

HUPSTEEL LIMITED
(Company Registration No.: 197301452D)
(Incorporated in Singapore)

VOLUNTARY CONDITIONAL CASH OFFER FOR THE COMPANY – DESPATCH OF OFFEREE CIRCULAR

1. VOLUNTARY CONDITIONAL CASH OFFER

The board of directors (the "**Board**") of Hupsteel Limited (the "**Company**") refers to the announcement dated 19 July 2019 made by Oversea-Chinese Banking Corporation Limited ("**OCBC Bank**"), for and on behalf of Hercules Pte. Ltd. (the "**Offeror**"), on the despatch of the formal offer document dated 19 July 2019 (the "**Offer Document**") containing, *inter alia*, the terms and conditions of the Offer.

All capitalised terms used herein, unless otherwise defined, shall have the meanings ascribed in the Offeree Circular (as defined herein).

2. DESPATCH OF THE OFFEREE CIRCULAR

2.1 The Board wishes to inform the shareholders of the Company (the "**Shareholders**") that the Company has today despatched a circular dated 2 August 2019 (the "**Offeree Circular**") to the Shareholders.

2.2 The Offeree Circular contains, *inter alia*:

- (a) the advice of Asian Corporate Advisors Pte. Ltd. the independent financial adviser to the directors of the Company who are considered independent for the purposes of the Offer (the "**Independent Directors**"); and
- (b) the recommendation of the Independent Directors in respect of the Offer.

2.3 Shareholders are advised to read and consider the Offeree Circular (in particular, the advice of the IFA to the Independent Directors, as well as the recommendation of the Independent Directors) carefully. Shareholders who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

2.4 Any Shareholder who has not received the Offeree Circular within one (1) week from the date hereof should contact The Central Depository (Pte) Limited (the "**CDP**"), if he is a Depositor (as defined in the Offeree Circular), or the Company's share registrar (the "**Share Registrar**"), if he is a scripholder, as the case may be, immediately at the addresses and telephone numbers set out below during normal business hours on any day (other than a public holiday, Saturday or Sunday) up to the Closing Date (as defined below) :

CDP
The Central Depository (Pte) Limited
9 North Buona Vista Drive
#01-19/20 The Metropolis
Singapore 138588
Tel: + 65 6535 7511

Share Registrar
RHT Corporate Advisory Pte. Ltd.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619
Tel: +65 6381 6888

All Shareholders should note that a copy of the Offeree Circular is available on the website of the Singapore Exchange Securities Trading Limited at www.sgx.com.

3. CLOSING DATE

Shareholders should note that the Offer Document states that **the Offer will close at 5.30 p.m. (Singapore time) on 16 August 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror (the "Closing Date")**.

4. RESPONSIBILITY STATEMENT

The directors of the Company (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement (other than those relating to the Offeror and the Offer) are fair and accurate and that there are no material facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement and any other announcements made by or on behalf of the Offeror), the sole responsibility of the directors of the Company has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from such sources or, as the case may be, reflected or reproduced in this announcement in its proper form and context.

The directors of the Company jointly and severally accept responsibility accordingly.

BY ORDER OF THE BOARD

HUPSTEEL LIMITED

Lim Chee San
Non-Executive Chairman & Independent Director
2 August 2019

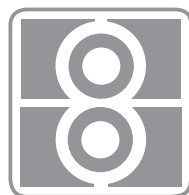
CIRCULAR DATED 2 AUGUST 2019

THIS CIRCULAR (AS DEFINED HEREIN) IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF ASIAN CORPORATE ADVISORS PTE. LTD. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by Hupsteel Limited. If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your Shares (as defined herein) held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular to the purchaser or transferee, as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser, the transferee or the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee.

This Circular has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The SGX-ST assumes no responsibility for the correctness of any of the statements or opinions made or reports contained in this Circular.



HUPSteel

HUPSTEEL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 197301452D)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL CASH OFFER

by

OVERSEA-CHINESE BANKING CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 193200032W)

for and on behalf of

HERCULES PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 201913578M)

to acquire all the Offer Shares (as defined herein)

Independent Financial Adviser to the Independent Directors

ASIAN CORPORATE ADVISORS PTE. LTD.

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

SHAREHOLDERS SHOULD NOTE THAT THE OFFER WILL CLOSE AT 5.30 P.M. (SINGAPORE TIME) ON 16 AUGUST 2019 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN).

CONTENTS

DEFINITIONS.....	3
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS	8
INDICATIVE TIMELINE	9
LETTER TO THE SHAREHOLDERS	10
1. BACKGROUND.....	10
2. THE OFFER.....	11
3. INFORMATION ON THE OFFEROR AND THE CONSORTIUM ARRANGEMENTS.....	14
4. IRREVOCABLE UNDERTAKINGS.....	17
5. RATIONALE FOR THE OFFER	18
6. LISTING STATUS AND COMPULSORY ACQUISITION AND THE OFFEROR'S INTENTIONS...	20
7. FINANCIAL EVALUATION OF THE OFFER	21
8. DIRECTORS' INTERESTS	21
9. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER	22
10. OVERSEAS SHAREHOLDERS.....	29
11. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS.....	30
12. ACTION TO BE TAKEN BY SHAREHOLDERS	31
13. CONSENTS	31
14. DIRECTORS' RESPONSIBILITY STATEMENT	31
15. ADDITIONAL INFORMATION.....	32
APPENDIX I	
LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER	33
APPENDIX II	
ADDITIONAL GENERAL INFORMATION.....	91
APPENDIX III	
AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018.....	99
APPENDIX IV	
UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 3QFY2019.....	176
APPENDIX V	
EXTRACTS FROM THE CONSTITUTION.....	189
APPENDIX VI	
VALUATION REPORT	204

DEFINITIONS

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

GENERAL

“3QFY2019”	:	The 9-month period ended 31 March 2019
“Board”	:	The board of Directors of the Company as at the Latest Practicable Date
“Business Day”	:	A day other than Saturday, Sunday or a public holiday on which banks are open for business in Singapore
“Circular”	:	This circular to Shareholders dated 2 August 2019 in relation to the Offer, enclosing, <i>inter alia</i> , the IFA Letter
“Closing Date”	:	5.30 p.m. (Singapore time) on 16 August 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances for the Offer
“Code”	:	The Singapore Code on Take-overs and Mergers
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore
“Company Securities”	:	(a) Shares; (b) securities which carry voting rights in the Company; and (c) convertible securities, warrants, options and derivatives in respect of the Shares, or such securities which carry voting rights in the Company
“Consortium Arrangements”	:	Shall have the meaning ascribed to it in paragraph 4.3 of the Offer Document
“Constitution”	:	The constitution of the Company, as amended and modified from time to time
“CPFIS”	:	Central Provident Fund Investment Scheme
“CPFIS Investors”	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
“Directors”	:	The directors of the Company (including the Independent Directors) as at the Latest Practicable Date
“FAA”	:	The Form of Acceptance and Authorisation for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP
“FAT”	:	The Form of Acceptance and Transfer for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP
“FY”	:	Financial year ended or ending, as the case may be, 30 June

DEFINITIONS

“IFA Letter”	:	The letter dated 2 August 2019 from Asian Corporate Advisors Pte. Ltd. to the Independent Directors in respect of the Offer as set out in <u>Appendix I</u> to this Circular
“Irrevocable Undertakings”	:	The irrevocable undertakings from Hennfa Investments Pte Ltd, Lim Puay Koon, Lim Boh Chuan, Lim Kim Thor, Lim Eng Chong, Lim Beo Peng, Lim Kim Hock, Lim Yee Kim, Lim Kok Seng, Lim Han Leong, Tan Lean Choo, Lim Lay Tin, Lim Kok Wah, Tan Yee Peng, Stanley Lim Beo Loon and Lim Boh Wee to, <i>inter alia</i> , accept or procure the acceptance of the Offer in respect of all Shares held by each of them respectively
“Independent Directors”	:	The Directors who are considered independent for the purposes of the Offer, namely, Mr Philip Chan Kam Loon and Mr Lim Chee San
“Interested Person”	:	<p>As defined in the Note on Rule 23.12 of the Code, an interested person, in relation to a company, is:</p> <ul style="list-style-type: none"> (a) a director, chief executive officer, or substantial shareholder of the company; (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company; (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary; (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more; (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
“Latest Practicable Date”	:	19 July 2019, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the Main Board of the SGX-ST in force as at the Latest Practicable Date
“Offer”	:	The voluntary conditional cash offer by OCBC Bank, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT

DEFINITIONS

“Offer Announcement”	:	The announcement issued by OCBC Bank on the Offer Announcement Date, for and on behalf of the Offeror, in relation to the Offer
“Offer Announcement Date”	:	28 June 2019
“Offer Document”	:	The offer document dated 19 July 2019 and any other document(s) which may be issued by or on behalf of the Offeror to amend, revise, supplement or update the offer document from time to time
“Offer Price”	:	S\$1.20 in cash for each Offer Share
“Offer Shares”	:	The Shares other than any Shares held in treasury and those Shares already held, directly or indirectly, by the Offeror as at the date of the Offer
“Offeror Securities”	:	(a) Offeror Shares; (b) securities which carry voting rights in the Offeror; and (c) convertible securities, warrants, options and derivatives in respect of the Offeror Shares, or securities which carry voting rights in the Offeror
“Offeror Shares”	:	Issued and paid-up ordinary shares in the capital of the Offeror
“Overseas Shareholders”	:	Shareholders whose addresses are outside Singapore as shown on the register of members of the Company or in the records of CDP (as the case may be)
“S\$” and “cents”	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore
“Shareholders”	:	Holders of Shares (including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST and persons who are registered as holders of Shares in the register of members maintained by the Share Registrar)
“Shares”	:	Issued and paid-up ordinary shares in the capital of the Company
“SRS”	:	Supplementary Retirement Scheme
“SRS Investors”	:	Investors who have purchased Shares pursuant to the SRS
“Subject Properties”	:	The properties of the Group at the following locations: (a) 38 Genting Lane, Singapore 349553; (b) 155 Gul Circle, Singapore 629612; (c) 116 Neythal Road, Singapore 628603;

DEFINITIONS

- (d) 365 Jalan Besar, Singapore 208995;
- (e) 6 Kim Chuan Drive, Singapore 537082; and
- (f) 27 Foch Road #05-04/05/06/07 Hoa Nam Building, Singapore 209264

“Valuation Report” : The valuation report issued by the Valuer in respect of the Subject Properties in connection with the Offer, as set out in Appendix VI to this Circular

“%” or “per cent.” : Per centum or percentage

COMPANIES / ORGANISATIONS / PERSONS

“Auditor” : PricewaterhouseCoopers LLP, being the auditor of the Company

“CDP” : The Central Depository (Pte) Limited

“CPF” : Central Provident Fund

“Company” : Hupsteel Limited

“Group” : The Company and its subsidiaries

“IFA” : Asian Corporate Advisors Pte. Ltd., being the independent financial adviser to the Independent Directors in connection with the Offer

“OCBC Bank” : Oversea-Chinese Banking Corporation Limited

“Offeror” : Hercules Pte. Ltd.

“SGX-ST” : Singapore Exchange Securities Trading Limited

“Share Registrar” : RHT Corporate Advisory Pte. Ltd., being the share registrar of the Company

“SIC” : Securities Industry Council of Singapore

“Valuer” : CKS Property Consultants Pte Ltd, being the independent valuer appointed by the Independent Directors for the purposes of carrying out the valuation of the Subject Properties in connection with the Offer

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

The terms **“depositor”**, **“depository agent”** and **“depository register”** shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The terms **“subsidiary”** and **“related corporation”** shall have the meanings ascribed to them respectively in the Companies Act.

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

DEFINITIONS

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

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

Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date respectively, unless otherwise stated.

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

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter, the Constitution and the Valuation Report are set out in this Circular within quotes and in italics and capitalised terms used within these reproduced statements bear the meanings ascribed to them in the Offer Document, the IFA Letter, the Constitution and the Valuation Report respectively.

In this Circular, any reference to the total number of issued Shares is a reference to 122,045,014 Shares (excluding 3,429,100 Shares held in treasury) as at the Latest Practicable Date.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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

INDICATIVE TIMELINE

Date of despatch of : 19 July 2019
the Offer Document

Date of despatch of : 2 August 2019
this Circular

Closing Date : **5.30 p.m. (Singapore time) on 16 August 2019**, or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Date of settlement of : (a) in respect of acceptances of the Offer which are complete and valid
consideration for valid in all respects and are received on or before the date on which the
acceptances of the Offer becomes or is declared to be unconditional in all respects,
Offer⁽¹⁾ within seven (7) Business Days after the date on which the Offer becomes or is declared to be unconditional in all respects; or

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

Note:

(1) Please also refer to Appendix V to the Offer Document for further details.

LETTER TO THE SHAREHOLDERS

HUPSTEEL LIMITED

(Company Registration No. 197301452D)
(Incorporated in the Republic of Singapore)

Board of Directors

Lim Chee San (Non-Executive Chairman, Independent Director)
Lim Boh Chuan (Managing Director and Chief Executive Officer)
Lim Beo Peng (Deputy Managing Director)
Lim Kim Thor (Executive Director)
Lim Eng Chong (Non-Executive Director)
Lim Puay Koon (Non-Executive Director)
Philip Chan Kam Loon (Independent Director and Non-Executive Director)

Registered Office

116 Neythal Road
Singapore 628603

2 August 2019

To : The Shareholders of the Company

Dear Sir/Madam

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

1. BACKGROUND

1.1 Offer Announcement

On 28 June 2019, OCBC Bank announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary conditional cash offer for the Offer Shares at the Offer Price of S\$1.20 for each Offer Share.

1.2 Offer Document

Shareholders should have by now received a copy of the Offer Document issued by OCBC Bank, for and on behalf of the Offeror, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in Section 2 of the Letter to Shareholders in the Offer Document.

