su Gua Teng believes that the discount range for stock price that is not publicly available should be 10% - 33%, and the practical application range is about 20% - 25%, after

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discussion with Huan Hsin, we use 20% - 30% as liquidity discount to carry out situational analysis.

7. Sensitivity analysis:

For the evaluation of the case, the valuers will use the unaudited financial statements as at 30 June 2019 as the basis for calculating the financial indicators. However, there may be differences between the unaudited figures and the certified figures. This evaluation is intended to be used as a reference for price conclusions in the context of 5% below or above the fair value evaluation results.

Unit: NTD/Share

Sensitivity analysis	Fair value -5%	Reasonable share price calculated based on unaudited figures	Fair value +5%
Liquidity discount 20%	4.62	4.86	5.10
Liquidity discount 25%	4.33	4.55	4.78
Liquidity discount 30%	4.04	4.25	4.46

IV. Value Conclusion:

Huan Hsin intends to deal with equity of Taiwan Flower. Adeal carried out the investigation and decided that the liquidity discount rate should be between 20% and 30%. There may be differences between the unaudited financial statements and the accountant's financial statements. Sensitivity analysis was performed at

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5% up and down to evaluate the results, the fair value per share of Taiwan Flower is about NTD 4.04~5.10. We therefore suggest that Huan Hsin should consider the stock of Taiwan Flower at a price of not less than NTD 4.55 per share.

Valuer

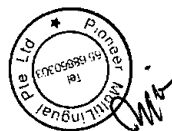


APPENDIX XIII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON TAIWAN FLOWER BIOTECHNOLOGY LIMITED (台湾花卉生物技术股份有限公司) DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019

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APPENDIX XIII – VALUATION REPORT OF ADEAL FINANCIAL CONSULT CORPORATION LIMITED (宏达创新财务顾问股份有限公司) ON TAIWAN FLOWER BIOTECHNOLOGY LIMITED (台湾花卉生物技术股份有限公司) DATED 30 JUNE 2019 AND TRANSLATED INTO ENGLISH ON 30 OCTOBER 2019 AND AN ADDENDUM IN RESPECT OF ITS UPDATED VALUATION AS AT 31 DECEMBER 2019



ADEAL Financial Consult Corporation Limited

Preface:

Huan Hsin earlier consigned Adeal to evaluate the fair values of the stock of Taiwan Flower on the base day of June 30, 2019 for the purpose of serving as a reference for transaction purpose. Now, Huan Hsin wants to consign Adeal to update the fair values of the stock of Taiwan Flower on the base day of December 31, 2019.

Unit: NTD

Evaluated Subject Name	Company Profile	Peer Samples and Reasons	Net Value Per Share	Sales Value Per Share	Note
Taiwan Flower Biotechnology Co., Ltd. (Taiwan Flower)	Taiwan Flower was incorporated in May 1998. Taiwan Flower is a vertically integrated flower company with several regional business offices in Taiwan and branches and production centers in Vietnam. Taiwan Flower operation mode includes flower production, import and export and sales, seedling production and sales, production and sales of organic vegetable, production and sales of oolong tea and various scented tea.	Taiwan Flower is mainly engaged in the planting, import and export of flowers, seedlings and planting of agricultural products. But there are no listed companies that have 100% same operating modes as the company. Therefore, we have selected those listed companies with related agricultural models and agricultural activities, including TenRen Tea Co., Ltd. (1233), Taiwan Tea Corporation (2913), Taiwan Fertilizer (1722) and Sinon Corporation (1712).	8.10	1.23	Considering it is incapable to obtain the audited financial reports on the base day, we have selected the unaudited financial reports of these companies as of December 31 , 2019 to estimate the net value per share on the base day. If there is a great difference between the unaudited financial reports and the audited financial reports of 2019 as of December 31 , 2019, we will recommend the revaluation and representation.

Data source: Screen peers based on data provided by the evaluated target company, industrial value chain information platforms, TEJ, the Market Operation Post System and other databases

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Unit: Multiple

	Collect market multiples of peers on evaluation day	Price-book ratio	Price-sales ratio
Taiwan Flower	TenRen Tea Co., Ltd. (1233)	2.32	1.64
	Taiwan Tea Corporation (2913)	0.82	44.95
	Taiwan Fertilizer (1722)	0.96	3.83
	Sinon Corporation (1712)	1.16	0.47
	First Median	1.06	2.74

Note: In order to avoid the influence of the extreme value of the sampling peers, the sampling peers market multiplied by the median is taken as a reference index for a reasonable market multiple.

Data source: TEJ

Unit: NTD and multiples

Evaluated Subject Name	Evaluation Method	Financial Indicator Parameter	Market Multiple	Fair Value
Taiwan Flower	Net Share Value Ratio Method	8.10	1.06	8.59
	Stock Price Ratio Method	1.23	2.74	3.36
	Average of both			5.98

Under the net share value ratio method, the financial indicator parameter is the net value per share and the market multiple is the net share value ratio, while under the stock price ratio method, the financial indicator parameter is the sales per share and the market multiple is the stock price ratio method.

The financial indicator parameter and market multiple are rounded off to the second decimal place with possible rounding error.

The shares of the subject unlisted companies under the recent evaluation are not circulated, which makes it necessary to consider the liquidity discount risk. The discount range is recommended at 10%-30%, subject to the adjustment based on individual situation and factor in line with the general practice, according to the International Private Equity and Venture Capital Valuation Guideline developed by the AFIC, the BVCA and the EVCA. Under the general evaluation practices in Taiwan, the liquidity discount range is about 10% to 30%, according to the research of the Accounting

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Research and Development Foundation on the [Examples of Evaluation of Unlisted Companies and Venture Capital Firms under the IFRS9]. In the opinion of Professor Su Guateng, the discount range is about 10%-33% under general practices and the applied range falls between 20% to 25%, if there is no open market, according to the Enterprise Valuation and Appraisal Seminar organized by the Chinese Association of Business and Intangible Assets Valuation. This calculation will perform the sensitivity analysis with a liquidity discount of 20%-30%.

For the evaluation subjects under this case, the Valuator will perform the evaluation based on the unaudited financial reports of the subject companies as of December 31, 2019 to serve as the financial indicator. However, the data in the unaudited financial reports may contain deviations, the valuation will define the scenarios of a premium or discount of 5% over or from the fair value result as the reference for price valuation.

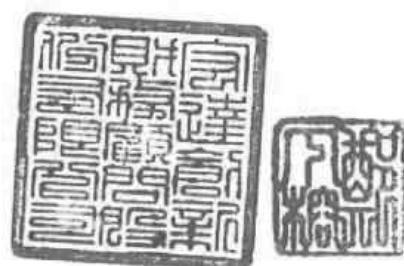
Below are the valuation results:

Unit: NTD

	-5% scenario	Reasonable share price based on unaudited financial report	+5% scenario
Liquidity discount at 20%	4.54	4.78	5.02
Liquidity discount at 25%	4.26	4.48	4.71
Liquidity discount at 30%	3.97	4.18	4.39

Conclusion:

Huan Hsin intends to deal with the equity of Taiwan Flower. After valuation, Adeal's valuers have decided to perform the sensitivity analysis with a premium and discount of 5% over or from the valuation result, considering the liquidity discount ratio falls between 20%-30% and there may be differences between the unaudited financial reports and the audited financial reports. Then, the fair value range of NTD per share will be some NTD 3.97~5.02, and we suggest Huan Hsin should consider the stock of Taiwan Flower at a price of no less than NTD 4.48 per share.



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