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

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

1.3 Purpose of this Circular

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

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix I to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors on the Offer before deciding whether to accept or reject the Offer. If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

LETTER TO THE SHAREHOLDERS

2. THE OFFER

2.1 Terms of the Offer

The Offer is made by OCBC Bank, for and on behalf of the Offeror, on the principal terms set out in Section 2 of the Offer Document, extracts of which are set out in italics below. All terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

2.1 **Consideration**

*For each Offer Share: S\$1.20 in cash (the “**Offer Price**”).*

The Offer Price is final and the Offeror does not intend to revise the Offer Price.

2.2 **Offer Shares**

*The Offer is extended, on the same terms and conditions, to all the Shares, other than any Shares held in treasury and those Shares held, directly or indirectly, by the Offeror as at the date of the Offer (the “**Offer Shares**”).*

2.3 **No Encumbrances**

*The Offer Shares will be acquired (a) fully paid, (b) free from all liens, equities, mortgages, claims, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever (“**Encumbrances**”), and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all Distributions, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).*

2.4 **Adjustment for Distributions**

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

In the event any Distribution is or has been announced, declared, paid or made by the Company on or after the Offer Announcement Date to a Shareholder who validly accepts or has validly accepted the Offer, the Offer Price payable to such accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution depending on when the settlement date in respect of the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer 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 Offeror shall pay the relevant accepting Shareholders the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; or*
- (b) if such settlement date falls after the Books Closure Date, the Offer Price shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Shares from the Company.*

LETTER TO THE SHAREHOLDERS

2.5 **Conditional Offer**

The Offer is conditional upon the Offeror having received, by the Closing Date, valid acceptances (which have not been withdrawn) 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 (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror holding such number of Shares carrying more than 90% of the voting rights attributable to the Shares (excluding any Shares held in treasury) as at the Closing Date (the "**Acceptance Condition**").

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the Closing Date, unless at any time prior to the Closing Date, the Offeror has received valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, when taken together with Shares owned, controlled or agreed to be acquired by the Offeror (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror meeting the Acceptance Condition.

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

2.6 **No Options**

As of the Latest Practicable Date, based on publicly available information, there are no outstanding options exercisable in respect of the Shares.

2.7 **Warranty**

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

2.8 **Duration of the Offer**

(a) **Closing Date**

Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances by Shareholders for a period of at least 28 days from the date of despatch of this Offer Document.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 16 August 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

(b) **Offer to Remain Open for 14 Days after being Declared Unconditional as to Acceptances**

Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared to be unconditional as to acceptances, the Offer will remain open for acceptance for not less than 14 days after the date on which it would otherwise have closed, in order to give those Shareholders who have not accepted the Offer the opportunity to do so. This requirement does not apply if, before the Offer becomes or is declared to be unconditional as to acceptances, the Offeror has given notice in writing to the Shareholders at least 14 days before the specified Closing Date that the Offer

LETTER TO THE SHAREHOLDERS

*will not be open for acceptance beyond that date, provided that such notice may not be given, or if already given, shall not be capable of being enforced in a competitive situation. If a declaration that the Offer is unconditional as to acceptances is confirmed in accordance with paragraph 2(a) of **Appendix V** to this Offer Document, such period of not less than 14 days during which the Offer shall remain open for acceptance will run from the date of such confirmation, or the date on which the Offer would otherwise have expired, whichever is later.*

(c) Final Day Rule

Pursuant to Rule 22.9 of the Code, the Offer (whether revised or not) will not be capable of becoming or being declared to be unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the date of despatch of this Offer Document or of being kept open after the expiry of such period, unless it has previously become or been declared to be unconditional as to acceptances, except with the permission of the SIC. The SIC will consider granting such permission in circumstances including but not limited to where a competing offer has been announced.

(d) Revision

The Offeror does not intend to revise the Offer Price. Notwithstanding the foregoing, Shareholders should note that pursuant to Rule 20.1 of the Code, the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders, including those who had previously accepted the Offer.

(e) Subsequent Closing Date

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

(f) No Obligation to Extend Offer

The Offeror is not obliged to extend the Offer if the Acceptance Condition is not fulfilled by the Closing Date(s).

2.2 Details of the Offer

The Offer is made in accordance with the principal terms and conditions as set out in the Offer Document. Appendix V to the Offer Document sets out further details on (a) the settlement of the consideration for the Offer; (b) the requirements relating to the announcement of the level of acceptances of the Offer; and (c) the right of withdrawal of acceptances of the Offer.

2.3 Closing Date

The Offer Document states that the Offer will remain open for acceptance by the Shareholders for a period of at least 28 days from the date of despatch of the Offer Document, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder.

LETTER TO THE SHAREHOLDERS

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 16 August 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

2.4 Procedures for Acceptance

Section 2.10 of the Offer Document states that Appendix VI to the Offer Document sets out the procedures for acceptance of the Offer.

3. INFORMATION ON THE OFFEROR AND THE CONSORTIUM ARRANGEMENTS

Details on the Offeror and the Consortium Arrangements are set out in Section 4 of the Offer Document, extracts of which are set out in italics below.

4. ***INFORMATION ON THE CONSORTIUM AND THE OFFEROR***

4.1 ***The Lim Family Consortium***

*The consortium comprises the persons named in **Appendix I** to this Offer Document, who are members of the founding Lim family and their respective family holding companies (each, a **"Consortium Member"**, and collectively, the **"Consortium Members"**).¹ As at the Latest Practicable Date, the Consortium Members own or control an aggregate of 66,100,020 Shares, representing approximately 54.16% of the total number of issued Shares, details of which are set out in paragraph 5.1 of this Offer Document.*

4.2 ***The Offeror***

*The Offeror is a special purpose vehicle incorporated in Singapore for the purposes of the Offer. The Offeror is the bid vehicle for the Consortium Members which comprises members of the Lim family. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$4.00, consisting of four (4) ordinary shares (the **"Offeror Shares"**), which are held by the shareholders as follows:*

<i>Shareholders of the Offeror</i>	<i>Shareholding Percentage</i>
<i>Mr. Lim Beo Peng</i>	<i>25.00%</i>
<i>Mr. Lim Boh Chuan</i>	<i>25.00%</i>
<i>Mr. Lim Kim Thor</i>	<i>25.00%</i>
<i>Mr. Lim Yee Kim</i>	<i>25.00%</i>
<i>Total</i>	<i>100.00%</i>

The board of directors of the Offeror comprises Mr. Lim Beo Peng, Mr. Lim Boh Chuan, Mr. Lim Kim Thor and Ms. Tan Yee Peng.

4.3 ***Consortium Arrangements***

*The Consortium Members have agreed to form a consortium through the Offeror to undertake the Offer and have on the Offer Announcement Date, entered into the following arrangements (collectively, the **"Consortium Arrangements"**):*

- (a) *Hennfa Investments Pte Ltd (**"Hennfa"**) has provided an irrevocable undertaking in favour of the Offeror (the **"Hennfa Irrevocable Undertaking"**), pursuant to which Hennfa undertook and/or agreed to, inter alia, the following:*
- (i) *to accept the Offer in respect of all the Shares held by it;*
 - (ii) *to waive its right under Rule 30 of the Code to receive any cash settlement or payment for acceptance of the Offer; and*

LETTER TO THE SHAREHOLDERS

- (iii) that the total cash consideration that would be payable by the Offeror to Hennfa for such acceptance (the **"Hennfa Proceeds"**) will be regarded as an interest-free loan extended by Hennfa to the Offeror, and Hennfa shall assign to each of the shareholders of Hennfa (namely, Yee Kim Holdings Pte. Ltd., Pit Hong Holdings Pte. Ltd., Mr. Lim Puay Koon, Mr. Lim Boh Chuan, Mr. Lim Kim Thor, Mr. Lim Eng Chong and Mr. Lim Kim Hock) (the **"Hennfa Shareholders"**) its rights to receive (and the benefit of receiving) the Hennfa Proceeds, in accordance with the terms of the Consortium Agreement (as defined below);
- (b) each Consortium Member who holds Shares directly in the Company (namely, Mr. Lim Puay Koon, Mr. Lim Boh Chuan, Mr. Lim Kim Thor, Mr. Lim Eng Chong, Mr. Lim Beo Peng, Mr. Lim Kim Hock, Mr. Lim Yee Kim, Mr. Lim Kok Seng, Mr. Lim Han Leong, Ms. Tan Lean Choo, Ms. Lim Lay Tin, Mr. Lim Kok Wah, Ms. Tan Yee Peng, Mr. Stanley Lim Beo Loon and Mr. Lim Boh Wee) (the **"Relevant Consortium Members"**) has provided an irrevocable undertaking in favour of the Offeror (collectively, the **"Individual Irrevocable Undertakings"**), pursuant to which the Relevant Consortium Members undertook and/or agreed to, inter alia, the following:
 - (i) to accept or procure the acceptance of the Offer in respect of all the Shares owned by them;
 - (ii) to waive their rights under Rule 30 of the Code to receive any cash settlement or payment for acceptance of the Offer in respect of all their Shares (excluding those Shares owned by the Relevant Consortium Members, which were purchased using their CPF contributions pursuant to the CPFIS (the **"Relevant CPFIS Shares"**));² and
 - (iii) that the total cash consideration that would be payable by the Offeror to the Relevant Consortium Members for accepting the Offer in respect of all their Shares excluding the Relevant CPFIS Shares (the **"Relevant Consortium Members Proceeds"**) will be regarded as interest-free shareholders' loans extended by the Relevant Consortium Members to the Offeror in accordance with the terms of the Consortium Agreement; and
- (c) a consortium agreement (the **"Consortium Agreement"**), pursuant to which the Consortium Members agreed to, inter alia, the following:
 - (i) the formation of a consortium to make the Offer through the Offeror and to privatise the Company by way of compulsory acquisition (if invoked) (the **"Transaction"**);
 - (ii) that all matters relating to the Offer shall require the unanimous approval of the Consortium Members;
 - (iii) the aggregate of the consideration amount payable by the Offeror for the acquisition of the Offer Shares, less the Consortium Amount, shall be funded by external bank loans provided to the Offeror (the **"Bank Loans"**);
 - (iv) each of Mr. Lim Kim Thor, Mr. Lim Boh Chuan, Mr. Lim Puay Koon, Mr. Lim Beo Peng, Mr. Lim Eng Chong and Mr. Lim Yee Kim shall provide a personal guarantee for the Bank Loans; and
 - (v) following the completion of the Transaction:
 - (A) in relation to the Shares held directly by Hennfa:
 - (1) a portion of the Hennfa Proceeds³ will be capitalised into new Offeror Shares to be allotted and issued to the Hennfa Shareholders; and

LETTER TO THE SHAREHOLDERS

- (2) the consideration payable by the Hennfa Shareholders for the subscription of such new Offeror Shares shall be set-off against such amount of Hennfa Proceeds to be capitalised, and the balance amount of Hennfa Proceeds shall remain as interest-free shareholders' loans extended by the Hennfa Shareholders to the Offeror; and
- (B) in relation to the Shares held directly by the Relevant Consortium Members:
- (1) a portion of the Relevant Consortium Members Proceeds³ will be capitalised into new Offeror Shares to be allotted and issued to the Relevant Consortium Members; and
- (2) the consideration payable by the Relevant Consortium Members for the subscription of such new Offeror Shares shall be set-off against such amount of Relevant Consortium Members Proceeds to be capitalised, and the balance amount of Relevant Consortium Members Proceeds shall remain as interest-free shareholders' loans extended by the Relevant Consortium Members to the Offeror.

The SIC has confirmed that the Consortium Arrangements do not constitute special deals for the purpose of Rule 10 of the Code.

4.4 Resultant Position

Following completion of the Transaction (assuming that the Company is a wholly-owned subsidiary of the Offeror) and the capitalisation of the Consortium Amount, it is envisaged that the resultant shareholding in the Offeror will be as set out below:

Shareholders of the Offeror	Aggregate Resulting Percentage Shareholding in the Offeror ⁽¹⁾
Mr. Lim Puay Koon	14.972%
Mr. Lim Boh Chuan	14.972%
Mr. Lim Kim Thor	14.275%
Mr. Lim Kim Hock	13.265%
Mr. Lim Eng Chong	10.197%
Mr. Lim Yee Kim	9.803%
Yee Kim Holdings Pte. Ltd.	6.630%
Mr. Lim Beo Peng	4.058%
Pit Hong Holdings Pte. Ltd.	2.728%
Mr. Lim Kok Seng	2.520%
Mr. Lim Han Leong	2.504%
Ms. Tan Lean Choo	2.211%
Mr. Stanley Lim Beo Loon	1.111%
Ms. Lim Lay Tin	0.703%
Mr. Lim Kok Wah	0.036%
Mr. Lim Boh Wee	0.011%
Ms. Tan Yee Peng	0.006%
Total	100.000%⁽²⁾

Notes:

- (1) Percentages rounded to the nearest three (3) decimal places.
- (2) The discrepancy between the listed percentages and the total shown is due to rounding. Accordingly, the figure shown as total in this table is not an arithmetic aggregation of the figures that precede it.

LETTER TO THE SHAREHOLDERS

- 1 *The relationships between each Consortium Member are set out in **Appendix I** to this Offer Document.*
- 2 *Mr. Lim Kim Thor owns 36,000 Shares, which were purchased using his CPF contributions pursuant to the CPFIS. Accordingly, Mr. Lim Kim Thor will not waive his rights under Rule 30 of the Code in respect of these 36,000 Relevant CPFIS Shares and these 36,000 Relevant CPFIS Shares will not form part of the Relevant Consortium Members Proceeds.*
- 3 *Pursuant to the Consortium Agreement, the Consortium Members have agreed that the aggregate amount of the Hennfa Proceeds and the Relevant Consortium Members Proceeds to be capitalised will be S\$20,000,000 (or such other amount as the Consortium Members and the Offeror may otherwise agree), and the balance amount of the Hennfa Proceeds and the Relevant Consortium Members Proceeds shall remain as interest-free shareholders' loans extended to the Offeror.*

4. IRREVOCABLE UNDERTAKINGS

Section 5 of the Offer Document set out certain information in relation to the Irrevocable Undertakings, extracts of which are set out in italics below.

5. **IRREVOCABLE UNDERTAKINGS**

5.1 ***Irrevocable Undertakings***

*Pursuant to the Hennfa Irrevocable Undertaking and the Individual Irrevocable Undertakings (collectively, the “**Irrevocable Undertakings**”), the Offeror has received irrevocable undertakings to accept the Offer in respect of 66,100,020 Shares, representing approximately 54.16% of the total number of issued Shares.*

*Details of Hennfa and the Relevant Consortium Members (collectively, the “**Undertaking Shareholders**”) and the number of Shares to be tendered in acceptance of the Offer by the Undertaking Shareholders pursuant to their respective Irrevocable Undertakings are as follows:*

<i>Undertaking Shareholders</i>	<i>Number of Shares to be tendered in acceptance of the Offer</i>	<i>Percentage of the total number of issued Shares⁽¹⁾⁽²⁾</i>
<i>Hennfa</i>	<i>18,603,000⁽³⁾</i>	<i>15.243%</i>
<i>Mr. Lim Puay Koon</i>	<i>7,240,500</i>	<i>5.933%</i>
<i>Mr. Lim Boh Chuan</i>	<i>7,240,050</i>	<i>5.932%</i>
<i>Mr. Lim Kim Thor</i>	<i>6,916,980⁽⁴⁾</i>	<i>5.668%</i>
<i>Mr. Lim Yee Kim</i>	<i>6,475,950</i>	<i>5.306%</i>
<i>Mr. Lim Kim Hock</i>	<i>6,409,530</i>	<i>5.252%</i>
<i>Mr. Lim Eng Chong</i>	<i>4,520,430</i>	<i>3.704%</i>
<i>Mr. Lim Beo Peng</i>	<i>2,680,710</i>	<i>2.196%</i>
<i>Mr. Lim Kok Seng</i>	<i>1,664,835</i>	<i>1.364%</i>
<i>Mr. Lim Han Leong</i>	<i>1,654,335</i>	<i>1.356%</i>
<i>Ms. Tan Lean Choo</i>	<i>1,460,565</i>	<i>1.197%</i>
<i>Mr. Stanley Lim Beo Loon</i>	<i>733,680</i>	<i>0.601%</i>
<i>Ms. Lim Lay Tin</i>	<i>464,355</i>	<i>0.380%</i>
<i>Mr. Lim Kok Wah</i>	<i>24,050</i>	<i>0.020%</i>
<i>Mr. Lim Boh Wee</i>	<i>7,300</i>	<i>0.006%</i>
<i>Ms. Tan Yee Peng</i>	<i>3,750</i>	<i>0.003%</i>
<i>Total</i>	<i>66,100,020</i>	<i>54.160%⁽⁵⁾</i>

Notes:

(1) Based on the Company's total issued capital of 122,045,014 Shares as at the Latest Practicable Date.

(2) Percentages rounded to the nearest three (3) decimal places.

LETTER TO THE SHAREHOLDERS

- (3) *Hennfa is an investment holding company, and its 4,125,000 shares (“Hennfa Shares”) are held by the following Consortium Members:*
- (a) *Yee Kim Holdings Pte. Ltd., holding 971,197 Hennfa Shares;*
 - (b) *Pit Hong Holdings Pte. Ltd., holding 399,550 Hennfa Shares;*
 - (c) *Mr. Lim Kim Thor, holding 565,420 Hennfa Shares;*
 - (d) *Mr. Lim Kim Hock, holding 521,898 Hennfa Shares;*
 - (e) *Mr. Lim Eng Chong, holding 491,326 Hennfa Shares;*
 - (f) *Mr. Lim Boh Chuan, holding 587,835 Hennfa Shares; and*
 - (g) *Mr. Lim Puay Koon, holding 587,774 Hennfa Shares.*
- (4) *Mr. Lim Kim Thor owns 36,000 Shares, which were purchased using his CPF contributions pursuant to the CPFIS. Accordingly, Mr. Lim Kim Thor will not waive his rights under Rule 30 of the Code in respect of these 36,000 Relevant CPFIS Shares and these 36,000 Relevant CPFIS Shares will not form part of the Relevant Consortium Members Proceeds.*
- (5) *The discrepancy between the listed percentages and the total shown is due to rounding. Accordingly, the figure shown as total in this table is not an arithmetic aggregation of the figures that precede it.*
- 5.2 *Each Irrevocable Undertaking will terminate or lapse if the Offer is withdrawn or lapses, or fails to become or be declared to be unconditional in all respects for whatever reason.*
- 5.3 *Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any party acting in concert with the Offeror has received any irrevocable undertaking from any other party to accept or reject the Offer.*

5. RATIONALE FOR THE OFFER

The rationale for the Offer is set out in Section 6 of the Offer Document, extracts of which are set out in italics below.

6. **RATIONALE FOR THE OFFER**

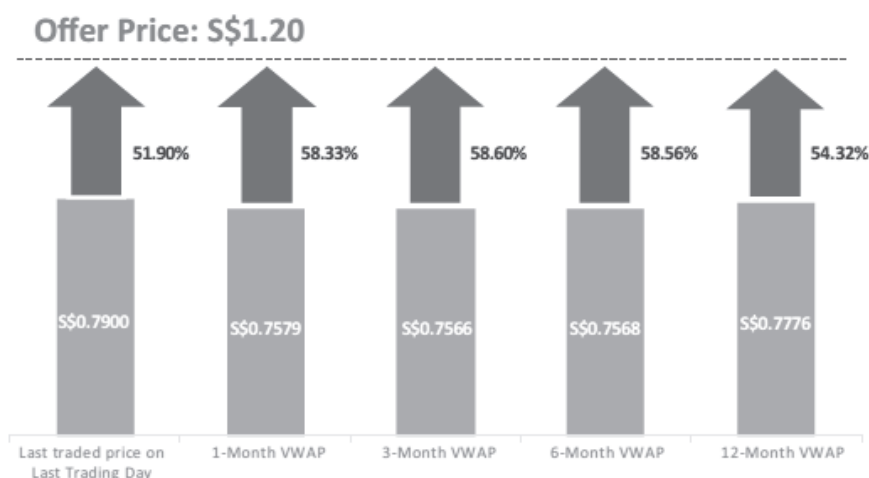
6.1 ***Low Trading Liquidity of Shares***

The trading volume of the Shares has been generally low, with an average daily trading volume⁴ of approximately 113,814 Shares, 71,921 Shares, 41,867 Shares and 29,318 Shares during the respective one (1)-month period, three (3)-month period, six (6)-month period and 12-month period up to and including the Last Trading Day. Each of these represents less than approximately 0.10% of the total number of issued Shares for any of the aforementioned relevant periods.

The Offer therefore provides Shareholders who find it difficult to exit the Company as a result of the low trading volume in Shares with a compelling cash exit opportunity to liquidate and realise their investment in the Shares at a premium to the prevailing market prices which would otherwise not be readily available given the low trading liquidity. The Offer will also provide Shareholders with a cash exit opportunity amidst an uncertain economic environment in part due to the ongoing US-Sino trade dispute.

LETTER TO THE SHAREHOLDERS

6.2 Opportunity for Shareholders to Exit their Investment at a Compelling Premium



The Shares have not been transacted on the SGX-ST at or above the Offer Price since May 2013. The Offer Price represents a compelling premium of approximately 51.90% over the last traded price per Share of S\$0.790 on the Last Trading Day.

When compared to the benchmark prices of the Shares up to and including the Last Trading Day, the Offer Price also represents a compelling premium of approximately 58.33%, 58.60%, 58.56% and 54.32% over the volume weighted average price ("VWAP") per Share for the one (1)-month, three (3)-month, six (6)-month and 12-month periods, respectively.

The Offer presents Shareholders with an attractive cash exit opportunity to realise their entire investment in Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

6.3 No Necessity for Access to Equity Capital Markets

Since 2008, the Company has not carried out any exercise to raise equity capital on the SGX-ST. The Company is unlikely to require access to Singapore equity capital markets to finance its operations in the foreseeable future as the Company has various other available funding sources such as bank borrowing facilities. Accordingly, it is not necessary for the Company to maintain a listing on the SGX-ST.

6.4 Greater Management Flexibility

The Offeror is making the Offer with a view to delisting the Company from the SGX-ST and exercising any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act. The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources and facilitate the implementation of any operational change.

6.5 Compliance Costs of Maintaining Listing

In maintaining its listed status, the Company incurs compliance and associated costs. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses relating to the maintenance of a listed status and focus its resources on its business operations.

4 Calculated by using the total volume of Shares traded as extracted from Bloomberg L.P. divided by the number of Market Days with respect to the one (1)-month period, three (3)-month period, six (6)-month period and 12-month period respectively up to and including the Last Trading Day (being 27 June 2019).

LETTER TO THE SHAREHOLDERS

6. LISTING STATUS AND COMPULSORY ACQUISITION AND THE OFFEROR'S INTENTIONS

Section 8 of the Offer Document sets out the intentions of the Offeror relating to the listing status of the Company and compulsory acquisition and the Offeror's intentions for the Company, the full text of which have been extracted from the Offer Document and are set out in italics below.

8. LISTING STATUS AND COMPULSORY ACQUISITION

8.1 Listing Status

*Under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of issued Shares is at all times held in public hands (the "**Free Float Requirement**"). Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert with the Offeror to above 90% of the total number of issued Shares, the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued Shares are held by at least 500 Shareholders who are members of the public.*

Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares, thus causing the percentage of the total number of issued Shares held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not satisfied, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.

8.2 Compulsory Acquisition

*Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror receives valid acceptances pursuant to the Offer and/or acquires Shares otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") at a price equal to the Offer Price.*

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total number of issued Shares, the Dissenting Shareholders will have a right to require the Offeror to acquire their Shares at the Offer Price. Such Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

8.3 Offeror's Intentions

The Offeror does not intend to preserve the listing status of the Company. In the event that, inter alia, the Free Float Requirement is not satisfied, the Offeror intends to delist the Company and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted. Furthermore, the Offeror, if and when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act. In addition, the Offeror intends to, and hereby reserves its right, to take steps at an appropriate time, whether during or after the Offer, to seek a voluntary delisting of the Company from the SGX-ST, where permitted by, and in accordance with, the relevant requirements of the Listing Manual and the Code.

LETTER TO THE SHAREHOLDERS

The Offeror has no current intentions to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Company or its subsidiaries, in each case, other than in the ordinary and usual course of business. However, the Offeror retains the flexibility at any time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the interest of the Company.

7. FINANCIAL EVALUATION OF THE OFFER

Section 7 of the Offer Document sets out certain information on the financial evaluation of the Offer, extracts of which are set out in italics below.

7. ***FINANCIAL EVALUATION OF THE OFFER***

The Offer Price represents the following premia over the historical traded prices of the Shares:

<i>Description</i>	<i>Share Price (S\$)⁽¹⁾⁽²⁾</i>	<i>Premium over Share Price⁽³⁾ (%)⁽⁴⁾</i>
<i>(a) Last traded price per Share on the SGX-ST on 27 June 2019 (being the Last Trading Day)</i>	<i>0.7900</i>	<i>51.90%</i>
<i>(b) VWAP of the Shares traded on the SGX-ST for the one (1)-month period prior to and including the Last Trading Day</i>	<i>0.7579</i>	<i>58.33%</i>
<i>(c) VWAP of the Shares traded on the SGX-ST for the three (3)-month period prior to and including the Last Trading Day</i>	<i>0.7566</i>	<i>58.60%</i>
<i>(d) VWAP of the Shares traded on the SGX-ST for the six (6)-month period prior to and including the Last Trading Day</i>	<i>0.7568</i>	<i>58.56%</i>
<i>(e) VWAP of the Shares traded on the SGX-ST for the 12-month period prior to and including the Last Trading Day</i>	<i>0.7776</i>	<i>54.32%</i>

Notes:

- (1) Source: Bloomberg L.P.*
- (2) The VWAP is calculated based on the daily VWAP turnover divided by VWAP volume of the Shares as extracted from Bloomberg L.P.*
- (3) Computed based on the Share prices which were rounded to the nearest four (4) decimal places.*
- (4) Percentages rounded to the nearest two (2) decimal places.*

8. DIRECTORS' INTERESTS

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

LETTER TO THE SHAREHOLDERS

9. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER

9.1 Appointment of Independent Financial Adviser

Asian Corporate Advisors Pte. Ltd. has been appointed as the independent financial adviser to the Independent Directors in respect of the Offer.

9.2 Independent Directors

The Independent Directors, Mr Lim Chee San and Mr Philip Chan Kam Loon, are required to make a recommendation to Shareholders in respect of the Offer.

The SIC has ruled that Mr Lim Boh Chuan, Mr Lim Beo Peng, Mr Lim Kim Thor, Mr Lim Eng Chong and Dr Lim Puay Koon are exempted from the requirement to make a recommendation to the Shareholders on the Offer, taking into account, among others, the Consortium Arrangements. However, they remain 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 Offer.

9.3 The IFA's Advice to the Independent Directors

The advice of the IFA to the Independent Directors in respect of the Offer is set out in the IFA Letter annexed as Appendix I to this Circular.

The conclusion and recommendation of the IFA in respect of the Offer has been extracted from the IFA Letter and is reproduced in italics below:

10. OPINION

In arriving at our opinion in respect of the Offer, we have taken into account, inter-alia, the following factors which we consider to have a significant bearing on our assessment as summarised below and as elaborated elsewhere in this Letter. Save for the Independent Valuation Report in connection with the market value of the Appraised Properties, we have not been furnished with the valuation for the remaining PPE or assets and have relied on the Director's confirmation that as at the Latest Practicable Date, on an aggregate basis, there are no material differences between the estimated market value of the remaining PPE or assets (including, inter-alia, Financial Assets) for which no valuation was obtained and their respective book values and our views, recommendation and opinion are necessarily limited and subject to these matters.

This is purely a summary of the factors that have been highlighted in this Letter and Shareholders are advised to read the following in conjunction with, and in the context of, the full text of this Letter:

- (a) The intention of the Offeror and the listing status as set out in Section 8 of the Offer Document.*
- (b) The historical financial performance and position of the Group as set out in Section 8.1 of this Letter. The Group has been profitable during the period reviewed (save for FY2016) with net profit attributable to shareholders of approximately negative S\$19.09 million, S\$720 thousand, S\$4.66 million and S\$2.12 million in FY2016, FY2017, FY2018 and 9M2019 respectively.*

The Group's financial position has generally been strong notwithstanding the slight decline in shareholders' equity (from approximately S\$165.93 million as at 30 June 2016 to approximately S\$163.95 million as at 31 March 2019) from inter-alia payments of dividends. In addition net working capital position (improved from approximately S\$89.92 million as 30 June 2016 to approximately S\$91.36 million and S\$92.25 million as at 30 June 2017 and 30 June 2018 respectively), with

LETTER TO THE SHAREHOLDERS

minimal or no borrowings during the period reviewed. As at 31 March 2019, the Group has no borrowings. The aggregate amounts of cash and cash equivalents and Financial Assets as at 31 March 2019, is approximately S\$59.93 million.

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the circular, this Letter and the unaudited financial statements for the Group for 9M2019, there has been no material changes to the assets and liabilities, financial position, condition and performance.

- (c) *The historical financial performance and position of the Group vis a vis the Selected Comparable Companies - The Group as compared to the Selected Comparable Companies is in a relatively better financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios). The Group's LTM ROE and LTM net profit margin appears to be within the range, the former in line with the median and simple average whereas the latter is higher than any of the Selected Comparable Companies (save for Sin Ghee Huat). The Group's LTM asset turnover appears to be within the range and almost in line with the minimum for the Selected Comparable Companies. Overall the Group has a financial performance, which in general, is comparable to the Selected Comparable Companies.*
- (d) *The Offer Price (as set out in Section 8 of this Letter) after taking into account, inter-alia, the following factors:-*

 - (i) *The Offer Price represents a discount of approximately 10.7% over the Group's NAV per Share and NTA per Share respectively as at 31 March 2019.*
 - (ii) *The Adjusted Offer Price (being the Offer Price less Cash and Financial Assets per Share), represents a discount of approximately 16.8% from the NAV per Share and NTA per Share for the Group after deducting Cash and Financial Assets per Share from the NAV per Share and NTA per Share as at 31 March 2019.*
 - (iii) *The Offer Price represents a discount of approximately 41.6% from the Group's RNAV and RNTA per Share.*
 - (iv) *The Offer Price represents a premium of approximately 51.9% over the last transacted price of S\$0.79 per Share for the Shares on the SGX-ST on 27 June 2019, being the Last Trading Day prior to the Offer Announcement Date.*
 - (v) *The Offer Price represents a premium of approximately 52.9%, 56.7%, 56.7% and 57.0% over the VWCP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Offer Announcement Date respectively.*
 - (vi) *The Offer Price represents a premium of approximately 2.1% over the VWCP for the Shares for the period commencing on the Market Day immediately after the Offer Announcement Date and ending on the Latest Practicable Date.*
 - (vii) *The Offer Price represents a premium of approximately 1.7% over the last transacted price of S\$1.18 per Share on the SGX-ST on 19 July 2019, being the Latest Practicable Date.*
 - (viii) *Fair or favourable comparison with the valuation of the Selected Comparable Companies - the valuation of the Group (as implied by the Offer Price) in terms of LTM EV/EBITDA appears to be above the range and more favourable than any of the Selected Comparable Companies. In addition, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied*

LETTER TO THE SHAREHOLDERS

by the Offer Price and the Group's RNAV per Share and RNTA per Share) appears to be more favourable than any of the Selected Comparable Companies. However, it is noted that the valuation of the Group in terms of LTM PER (as implied by the Offer Price) appears to be more favourable than the simple average and median but slightly lower than the maximum of the Selected Comparable Companies. Such comparison should be reviewed in conjunction with the following: (a) the Group is in a relatively better financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios) and, the Group's financial performance in terms of the LTM ROE and LTM net profit margin appears to be within the range, with the former in line with the median and simple average whereas the latter is higher than any of the Selected Comparable Companies (save for Sin Ghee Huat); (b) the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in acquisition of control whilst for the Offer, the Offeror's intention is to delist the Company and (as stated in the Offer Announcement and Offer Document), the Offeror and its Concert Parties (including the Undertaking Shareholders) had already a majority control over the Company by having an interest in 67,295,425 Shares representing approximately 55.14% of the total number of issued Shares (excluding treasury Shares); and (c) considering, inter-alia, the core business of the Group (being trading in industrial steel products, hardware trading and investment holding) where majority, if not all, of the assets are used for its trading activities, and that as the Group's operations are on a going concern basis, earnings-based valuation ratios (being PER and EV/EBITDA) are likely more appropriate valuation benchmark as compared to asset-based valuation ratios. Notwithstanding, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be more favourable than any of the Selected Comparable Companies. Furthermore the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share), is in general favourable as compared to the Selected Comparable Companies on a similar basis.

- (ix) Fair or favourable comparison with the Selected Successful Privatisations - the valuation of the Group as implied by the Offer Price in terms of premiums over historical prices for the Shares appears to be within the range and more favourable as compared to the simple average and median for the Selected Successful Privatisations. In addition, the valuation of the Group (as implied by the Offer Price and RNAV per Share) in terms of the P/NAV ratio appears to be within the range but lower than the simple average and median for the Selected Successful Privatisations. When considered in the context of the shareholdings of the Offeror and its Concert Parties (including Undertaking Shareholders) as set out in the Offer Announcement and the Offer Document, which is within the range and lower than both the simple average and the median for the percentage of shareholding interest for each of the offeror and parties acting in concert (including undertaking shareholders) as at the start for the Selected Successful Privatisations, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices for the Shares and the RNAV in terms of P/NAV ratio, appears in general to be comparable to the Selected Successful Privatisations.
- (x) Fair or favourable comparison with the Selected Successful Delistings. The valuation of the Group as implied by the Offer Price in terms of premiums over last transacted price prior to announcement and the VWAP for the 1-month period prior to announcement respectively appears to be above the range and more favourable than any of the Selected Successful Delistings whilst the premiums for VWAP for the 3-month period prior to announcement was within the range and higher than the simple average and median.

LETTER TO THE SHAREHOLDERS

In addition, the valuation of the Group (as implied by the Offer Price and RNAV per Share) in terms of the P/NAV ratio appears to be within the range, above minimum but below median and average for the Selected Successful Delistings. When considered in the context of the shareholdings of the Offeror and its Concert Parties (including Undertaking Shareholders) as set out in the Offer Announcement and Offer Document, which is within the range, but lower than the median but higher than the simple average as at the start for the Selected Successful Delistings, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices for the Shares and the RNAV per Share in terms of P/NAV ratio, appears in general to be comparable to the Selected Successful Delistings.

- (xi) *Favourable comparison with the Share price after the Completion of the Share Consolidation. The Offer price represents a premium of approximately 105.1% over S\$0.585 per Share on SGX-ST on 8 January 2016, being the market day of the Shares immediately after the completion of the Share Consolidation.*
- (xii) *Favourable comparison, in general with the highest or average price paid per Share for the 2017 Purchased Shares and 2016 Purchased Shares.*
- (e) *As at the Offer Announcement Date, the Offeror and its Concert parties (including Undertaking Shareholders) held 67,295,425 Shares, constituting approximately 55.14% of the issued Share capital of the Company (excluding treasury Shares). Accordingly, the Offeror already has statutory control over the Company, which places the Offeror and its Concert Parties (including Undertaking Shareholders) in a position to have significant influence, inter-alia, on the management, operating and financial policies of the Company and ability to pass all ordinary resolution on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of Shareholders. Subsequent to the Offer Announcement Date to the Latest Practicable Date, the Offeror did not make any further announcement in connection with changes in its shareholding in the Company or further purchases of Shares. Competing offer for the Shares (if any) is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares that the Offeror and its Concert Parties (including Undertaking Shareholders) hold. In addition, in Section 9.6 of the IFA letter, the directors have confirmed that apart from the Offeror, no other third parties have approached the Company with an intention to make an offer. Thus, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced.*
- (f) *Our analysis as set out in paragraph 9.2 of this Letter suggests that the Company's dividend payout is better than any of the Selected Comparable Companies (save for Sin Ghee Huat). The Company's dividend yield in respect of its most recent financial year as implied by the Offer Price is more favourable than most of the Selected Comparable Companies (save for Asia Enterprises) but lower than the dividend yield of STI ETF. On balance, the dividend yield for the Group as implied by the Offer Price is favourable when compared to most of the Selected Comparable Companies (save for Asia Enterprises).*
- (g) *As at the Latest Practicable Date, the Offer is conditional upon the 90 per cent. Acceptance Condition. The Offeror does not intend to preserve the listing status of the Company.*
- (h) *As set out in the Offer Document, the Offer Price is final and the Offeror does not intend to increase the Offer Price.*
- (i) *The Directors' confirmation that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.*
- (j) *Other considerations are set out in paragraph 9 or other such sections of this Letter.*

LETTER TO THE SHAREHOLDERS

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

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

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

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

- (i) Fair or favourable comparison with the valuation of the Selected Comparable Companies in terms of LTM EV/EBITDA and LTM PER ratios and P/NAV or P/NTA ratios. Furthermore the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share), is in general favourable as compared to the Selected Comparable Companies on a similar basis. The comparison were made taking into account: (a) the Group’s relatively better financial position (in terms of total liabilities to shareholders’ equity and total borrowings to shareholders’ equity ratios), and Group’s financial performance in terms of the LTM ROE and LTM net profit margin which appears to be within the range, with the former in line with the median and simple average whereas the latter is higher than any of the Selected Comparable Companies (save for Sin Ghee Huat); and (b) the fact that the Offeror and its Concert Parties (including Undertaking Shareholders) had already a majority control over the Company as at the Offer Announcement Date. In addition, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and the Group’s RNAV and RNTA per Share) as well as LTM EV/EBITDA ratio appears to be higher than any of the Selected Comparable Companies, whilst the valuation of the Group in terms of LTM PER (as implied by the Offer Price) appears to be within the range of the Selected Comparable Companies and higher than simple average and median for Selected Comparable Companies.*
- (ii) Fair or favourable comparison with the Selected Successful Privatisations in terms of both premiums over historical prices for the Shares and the valuation of the Group (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of P/NAV or the P/NTA ratio, appears in general to be comparable to the Selected Successful Privatisations. This should be viewed in conjunction with the fact that the Offeror and its Concert Parties (including Undertaking Shareholders) had already a majority control over the Company as at the Offer Announcement Date.*
- (iii) Fair or favourable comparison with the Selected Successful Delistings in terms of both premiums over historical prices for the Shares and the valuation of the Group (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of P/NAV or the P/NTA ratio, appears in general to be comparable to the*

LETTER TO THE SHAREHOLDERS

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

- (iv) Substantial premiums implied by the Offer Price over the historical prices for the Shares prior to the Offer Announcement Date considering, inter-alia, (a) the implied premium of approximately 51.9% over the last transacted price prior to the Offer Announcement Date; and (b) the implied premiums of approximately 52.9%, 56.7%, 56.7% and 57.0% over the VWCP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Offer Announcement Date. The implied premium over the historical prices for the Shares appears in general to be comparable to both the Selected Successful Privatisations and the Selected Successful Delistings.*
- (v) As set out in the Offer Document and confirmed by the Directors, the Shares have not been transacted above the Offer Price since May 2013.*
- (vi) Favourable comparison of the Offer Price against the Share price following the Share Consolidation and in general favourable comparison with the highest or average price paid per Share for the 2017 Purchased Shares and 2016 Purchased Shares.*

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

- (i) As set out in the Offer Announcement and the Offer Document, the Offeror and its Concert Parties (including Undertaking Shareholders) had already a statutory control of the Company, which places the Offeror in a position to significantly influence, inter-alia, the management, operating and financial policies of the Company and is in a position to pass all ordinary resolutions on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of Shareholders.*
- (ii) Fair or favourable comparison with the Selected Successful Privatisations in terms of premiums over historical prices for the Shares. This should be viewed in conjunction with the fact that the Offeror and its Concert Parties (including Undertaking Shareholders) had already a majority control over the Company as at the Offer Announcement Date.*
- (iii) Fair or favourable comparison with the Selected Successful Delistings in terms of premiums over historical prices for the Shares. This should be viewed in conjunction with the fact that the Offeror and its Concert Parties (including Undertaking Shareholders) had already a majority control over the Company as at the Offer Announcement Date.*
- (iv) Substantial premiums implied by the Offer Price over the historical prices for the Shares prior to the Offer Announcement Date.*
- (v) As set out in the Offer Document, the Shares have not been transacted above the Offer Price since May 2013.*
- (vi) Favourable comparison of the Offer Price against the Share price following the Share Consolidation and in general favourable comparison with the 2017 Purchased Shares and 2016 Purchased Shares.*
- (vii) The Director's confirmation that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.*

LETTER TO THE SHAREHOLDERS

- (viii) *While the transacted prices for the Shares subsequent to the Offer Announcement Date may have been underpinned by the Offer and the trading for the Shares on a daily basis may have (in general) increased subsequent to the Offer Announcement Date and till the Latest Practicable Date (as compared to the 1-year period prior to the Offer Announcement Date), there is no assurance that the trading activities for the Shares will be maintained at such levels or that the transacted prices for the Shares will be maintained after the closing of the Offer. In particular, there is no assurance that interest in the Shares will be maintained after the Offer as the possibility of an alternative offer from parties other than the Offeror is low in view of the Offeror' and Concert Parties (including Undertaking Shareholders) majority control as represented by the percentage of the total number of Shares that it holds.*
- (ix) *Low liquidity for the Shares (in terms of daily average trading volume) prior to the Offer Announcement Date.*

ACA's Recommendation on the Offer

*Based on our assessment of the financial terms of the Offer as set out above, we advise the Independent Directors that they should recommend that Shareholders **ACCEPT** the Offer. In addition, the Offer represent a realistic opportunity for Shareholders to realise their entire investment in cash taking into account, inter-alia, the low liquidity for the Shares (in terms of daily average trading volume) prior to the Offer Announcement Date and that the Share price have not transacted above the Offer Price since May 2013 and exceeds the highest closing price for the Shares in the past one year period and up to and including the Last Trading Day.*

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

In the event that Shareholders are concerned about the liquidity and the prices at which they can realise their investments in the Offer Shares (including whether they can realize their investments at prices higher than the Offer Price after deducting related expenses), acceptance of the Offer will provide certainty of exit at the Offer Price. However, in the event that Shareholders are able to dispose the Offer Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling the Offer Shares in the open market. It should be noted that for the period commencing on the Market Day immediately after the Offer Announcement Date to the Latest Practicable Date, the transacted prices for the Shares have always been lower than the Offer Price and the Offer Price represents a small premium of approximately 1.7% over the last transacted price of S\$1.18 per Share on the SGX-ST on 19 July 2019, being the Latest Practicable Date.

Shareholders should read and consider carefully all the considerations relied upon by the IFA, in arriving at its advice to the Independent Directors, in conjunction with and in the context of the full text of the IFA Letter.

9.4 Recommendation of the Independent Directors

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

LETTER TO THE SHAREHOLDERS

Shareholders should note that the IFA's advice and the recommendation of the Independent Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer. In making their recommendation, both the IFA and the Independent Directors have not had regard to the general or specific investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any individual Shareholder. Accordingly, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to his or her investment objectives or portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

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

10. OVERSEAS SHAREHOLDERS

Section 9 of the Offer Document sets out information in relation to Overseas Shareholders, extracts of which are set out in italics below.

9. OVERSEAS SHAREHOLDERS

*The availability of the Offer to Shareholders whose addresses are outside Singapore as shown on the register of members of the Company or in the records of CDP (as the case may be) (each, an "**Overseas Shareholder**") may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, Overseas Shareholders should inform themselves of, and observe any applicable requirements in the relevant overseas jurisdictions. Overseas Shareholders should also exercise caution in relation to the Offer, as this Offer Document, the FAA and the FAT have not been reviewed by any regulatory authority in any overseas jurisdiction. **Where there are potential restrictions on sending this Offer Document, the FAAs and/or the FATs to any overseas jurisdiction, the Offeror, OCBC Bank, CDP and the Receiving Agent each reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom this Offer Document, the FAAs and/or the FATs have not been, or may not be, sent.***

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

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

Overseas Shareholders may, nonetheless, obtain copies of this Offer Document, the FAA and/or the FAT and any related documents, during normal business hours and up to 5.30 p.m. (Singapore time) on the Closing Date, from the Offeror through its Receiving Agent,

LETTER TO THE SHAREHOLDERS

RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place, #29-01, Republic Plaza Tower 1, Singapore 048619, or The Central Depository (Pte) Limited at 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588.

Alternatively, an Overseas Shareholder may write to the Offeror through the Receiving Agent at the address listed above or The Central Depository (Pte) Limited at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, to request for this Offer Document, the FAA and/or the FAT and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Shareholder's own risk, up to five (5) Market Days prior to the Closing Date.

*It is the responsibility of any Overseas Shareholder who wishes to (a) request for this Offer Document, the FAA and/or the FAT and/or any related documents, or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including OCBC Bank) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including OCBC Bank) may be required to pay. In (i) requesting for this Offer Document, the FAA and/or the FAT and/or any related documents and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and OCBC Bank 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 should consult his professional adviser in the relevant jurisdiction.***

The Offeror and OCBC Bank each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Overseas Shareholders by announcement to the SGX-ST or notice and if necessary, by 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, notice or advertisement.

11. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

Section 11.3 of the Offer Document sets out information pertaining to CPFIS Investors and SRS Investors, extracts of which are set out in italics below.

11.3 Information Pertaining to CPFIS and SRS Investors

CPFIS Investors and SRS Investors should receive further information on how to accept the Offer from their respective CPF Agent Banks and SRS Agent Banks. 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 Offer are to 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. CPFIS Investors and SRS Investors will receive the Offer Price payable in respect of their Offer Shares validly tendered in acceptance of the Offer through appropriate intermediaries in their respective CPF investment accounts and SRS investment accounts.

LETTER TO THE SHAREHOLDERS

12. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than **5.30 p.m. (Singapore time) on 16 August 2019** or such later date(s) as may be announced from time to time by or on behalf of the Offeror, abiding by the procedures for the acceptance of the Offer as set out in Appendix VI to the Offer Document, the FAA and/or the FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by CDP (in respect of the FAA) or the Share Registrar (in respect of the FAT), as the case may be, not later than **5.30 p.m. (Singapore time) on 16 August 2019** or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

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

13. CONSENTS

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular and the IFA Letter in Appendix I of this Circular, and all references thereto in the form and context in which they appear in this Circular.

The Auditor has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, the independent auditor's report in relation to the audited financial statements of the Group for FY2018 in Appendix III of this Circular, and all references thereto in the form and context in which they appear in this Circular.

The Valuer has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular and the Valuation Report set out in Appendix VI of this Circular, and all references thereto in the form and context in which they appear in this Circular.

14. DIRECTORS' RESPONSIBILITY STATEMENT

The recommendation of the Independent Directors to Shareholders set out in Section 9.4 of this Circular is the sole responsibility of the Independent Directors. Save for the foregoing, the Directors (including any Director who may have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Circular (other than those relating to the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror, the Offer, the IFA Letter and the Valuation Report) are fair and accurate and that no material facts have been omitted from this Circular, the omission of which would make any statement in this Circular misleading.

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

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

The Directors jointly and severally accept full responsibility accordingly.

LETTER TO THE SHAREHOLDERS

15. ADDITIONAL INFORMATION

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

Yours faithfully

For and on behalf of the Board

Mr Lim Chee San
Non-Executive Chairman, Independent Director

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

LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE INDEPENDENT DIRECTORS OF HUPSTEEL LIMITED

ASIAN CORPORATE ADVISORS PTE. LTD.

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

160 Robinson Road #21-05
SBF Center
Singapore 068914

The Independent Directors (as hereinafter defined)
Hupsteel Limited
116 Neythal Road
Singapore 628603

2 August 2019

VOLUNTARY CONDITIONAL CASH OFFER BY OVERSEA-CHINESE BANKING CORPORATION LIMITED ("OCBC BANK"), FOR AND ON BEHALF OF HERCULES PTE. LTD. (THE "OFFEROR"), FOR THE OFFER SHARES (AS DEFINED HEREIN)

Unless otherwise defined or where the context otherwise requires, all terms used herein shall have the same meanings as defined in the circular dated 2 August 2019 (the "Circular").

1. INTRODUCTION

On 28 June 2019 ("**Offer Announcement Date**" or "**Announcement Date**"), Oversea-Chinese Banking Corporation Limited ("**OCBC Bank**") announced (the "**Offer Announcement**" or "**Announcement**"), for and on behalf of Hercules Pte. Ltd. or the Offeror, that the Offeror intends to make a voluntary conditional cash offer (the "**Offer**") for all the issued and paid-up ordinary shares (the "**Shares**") in the capital of Hupsteel Limited (the "**Company**"), other than any Shares held in treasury and those Shares held, directly or indirectly, by the Offeror as at the date of the Offer (the "**Offer Shares**"). The Offer for the Offer Shares will be made in accordance with Rule 15 of The Singapore Code on Take-overs and Mergers ("**Code**").

On 19 July 2019, OCBC Bank, for and on behalf of the Offeror announced that the offer document dated 19 July 2019 issued by the Offeror ("**Offer Document**"), setting out, *inter-alia*, the terms and conditions of the Offer and enclosing the relevant form(s) of acceptance has been despatched to the shareholders of the Company ("**Shareholders**").

Asian Corporate Advisors Pte. Ltd. ("**ACA**") has been appointed as the independent financial adviser ("**IFA**") to advise the directors of the Company ("**Directors**"), who are independent for the purpose of making a recommendation to the Shareholders in relation to the Offer ("**Independent Directors**"). We note from the Circular that the Independent Directors comprise Mr. Philip Chan Kam Loon and Mr. Lim Chee San.

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

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

2. TERMS OF REFERENCE

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

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

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

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at 19 July 2019 (the "**Latest Practicable Date**"), and therefore does not reflect expected financial performance after the nine (9) months financial period ended 31 March ("**9M**") 2019 ("**9M2019**") for the Group. Accordingly, we have not commented on or assessed the expected future performance or prospects of the Company or the Group or the Shares, irrespective of the outcome of the Offer. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account the future or prospective performance and neither are we responsible for it or for any updates pursuant to any announcements subsequent to the issuance of this Letter or the timing of the Offer or the dates for issuance of the Circular. Accordingly, any estimates or analysis or evaluation of the merits of the Company or the Group or the Shares in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or appraisal of the Group's assets and liabilities (including without limitation, property, plant and equipment and investment properties held) or contracts entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group save for the valuation reports dated 19 July 2019 ("**Independent Valuation Report**") issued by CKS Property Consultants Pte. Ltd. (the "**Independent Valuer**" or "**Valuer**") in

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

respect of the market value of the Group's selected properties under property, plant and equipment and investment properties held (collectively, the "**Appraised Properties**" as at 30 June 2019 ("**Valuation Date**")). The Independent Valuation Report is attached as Appendix VI to the Circular. With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, property, plant and equipment and investment properties held) including, *inter-alia* where applicable the contracts that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors. The Directors confirm that they are aware of and satisfied with the selection of the Appraised Properties for the valuation exercise and having reviewed the Independent Valuation Report (*inter-alia*, the assumptions, methodology used and information relied upon by the Independent Valuer) as a whole and individually (where applicable), they are of the opinion that the assumptions and methodology of the Independent Valuation Report are reasonable.

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Group as reflected in the unaudited financial statements for 9M2019 and the audited financial statements for the Group for the financial year ended 30 June ("**FY**" or "**FYE**") 2018 ("**FY2018**") are true and fair. The Directors have also confirmed that to the best of their knowledge, nothing has come to their attention which may render the Group's unaudited financial statements for 9M2019 and the audited financial statements for FY2018 to be false or misleading in any material aspect. In addition, the Directors have confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter-alia* the valuation or appraisal of assets and liabilities, the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information to be untrue, inaccurate, incomplete or misleading.

The Directors further confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Group's audited financial statements for FY2018 and the unaudited financial statements for 9M2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

Our opinion in this Letter is based on economic, market, industry, monetary and other conditions (if applicable), and the information provided to us, as at the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter-alia*, includes general as well as company-specific or industry-specific conditions or sentiments or factors or levels of acceptances after the Latest Practicable Date. The Independent Directors should note that our evaluation is based solely on publicly available information and such other information provided by the Company or its Directors or Management as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after 9M2019 for the Group or developments (both macro and company-specific) and that these factors do and will necessarily affect the evaluation of the Offer and our recommendation or opinion or views.

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

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group before and after the Offer. We are therefore not expressing any view herein as to the returns that the Shareholders may have owning the Shares upon completion or close of the Offer or on the future financial performance of the Company or the Group or the plans (if any) that the Offeror may have for the Company. In rendering our advice and giving

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

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

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

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

3. TERMS AND CONDITIONS OF THE OFFER

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

“2. THE OFFER

2.1 Consideration

For each Offer Share: S\$1.20 in cash (the “Offer Price”).

The Offer Price is final and the Offeror does not intend to revise the Offer Price.

2.2 Offer Shares

The Offer is extended, on the same terms and conditions, to all the Shares, other than any Shares held in treasury and those Shares held, directly or indirectly, by the Offeror as at the date of the Offer (the “Offer Shares”).

2.3 No Encumbrances

The Offer Shares will be acquired (a) fully paid, (b) free from all liens, equities, mortgages, claims, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever (“Encumbrances”), and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all Distributions, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

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

2.4 Adjustment for Distributions

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

In the event any Distribution is or has been announced, declared, paid or made by the Company on or after the Offer Announcement Date to a Shareholder who validly accepts or has validly accepted the Offer, the Offer Price payable to such accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution depending on when the settlement date in respect of the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer 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 Offeror shall pay the relevant accepting Shareholders the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; or
- (b) if such settlement date falls after the Books Closure Date, the Offer Price shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Shares from the Company.

2.5 Conditional Offer

The Offer is conditional upon the Offeror having received, by the Closing Date, valid acceptances (which have not been withdrawn) 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 (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror holding such number of Shares carrying more than 90% of the voting rights attributable to the Shares (excluding any Shares held in treasury) as at the Closing Date (the “**Acceptance Condition**”).

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the Closing Date, unless at any time prior to the Closing Date, the Offeror has received valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, when taken together with Shares owned, controlled or agreed to be acquired by the Offeror (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror meeting the Acceptance Condition.

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

2.6 No Options

As of the Latest Practicable Date, based on publicly available information, there are no outstanding options exercisable in respect of the Shares.

2.7 Warranty

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

2.8 Duration of the Offer

(a) Closing Date

Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances by Shareholders for a period of at least 28 days from the date of despatch of this Offer Document.

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

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 16 August 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

(b) Offer to Remain Open for 14 Days after being Declared Unconditional as to Acceptances

Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared to be unconditional as to acceptances, the Offer will remain open for acceptance for not less than 14 days after the date on which it would otherwise have closed, in order to give those Shareholders who have not accepted the Offer the opportunity to do so. This requirement does not apply if, before the Offer becomes or is declared to be unconditional as to acceptances, the Offeror has given notice in writing to the Shareholders at least 14 days before the specified Closing Date that the Offer will not be open for acceptance beyond that date, provided that such notice may not be given, or if already given, shall not be capable of being enforced in a competitive situation. If a declaration that the Offer is unconditional as to acceptances is confirmed in accordance with paragraph 2(a) of **Appendix V** to this Offer Document, such period of not less than 14 days during which the Offer shall remain open for acceptance will run from the date of such confirmation, or the date on which the Offer would otherwise have expired, whichever is later.

(c) Final Day Rule

Pursuant to Rule 22.9 of the Code, the Offer (whether revised or not) will not be capable of becoming or being declared to be unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the date of despatch of this Offer Document or of being kept open after the expiry of such period, unless it has previously become or been declared to be unconditional as to acceptances, except with the permission of the SIC. The SIC will consider granting such permission in circumstances including but not limited to where a competing offer has been announced.

(d) Revision

The Offeror does not intend to revise the Offer Price. Notwithstanding the foregoing, Shareholders should note that pursuant to Rule 20.1 of the Code, the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders, including those who had previously accepted the Offer.

(e) Subsequent Closing Date

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

(f) No Obligation to Extend Offer

The Offeror is not obliged to extend the Offer if the Acceptance Condition is not fulfilled by the Closing Date(s).

2.9 Details of the Offer

Appendix V to this Offer Document sets out further details on (a) the settlement of the consideration for the Offer, (b) the requirements relating to the announcement of the level of acceptances of the Offer, and (c) the right of withdrawal of acceptances of the Offer.

2.10 Procedures for Acceptance

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

We note that the Offeror has stated that the Offer Price is final and the Offeror does not intend to revise the Offer Price.

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

In addition, we note that whilst the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution (defined later) that may be announced, declared, paid or made by the Company on or after the Offer Announcement Date, there has been as at the Latest Practicable Date, no announcement for any dividends.

The Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) 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 (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror holding such number of Shares carrying more than 90% of the voting rights attributable to the Shares (excluding any Shares held in treasury) as at the close of the Offer (the "**Acceptance Condition**").

Further we note that save for the Acceptance Condition, the Offer will be unconditional in all other respects.

We note that pursuant to the Offer Document, the Offer will close at 5.30 p.m. (Singapore time) on 16 August 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror ("**Closing Date**").

4. INFORMATION ON THE CONSORTIUM AND THE OFFEROR

The information on the consortium ("**Consortium**") which comprises persons named in Appendix I of the Offer Document is set out in italics below has been extracted from Section 4 of the Offer Document. Shareholders should also refer to Appendices II and III of the Offer Document for additional information on the Offeror. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"4. INFORMATION ON THE CONSORTIUM AND THE OFFEROR"

4.1 The Lim Family Consortium

*The consortium comprises the persons named in Appendix I to this Offer Document, who are members of the founding Lim family and their respective family holding companies (each, a "**Consortium Member**", and collectively, the "**Consortium Members**").¹ As at the Latest Practicable Date, the Consortium Members own or control an aggregate of 66,100,020 Shares, representing approximately 54.16% of the total number of issued Shares, details of which are set out in paragraph 5.1 of this Offer Document.*

4.2 The Offeror

*The Offeror is a special purpose vehicle incorporated in Singapore for the purposes of the Offer. The Offeror is the bid vehicle for the Consortium Members which comprises members of the Lim family. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$4.00, consisting of four (4) ordinary shares (the "**Offeror Shares**"), which are held by the shareholders as follows:*

Shareholders of the Offeror	Shareholding Percentage
Mr. Lim Beo Peng	25.00%
Mr. Lim Boh Chuan	25.00%
Mr. Lim Kim Thor	25.00%
Mr. Lim Yee Kim	25.00%
Total	100.00%

The board of directors of the Offeror comprises Mr. Lim Beo Peng, Mr. Lim Boh Chuan, Mr. Lim Kim Thor and Ms. Tan Yee Peng.

¹ *The relationships between each Consortium Member are set out in **Appendix I** of the Offer Document.*

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

4.3 Consortium Arrangements

The Consortium Members have agreed to form a consortium through the Offeror to undertake the Offer and have on the Offer Announcement Date, entered into the following arrangements (collectively, the **“Consortium Arrangements”**):

- (a) Hennfa Investments Pte Ltd (**“Hennfa”**) has provided an irrevocable undertaking in favour of the Offeror (the **“Hennfa Irrevocable Undertaking”**), pursuant to which Hennfa undertook and/or agreed to, *inter alia*, the following:
- (i) to accept the Offer in respect of all the Shares held by it;
 - (ii) to waive its right under Rule 30 of the Code to receive any cash settlement or payment for acceptance of the Offer; and
 - (iii) that the total cash consideration that would be payable by the Offeror to Hennfa for such acceptance (the **“Hennfa Proceeds”**) will be regarded as an interest-free loan extended by Hennfa to the Offeror, and Hennfa shall assign to each of the shareholders of Hennfa (namely, Yee Kim Holdings Pte. Ltd., Pit Hong Holdings Pte. Ltd., Mr. Lim Puay Koon, Mr. Lim Boh Chuan, Mr. Lim Kim Thor, Mr. Lim Eng Chong and Mr. Lim Kim Hock) (the **“Hennfa Shareholders”**) its rights to receive (and the benefit of receiving) the Hennfa Proceeds, in accordance with the terms of the Consortium Agreement (as defined below);
- (b) each Consortium Member who holds Shares directly in the Company (namely, Mr. Lim Puay Koon, Mr. Lim Boh Chuan, Mr. Lim Kim Thor, Mr. Lim Eng Chong, Mr. Lim Beo Peng, Mr. Lim Kim Hock, Mr. Lim Yee Kim, Mr. Lim Kok Seng, Mr. Lim Han Leong, Ms. Tan Lean Choo, Ms. Lim Lay Tin, Mr. Lim Kok Wah, Ms. Tan Yee Peng, Mr. Stanley Lim Beo Loon and Mr. Lim Boh Wee) (the **“Relevant Consortium Members”**) has provided an irrevocable undertaking in favour of the Offeror (collectively, the **“Individual Irrevocable Undertakings”**), pursuant to which the Relevant Consortium Members undertook and/or agreed to, *inter alia*, the following:
- (i) to accept or procure the acceptance of the Offer in respect of all the Shares owned by them;
 - (ii) to waive their rights under Rule 30 of the Code to receive any cash settlement or payment for acceptance of the Offer in respect of all their Shares (excluding those Shares owned by the Relevant Consortium Members, which were purchased using their CPF contributions pursuant to the CPFIS (the **“Relevant CPFIS Shares”**));² and
 - (iii) that the total cash consideration that would be payable by the Offeror to the Relevant Consortium Members for accepting the Offer in respect of all their Shares excluding the Relevant CPFIS Shares (the **“Relevant Consortium Members Proceeds”**) will be regarded as interest-free shareholders’ loans extended by the Relevant Consortium Members to the Offeror in accordance with the terms of the Consortium Agreement; and
- (c) a consortium agreement (the **“Consortium Agreement”**), pursuant to which the Consortium Members agreed to, *inter alia*, the following:
- (i) the formation of a consortium to make the Offer through the Offeror and to privatise the Company by way of compulsory acquisition (if invoked) (the **“Transaction”**);
 - (ii) that all matters relating to the Offer shall require the unanimous approval of the Consortium Members;
 - (iii) the aggregate of the consideration amount payable by the Offeror for the acquisition of the Offer Shares, less the Consortium Amount, shall be funded by external bank loans provided to the Offeror (the **“Bank Loans”**);

² Mr. Lim Kim Thor owns 36,000 Shares, which were purchased using his CPF contributions pursuant to the CPFIS. Accordingly, Mr. Lim Kim Thor will not waive his rights under Rule 30 of the Code in respect of these 36,000 Relevant CPFIS Shares and these 36,000 Relevant CPFIS Shares will not form part of the Relevant Consortium Members Proceeds.

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

- (iv) each of Mr. Lim Kim Thor, Mr. Lim Boh Chuan, Mr. Lim Puay Koon, Mr. Lim Beo Peng, Mr. Lim Eng Chong and Mr. Lim Yee Kim shall provide a personal guarantee for the Bank Loans; and
- (v) following the completion of the Transaction:
 - (A) in relation to the Shares held directly by Hennfa:
 - (1) a portion of the Hennfa Proceeds³ will be capitalised into new Offeror Shares to be allotted and issued to the Hennfa Shareholders; and
 - (2) the consideration payable by the Hennfa Shareholders for the subscription of such new Offeror Shares shall be set-off against such amount of Hennfa Proceeds to be capitalised, and the balance amount of Hennfa Proceeds shall remain as interest-free shareholders' loans extended by the Hennfa Shareholders to the Offeror; and
 - (B) in relation to the Shares held directly by the Relevant Consortium Members:
 - (1) a portion of the Relevant Consortium Members Proceeds³ will be capitalised into new Offeror Shares to be allotted and issued to the Relevant Consortium Members; and
 - (2) the consideration payable by the Relevant Consortium Members for the subscription of such new Offeror Shares shall be set-off against such amount of Relevant Consortium Members Proceeds to be capitalised, and the balance amount of Relevant Consortium Members Proceeds shall remain as interest-free shareholders' loans extended by the Relevant Consortium Members to the Offeror.

The SIC has confirmed that the Consortium Arrangements do not constitute special deals for the purpose of Rule 10 of the Code.”

³Pursuant to the Consortium Agreement, the Consortium Members have agreed that the aggregate amount of the Hennfa Proceeds and the Relevant Consortium Members Proceeds to be capitalised will be S\$20,000,000 (or such other amount as the Consortium Members and the Offeror may otherwise agree), and the balance amount of the Hennfa Proceeds and the Relevant Consortium Members Proceeds shall remain as interest-free shareholders' loans extended to the Offeror”.

We note that the Offeror is a special purpose vehicle incorporated in Singapore for the purposes of the Offer, and is the bid vehicle for the members of the Consortium (“**Consortium Members**”) which comprises members of the Lim family. As at the Latest Practicable Date, the Consortium Members own or control an aggregate of 66,100,020 Shares, representing approximately 54.16% of the total number of issued Shares.

In addition, the Consortium Members have agreed to form the Consortium through the Offeror to undertake the Offer and have on the Offer Announcement Date, entered into the following arrangements, which *inter-alia* includes:

- a. Hennfa Investments Pte Ltd (“**Hennfa**”) providing an irrevocable undertaking in favour of the Offeror (the “**Hennfa Irrevocable Undertaking**”), pursuant to which Hennfa undertook and/or agreed to, *inter-alia*, to accept the Offer in respect of all the Shares held by it.
- b. Each of the Consortium Member (as named in Section 4.3 (b)) who holds Shares directly in the Company (the “**Relevant Consortium Members**”) providing an irrevocable undertaking in favour of the Offeror (collectively, the “**Individual Irrevocable Undertakings**”), pursuant to which the Relevant Consortium Members undertook and/or agreed to, *inter-alia*, to accept or procure the acceptance of the Offer in respect of all the Shares owned by them.

Additional information on the resultant position or shareholding in the Offeror can be found in Section 4.4 of the Offer Document.

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

5. INFORMATION ON THE COMPANY

Information and additional general information on the Company are set out in Section 3 and Appendix II of the Offer Document and the Circular.

6. THE RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTION FOR THE COMPANY

The rationale for the Offeror, the Offeror's intention relating to the Company and the listing status and compulsory acquisition, are set out in italics below has been extracted from Sections 6 and 8 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

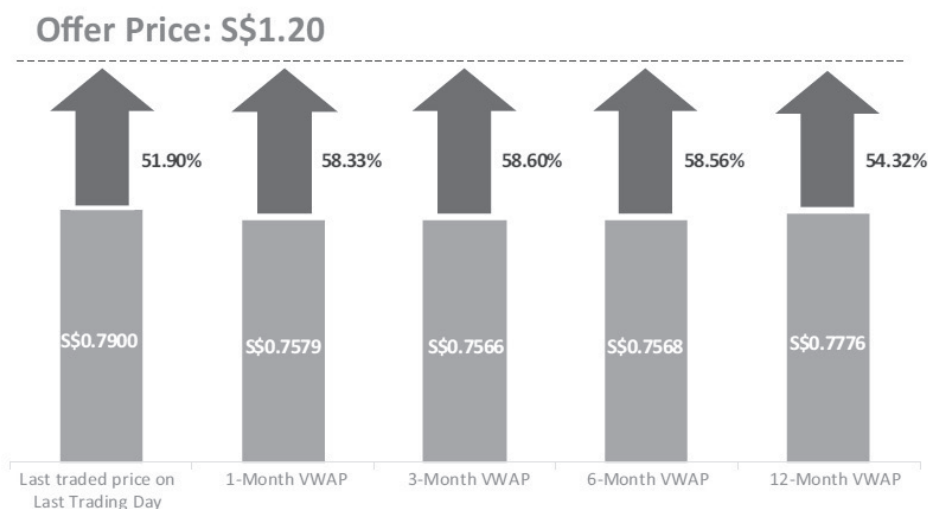
"6. RATIONALE FOR THE OFFER

6.1 Low Trading Liquidity of Shares

The trading volume of the Shares has been generally low, with an average daily trading volume⁴ of approximately 113,814 Shares, 71,921 Shares, 41,867 Shares and 29,318 Shares during the respective one (1)-month period, three (3)-month period, six (6)-month period and 12-month period up to and including the Last Trading Day. Each of these represents less than approximately 0.10% of the total number of issued Shares for any of the aforementioned relevant periods.

The Offer therefore provides Shareholders who find it difficult to exit the Company as a result of the low trading volume in Shares with a compelling cash exit opportunity to liquidate and realise their investment in the Shares at a premium to the prevailing market prices which would otherwise not be readily available given the low trading liquidity. The Offer will also provide Shareholders with a cash exit opportunity amidst an uncertain economic environment in part due to the ongoing US-Sino trade dispute.

6.2 Opportunity for Shareholders to Exit their Investment at a Compelling Premium



The Shares have not been transacted on the SGX-ST at or above the Offer Price since May 2013. The Offer Price represents a compelling premium of approximately 51.90% over the last traded price per Share of S\$0.790 on the Last Trading Day.

⁴ Calculated by using the total volume of Shares traded as extracted from Bloomberg L.P. divided by the number of Market Days with respect to the one (1)-month period, three (3)-month period, six (6)-month period and 12-month period respectively up to and including the Last Trading Day (being 27 June 2019).

When compared to the benchmark prices of the Shares up to and including the Last Trading Day, the Offer Price also represents a compelling premium of approximately 58.33%, 58.60%, 58.56% and

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

54.32% over the volume weighted average price (“**VWAP**”) per Share for the one (1)-month, three (3)-month, six (6)-month and 12-month periods, respectively.

The Offer presents Shareholders with an attractive cash exit opportunity to realise their entire investment in Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

6.3 No Necessity for Access to Equity Capital Markets

Since 2008, the Company has not carried out any exercise to raise equity capital on the SGX-ST. The Company is unlikely to require access to Singapore equity capital markets to finance its operations in the foreseeable future as the Company has various other available funding sources such as bank borrowing facilities. Accordingly, it is not necessary for the Company to maintain a listing on the SGX-ST.

6.4 Greater Management Flexibility

The Offeror is making the Offer with a view to delisting the Company from the SGX-ST and exercising any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act. The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources and facilitate the implementation of any operational change.

6.5 Compliance Costs of Maintaining Listing

In maintaining its listed status, the Company incurs compliance and associated costs. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses relating to the maintenance of a listed status and focus its resources on its business operations.”

“8. LISTING STATUS AND COMPULSORY ACQUISITION

8.1 Listing Status

Under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of issued Shares is at all times held in public hands (the “**Free Float Requirement**”). Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert with the Offeror to above 90% of the total number of issued Shares, the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued Shares are held by at least 500 Shareholders who are members of the public.

Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares, thus causing the percentage of the total number of issued Shares held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not satisfied, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.

8.2 Compulsory Acquisition

Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror receives valid acceptances pursuant to the Offer and/or acquires Shares otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer (the “**Dissenting Shareholders**”) at a price equal to

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

the Offer Price.

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total number of issued Shares, the Dissenting Shareholders will have a right to require the Offeror to acquire their Shares at the Offer Price. Such Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

8.3 Offeror's Intentions

The Offeror does not intend to preserve the listing status of the Company. In the event that, inter alia, the Free Float Requirement is not satisfied, the Offeror intends to delist the Company and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted. Furthermore, the Offeror, if and when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act. In addition, the Offeror intends to, and hereby reserves its right, to take steps at an appropriate time, whether during or after the Offer, to seek a voluntary delisting of the Company from the SGX-ST, where permitted by, and in accordance with, the relevant requirements of the Listing Manual and the Code.

The Offeror has no current intentions to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Company or its subsidiaries, in each case, other than in the ordinary and usual course of business. However, the Offeror retains the flexibility at any time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the interest of the Company."

7. IRREVOCABLE UNDERTAKINGS

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

*"Pursuant to the Hennfa Irrevocable Undertaking and the Individual Irrevocable Undertakings (collectively, the **"Irrevocable Undertakings"**), the Offeror has received irrevocable undertakings to accept the Offer in respect of 66,100,020 Shares, representing approximately 54.16% of the total number of issued Shares."*

Details of Hennfa and the Relevant Consortium Members (collectively, the **"Undertaking Shareholders"**) and the number of Shares to be tendered in acceptance of the Offer by the Undertaking Shareholders pursuant to their respective Irrevocable Undertakings can be found in Section 5 of the Offer Document.

We note that each of the Irrevocable Undertakings will terminate or lapse if the Offer is withdrawn or lapses, or fails to become or be declared to be unconditional in all respects for whatever reason.

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

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

8. FINANCIAL ASSESSMENT OF THE OFFER

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

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

These factors are discussed in detail in the ensuing sections.

As at the Latest Practicable Date, the Company only has one (1) class of shares, being ordinary Shares, with equal ranking rights to dividend, voting at general meetings and return of capital. We note from Appendix II of the Circular, the issued and paid-up share capital of the Company is S\$107,485,000.00 comprising 122,045,014 Shares (excluding treasury Shares), and the Company holds 3,429,100 treasury Shares as at the Latest Practicable Date.

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

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

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

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

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

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

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

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

8.1 Historical financial performance and position of the Group

The following are extracts from the audited consolidated financial statements of the Group for the FY ended 30 June 2016 (“FY2016”), the FY ended 30 June 2017 (“FY2017”), FY2018 and the unaudited consolidated financial statements for financial period ended 31 March 2018 (“9M2018”) and 9M2019.

Summary of consolidated income statement

Figures in S\$'000⁽¹⁾	Unaudited 9M2019	Unaudited 9M2018	Audited FY2018	Audited FY2017	Audited FY2016
Revenue	50,088	41,491	59,736	49,070	55,750
Other income	1,929	1,294	2,133	1,956	2,028
Other (losses)/gains ⁽²⁾	(20)	2,120	2,095	(466)	(1,264)
Expenses					
- Purchases of inventories ⁽³⁾	(35,302)	(29,955)	(50,067)	(35,314)	(38,215)
- Changes in inventories ⁽³⁾	(4,359)	(1,489)	4,333	(1,602)	(15,398)
- Employee compensation	(5,929)	(5,203)	(7,397)	(6,624)	(7,809)
- Depreciation	(1,410)	(1,442)	(1,922)	(2,011)	(1,979)
- Finance	-	-	-	(1)	(4)
- Other ⁽⁴⁾	(2,843)	(3,258)	(4,469)	(4,259)	(11,406)
Profit/(loss) after tax attributable to equity holders	2,119	3,344	4,659	720	(19,094)

Summary of balance sheets

Figures in S\$'000⁽¹⁾	Unaudited 9M2019	Audited FY2018	Audited FY2017	Audited FY2016
Non-current assets	72,146	71,811	74,724	76,779
Current assets ⁽⁶⁾	95,228	99,670	98,033	97,733
Non-current liabilities	61	39	837	770
Current liabilities ⁽⁶⁾	3,366	7,416	6,672	7,817
Total borrowings ⁽⁵⁾	-	558	140	584
Shareholders' equity	163,948	164,026	165,248	165,925

Summary of consolidated statements of cash flows

Figures in S\$'000⁽¹⁾	Unaudited 9M2019	Audited FY2018	Audited FY2017	Audited FY2016
Net cash generated (used in)/from operating activities	(3,363)	(4,924)	1,399	11,395
Net cash generated (used in)/from investing activities	(1,309)	2,920	(124)	(1,441)
Net cash generated (used in)/from financing activities	(2,999)	(4,815)	(2,213)	(441)
Cash and cash equivalents at end of period	38,512	45,995	52,555	53,614

Notes:

- (1) Figures and computation presented in this section are subjected to rounding. Only extracts of statements are provided.
- (2) Other (losses)/gains comprise inter-alia currency translation losses, (loss)/gain on disposal of property, plant and equipment, investment property write-off etc.
- (3) Gross profit is revenue less of cost of goods sold where cost of goods sold comprises purchases of inventories and changes in inventories.
- (4) Other expenses comprise inter-alia rental, outward freight and handling charges, net (reversal)/impairment loss on trade receivables, property taxes etc.
- (5) The Group has no borrowings as at 31 March 2019.
- (6) Net working capital is defined as current assets less current liabilities.

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

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

(i) Financial performance for FY2018, FY2017 and FY2016

The Group's principal activities consist of trading in industrial steel products, hardware trading and investment holding, based in two primary geographic areas, Singapore and Malaysia. The Group derives its revenue mainly from steel product trading which accounts for approximately 89%, 86% 87% respectively for FY2018, FY2017 and FY2016. Revenue from trading in general hardware makes up for rest of revenue. Singapore accounts for approximately 80%, 93% and 92% of revenue for FY2018, FY2017 and FY2016, with the remaining revenue contribution coming from Malaysia.

The Group's revenue decreased by approximately 12.0% from S\$55.75 million in FY2016 to S\$49.07 million in FY2017 and increased by approximately 21.7% to S\$59.74 million in FY2018. The decline in revenue for FY2017 was caused by *inter-alia* weak demand for the Group's steel products due to prolonged low oil prices in FY2017 which led to lower demand from the marine offshore related businesses. In FY2018, the Group's revenue increase was due mainly to an increase in the demand for pipes and fittings used in oil and gas projects in the second half of FY2018.

The Group recorded gross profit of approximately S\$2.14 million, S\$12.15 million and S\$14.00 million with corresponding gross profit margin of approximately 3.8%, 24.8% and 23.4% in FY2016, FY2017 and FY2018 respectively. Cost of goods sold declined from S\$53.61 million in FY2016 to S\$36.92 million in FY2017 before it increased to S\$45.73 million in FY2018. The Group lowered its cost of goods sold in FY2017 by making small regular purchases and avoided holding slow moving inventory resulting in an improvement in gross profit margins. A stronger US dollar resulted in higher costs of inventory sold in FY2018 as the purchases of steel products were made in US dollars whereas sales was denominated in Singapore dollars resulting in a decline in gross profit margins.

The Group recorded other expenses of approximately S\$11.41 million, S\$4.26 million and S\$4.47 million in FY2016, FY2017 and FY2018 respectively. The decline in other expense in FY2017 was due to a net impairment loss on trade receivables of approximately S\$5.05 million and S\$170 thousand in FY2016 and FY2017 respectively, which was reversed in FY2018 to a reversal gain on trade receivables approximately S\$661 thousand; decline in outward freight and handling charges from approximately S\$1.77 million in FY2016 to approximately S\$839 thousand in FY2017, before increasing to approximately S\$1.18 million in FY2018.

Operating profit before other gains/(losses), defined as revenue after accounting for the purchases of inventories, changes in inventories, employee compensation, depreciation, other income and other expenses, improved from a loss of approximately S\$17.03 million in FY2016 to a profit of approximately S\$1.22 million and S\$2.35 million in FY2017 and FY2018 respectively. The reasons for the improvement, has been explained in the above paragraphs.

Operating profit, defined as profit before tax after deducting interest income and adding back interest expenses, has improved over the period from a loss of approximately S\$19.35 million in FY2016 to an operating loss of approximately S\$262 thousand in FY2017 and an operating profit of approximately S\$3.87 million with corresponding operating profit margins of approximately negative 34.7%, negative 0.5% and positive 6.5% in FY2016, FY2017 and FY2018 respectively. The improvement in operating profit can be attributable, *inter-alia* mainly to a decline in other expenses in FY2017 and an improvement in other gains in FY2018.

Other losses in FY2016 were approximately S\$1.26 million and S\$466 thousand in FY2017 which turned into a gain of approximately S\$2.10 million in FY2018. Other losses in FY2016 and FY2017 were mainly attributable to currency translation losses. Other gains in FY2018 were mainly due to a gain on disposal of investment property of approximately S\$4.52 million partially offset by investment property written off of approximately S\$2.19 million.

The Group recorded losses attributable to equity holders of approximately S\$19.09 million in FY2016 before turning into a profit of approximately S\$720 thousand and approximately S\$4.66 million in FY2017 and FY2018 respectively.

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

(ii) Financial performance for 9M2019 as compared to 9M2018

The Group's revenue increased from approximately S\$41.49 million in 9M2018 to approximately S\$50.09 million in 9M2019, supported by higher sales in the first 6 months of FY2019 across all regions. It is noted that the Group's revenue for 9M2019 is approximately 83.8% of total revenue in FY2018. Gross profit also increased from approximately S\$10.05 million in 9M2018 to approximately S\$10.43 million in 9M2019 with corresponding gross profit margins of approximately 24.2% and 20.8% in 9M2018 and 9M2019 respectively. The decline in the gross profit margin for 9M2019 was due to a stronger US dollar which increased the cost of inventories coupled with higher costs amidst a competitive market which depressed selling prices of the Group's steel products.

The Group registered operating profit before other gains/(losses) of approximately S\$1.44 million and S\$2.17 million in 9M2018 and 9M2019 respectively. The improvement was mainly attributable to (a) an increase in other income (which comprises of rental income, dividends and interest income) from approximately S\$1.29 million in 9M2018 to approximately S\$1.93 million in 9M2019; (b) decline in other expenses from approximately S\$3.26 million to S\$2.84 million in 9M2018 and 9M2019 respectively; and (c) which was offset by staff cost which increased from approximately S\$5.20 million in 9M2018 to S\$5.93 million in 9M2019. Other expenses declined was caused by a write back of allowance for doubtful trade receivables amounting to S\$726 thousand in 9M2018 as compared to write back of allowance of S\$88 thousand in 9M2019.

Operating profit for the Group declined from approximately S\$3.11 million to S\$1.65 million with corresponding operating profit margins of approximately 7.5% and 3.3% in 9M2018 and 9M2019 respectively. The decline is caused by the absence of other gains in 9M2019 which was approximately S\$2.10 million in 9M2018 (as compared to other losses of approximately S\$20 thousand in 9M2019).

The Group recorded profit attributable to equity holders of the Company of approximately S\$3.34 million and approximately S\$2.12 million in 9M2018 and 9M2019 respectively.

(iii) Assets and liabilities

As at 31 March 2019, the Group's total assets amounted to approximately S\$167.37 million, comprising current assets of approximately S\$95.23 million (or approximately 56.9% of the total assets) and non-current assets of approximately S\$72.15 million (or approximately 43.1% of the total assets).

Non-current assets as at 31 March 2019 comprised investment properties of approximately S\$32.18 million; property, plant and equipment of approximately S\$18.55 million, and financial assets at fair value through other comprehensive income of approximately S\$21.42 million.

Current assets as at 31 March 2019 comprised mainly of cash and cash equivalents of approximately S\$38.51 million, trade and other receivables of approximately S\$18.96 million, and inventories of approximately S\$36.72 million.

As at 31 March 2019, the Group's total liabilities amounted to approximately S\$3.43 million; comprising current liabilities of approximately S\$3.37 million (or approximately 98.2% of the total liabilities) and non-current liabilities of approximately S\$61 thousand (or approximately 1.8% of the total liabilities).

Non-current liabilities as at 31 March 2019 comprised of provision for directors' retirement gratuity of approximately S\$47 thousand and deferred income tax liabilities of approximately S\$14 thousand.

Current liabilities as at 31 March 2019 comprised of trade and other payables of approximately S\$3.28 million and provision for directors' retirement gratuity of approximately S\$86 thousand.

We note that as at 31 March 2019, the aggregate of cash and cash equivalents, and financial assets at fair value through other comprehensive income of approximately S\$59.93 million is approximately 35.8% of total assets of the Group.

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

(iv) Net Working Capital

The Group's net working capital have always been positive during the period reviewed. It has increased slightly from approximately S\$89.92 million as at FY2016 to approximately S\$91.36 million as at FY2017 and approximately S\$92.25 million as at FY2018, before declining slightly to approximately S\$91.86 million as at 31 March 2019.

(v) Shareholders' equity and no borrowings

Shareholders' equity of the Group declined slightly from approximately S\$165.25 million as at 30 June 2017 to approximately S\$164.03. million as at 30 June 2018, largely attributable to a decline in fair value reserves from a gain of approximately S\$514 thousand as at 30 June 2017 to a loss of approximately S\$278 thousand as at 30 June 2018, and an increase in treasury shares of approximately S\$351 thousand as at 30 June 2018. As at 31 March 2019, shareholders' equity declined to approximately S\$163.95 million, mainly caused by dividends paid which was slightly offset by increase in currency translation.

As at 31 March 2019, the Group does not have any borrowings. Total borrowings (comprising unsecured bills payable and unsecured trust receipts) for the Group have declined from approximately S\$584 thousand as at 30 June 2016 to approximately S\$140 thousand as at 30 June 2017, before increasing to approximately S\$558 thousand as at 30 June 2018, and later declining to zero as at 31 March 2019.

As a result, the Group's gearing ratio was negligible throughout the years reviewed.

(vi) Net cash flow from operating activities

The Group generated positive net cash flow from operating activities for FY2016 and FY2017 of approximately S\$11.40 million and S\$1.40 million respectively. However, it generated negative cash flow from operating activities for FY2018 and 9M2019 of approximately S\$4.92 million and S\$3.36 million respectively.

The Directors confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Group's audited financial statements for FY2018 and unaudited financial statements for 9M2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

(vii) Outlook

In the Group's results announcement for 9M2019 (section 10), the Company stated the following commentary on the significant trends and competitive conditions of the industry in which the Group operates and factors or events that may affect the Group in the next reporting period and the next 12 months:

"Market conditions are expected to remain challenging as trade tensions between China and US have yet been resolved. As such, demand for steel products may not pick up in the short term which has remained soft since the end of Chinese New Year holidays.

With the successful and peaceful completion of elections in neighbouring countries, it is hoped that demand for steel products may strengthen as these countries' economies can achieve steady progress under newly elected authorities.

Higher oil prices and strengthening US dollar may push steel products' prices higher in the near term, hence affecting margins.

The Group continues to adapt its inventory purchases so as to respond readily to changes in customers' demand patterns in order to maintain its competitiveness."

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

8.2. Analysis of the Group's NAV and NTA

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

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

NAV and NTA of the Group

In assessing the Offer Price of S\$1.20 for each Offer Share, in relation to the NAV and NTA per Share of the Group as at 31 March 2019, we have reviewed the unaudited statement of financial position of the Group as 31 March 2019 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the unaudited balance sheet of the Group as at 31 March 2019 as well as the Circular, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such unaudited statement of financial position as at 31 March 2019 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at the Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 31 March 2019, save as disclosed in the unaudited financial statements of the Group as at 31 March 2019 and the Circular. In addition, the Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted, where applicable), and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the unaudited financial statements of the Group as at 31 March 2019 are true and fair, and made after due care and reasonable enquiry. Lastly, the Directors confirmed that, to the best of their knowledge or belief, such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete or misleading in any respect.

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

Consolidated unaudited balance sheet as at 31 March 2019⁽¹⁾		S\$'000
<u>Non-current assets</u>		
Financial assets, at FVOCI (“Financial Assets”)		21,420
Property, plant and equipment (“PPE”)		18,548
Investment properties (“Investment Properties”)		32,178
		72,146
<u>Current assets</u>		
Cash and cash equivalents (“Cash”)		38,512
Trade and other receivables		18,960
Inventories		36,718
Other current assets		958
Tax recoverable		80
		95,228
<u>Non-current liabilities</u>		
Deferred income tax liabilities		14
Provision for directors’ retirement gratuity		47
		61
<u>Current liabilities</u>		
Trade and other payables		3,280
Provision for directors’ retirement gratuity		86
		3,366
Net assets value including non-controlling interest		163,948
Less: Non-controlling interests		-
Net assets value attributable to equity holders of the Company		163,948
Less: Intangible assets		-
Net Tangible Assets		163,948
NAV and/or NTA per Share (S\$)⁽²⁾		1.34
Offer Price (S\$)		1.20
Discount of Offer Price from the Group’s NAV and/or NTA per Share (%)		(10.7)

Notes:

- (1) The figures above are based on the Group’s unaudited 9 months financial statements for FY2019 and are subject to rounding.
- (2) Based on the Company’s issued Share capital (excluding 3,429,100 treasury Shares) comprising 122,045,014 Shares as at 31 March 2019.

From the table above, we note that both the Group’s NAV and NTA attributable to owners of the Company as at 31 March 2019 amounted to approximately S\$163.95 million (or approximately S\$1.34 on per Share basis).

Accordingly, the Offer Price represents a discount of approximately 10.7% from the Group’s NAV and NTA per Share.

Adjusted RNAV and RNTA

No dividends were declared for the announcement for the results for the unaudited 9 months financial statements for FY2019.

We note from the unaudited financial statements for 31 March 2019, that the Group had:

- (i) approximately S\$38.51 million in cash and cash equivalents;
- (ii) approximately S\$21.42 million in Financial Assets; and

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

- (iii) no bank borrowings.

As the Group has no borrowings, we have reviewed the Group's NAV and NTA in the context of the significant amount of Cash and Financial Assets (for which the Directors have confirmed are fairly liquid comprising *inter-alia* quoted equities and fixed income securities) and such is illustrated in the table below.

NAV and NTA⁽¹⁾	S\$'000
NAV and/or NTA as at 31 March 2019	163,948
Add surplus from revaluation of Financial Assets	Nil ⁽²⁾
Less potential tax liabilities arising from such revaluations	Nil ⁽²⁾
NAV and/or NTA after taking into account revaluation surplus from Financial Assets	163,948
Cash and cash equivalents as at 31 March 2019	38,512
Add: Market value for Financial Assets as at 31 March 2019	21,420
Cash and Financial Assets as at 31 March 2019	59,932
Cash and Financial assets per Share (S\$) ⁽³⁾	0.49
Offer Price less Cash and Financial Assets per Share ("Adjusted Offer Price") (S\$)	0.71
NAV and/or NTA (after taking into account revaluation surplus from Financial Assets) less Cash and Financial Assets per Share (S\$)	0.85
Discount of Adjusted Offer Price from NAV and/or NTA (after taking into account revaluation surplus from Financial Assets) less Cash and Financial Assets (%)	(16.8)

Notes:

- (1) *Figures and computations are subject to rounding.*
- (2) *Based on Directors' confirmation for the market value for Financial Assets and potential tax liability arising from any surplus.*
- (3) *Based on the Company's issued Share capital (excluding 3,429,100 treasury Shares) comprising 122,045,014 Shares as at the Latest Practicable Date.*

In addition, the Directors have confirmed that the valuations for Financial Assets arising from the revaluation of the Financial Assets as at the Latest Practicable Date would not be materially different from that of 31 March 2019, and are of the view that the Financial Assets of the Group as represented above are fairly stated. In addition, the Directors have confirmed that there will be no potential tax liabilities from such revaluation.

From the table above, we note that the Adjusted Offer Price represents a discount of approximately 16.8% from the Group's NAV and/or NTA per Share after taking into account the revaluation surplus from Financial Assets (which the Directors' have confirmed will not material) and potential tax liabilities arising from such revaluation, and deducting Cash and Financial Assets.

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

In our evaluation of the Offer Price, we have also considered whether there are any assets which should be valued at an amount that is materially different from that which are recorded in the unaudited balance sheet of the Group as at 31 March 2019.

The Company had commissioned the Independent Valuer (described in this Letter and the Circular) to determine the market value of the Appraised Properties as at the Valuation Date, being 30 June 2019 for the purposes of this Circular. In addition, the Directors have confirmed that the valuations as

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

at the Latest Practicable Date would not be materially different from that of the Valuation Date, and are of the view that the Appraised Properties of the Group are fairly stated.

The Directors and the Management represented and confirmed that the aggregate market value of the Appraised Properties of the Group is approximately S\$134.94 million, which is significantly higher than its aggregate book value of approximately S\$48.26 million as at 31 March 2019.

A summary of the Appraised Properties, the valuation methods, their respective book value as at 31 March 2019 and the respective market value of the Appraised Properties as at the Valuation Date is summarised below.

PPE

- (1) Selected properties under the Group's PPE with an aggregate net book value of approximately S\$16.1 million as at 31 March 2019 as at the Valuation Date with details as follow:

Description of Property	Valuation method	Valuation Date	Net book value as at 31 March 2019 (S\$'000) ⁽¹⁾	Market value as at respective valuation dates (S\$'000) ⁽¹⁾
116 Neythal Road Warehouse with 5-storey office block annexe. Leasehold.	Market comparison method	30 June 2019	7,096	42,500
155 Gul Circle Warehouse and workers dormitory. Leasehold.	Market comparison method	30 June 2019	8,980	15,000
TOTAL			16,077	57,500

Notes:

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

We note that the selected properties above with an aggregate net book value of approximately S\$16.1 million as at 31 March 2019 accounted for approximately 86.7% of the Group's total PPE as at 31 March 2019. The remaining PPE as at 31 March 2019, for which no valuation was conducted, comprised mainly the properties in Malaysia, plant and machinery, furniture and fittings, and motor vehicles.

Investment Properties

- (2) Save as announced or disclosed in the Circular no investment property was sold as at the Latest Practicable Date. All the properties held under Investment Properties were valued. The Group's assets held under Investment Properties, had an aggregate net book value of approximately S\$32.18 million as at 31 March 2019 and an aggregate market value of approximately S\$77.44 million as at the Valuation Date with details are as follows:-

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

Description of Investment Property	Valuation method	Valuation Date	Net book value as at 31 March 2019 (S\$'000) ⁽¹⁾	Market value as at respective valuation dates (S\$'000) ⁽¹⁾
6 Kim Chuan Drive 8 storey multi-user industrial building. Freehold.	Market comparison method	30 June 2019	25,876	43,500
365 Jalan Besar 2-storey Shophouse Freehold.	Market comparison method	30 June 2019	650	5,800
27 Foch Road #05-04/05/06/07 4 office units. Freehold.	Market comparison method	30 June 2019	276	2,640
38 Genting Lane Vacant industrial land (under redevelopment). Freehold ⁽²⁾ .	Market comparison method	30 June 2019	5,376	25,500 ⁽³⁾
TOTAL			32,178	77,440

Notes:

- (1) Figures (including computations and summation) are subject to rounding.
- (2) Based on the land value as ascertained by the Valuer.
- (3) Based on the market value of the land at the property on an as is basis, as construction and marketing for sale/rental have yet to commence.

We understand from the Management that the above Investment Properties with aggregate net book value of approximately S\$77.44 million accounted for 100% of the Group's investment properties as at 31 March 2019. In addition, we note from representations from the Directors that whilst the investment property at 38 Genting Lane ("**Redevelopment Property**"), is under redevelopment (with *inter-alia* construction contracts being awarded and approvals for construction obtained), construction and marketing for sale/rental have not commenced as at the Latest Practicable Date. Furthermore as at the Latest Practicable Date, the estimated cost for construction and miscellaneous is approximately S\$10.0 million. The estimated construction period is approximately 2 years.

Management has confirmed that Investment Properties include properties that are being constructed or developed for future use as investment properties. Accordingly, the Redevelopment Property will be initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

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

The term market value is also determined on the following basis, being the price at which the property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller,
- (ii) a reasonable period within which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;

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

- (iii) that the property will be reasonably exposed to the market;
- (iv) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued;
- (v) that the seller has sufficient resources to allow a reasonable period for the exposure of the property for sale; and
- (vi) that the seller has sufficient resources to negotiate an agreement for the sale of the property.

In valuing the market value of the Appraised Properties, the Independent Valuer has adopted the market comparison method.

In general the market comparison method can be used in all valuations where there are adequate transactions or other information to indicate the level of value for the property. This method relies on the presence of market transactions within a reasonable period from the date of valuation to provide an indication of value. It is supported by the theory that the market value of a property bears a close relationship to the values of similar properties which have been transacted. The method is concerned with the identification and measurement of the effect that the presence or absence of some characteristics has on the price of comparable properties, and to make the appropriate adjustments to reflect the differences between them.

We note that the Valuer have relied on the market comparison method in formulating their opinion on the market value of the Appraised Properties. The market comparison method is universally considered the most accepted valuation approach for valuing most forms of real estate. In this adopting this approach, the Valuer has taken into cognizance transactions of comparable properties, the prevailing market condition and underlying economic factors which may be of influence to the trend of the market prices. In the analysis, each comparable is analysed on the basis of its unit rate and percentage adjustments were made to the unit rate to reflect the differences of the attributes such as land area, floor area, location and tenure between the comparables and the properties.

The Directors represented and confirmed the following:-

- (i) The Directors are aware of and satisfied with the selection of the Group's assets for the valuation exercise, being the Appraised Properties. The Appraised Properties in aggregate accounted for approximately 66.9% and 28.8% of the Group's non-current assets and total assets respectively as at 31 March 2019. The properties under the Group PPE with an aggregate net book value of approximately S\$16.1 million as at 31 March 2019 accounted for approximately 86.7% of the Group's total PPE as at 31 March 2019 whilst the investment properties which are valued, with aggregate net book value of approximately S\$32.18 million accounted for all of the Group's Investment Properties as at 31 March 2019.
- (ii) Having reviewed the Independent Valuation Report (*inter-alia*, the assumptions, methodology used and information relied upon by the Independent Valuer) as a whole and individually, the Directors are of the opinion that the assumptions and methodology of the Independent Valuation Report are reasonable. We have noted from the Circular that pursuant to Rule 26.3 of the Code, the Company is required, *inter-alia*, to make an assessment of any potential tax liability which would arise if the Appraised Properties, which are subject of a valuation given in connection with an offer, were to be sold at the amount of valuation. As at the Latest Practicable Date, the Company has no current plans to dispose of its interests in the Appraised Properties. Under Rule 26.3 of the Code, the Company is required, *inter-alia*, to make an assessment of any potential tax liability which would arise if properties, which are the subject of a valuation given in connection with the Offer, were to be sold at the amount of the valuation. We note from the Circular that the potential tax liabilities that may be incurred by the Company on the hypothetical disposal of the Subject Properties on an "as is" basis is nil as any gains would be capital in nature. In addition, the Directors' having reviewed the basis for the valuation of the Redevelopment Property are satisfied that the basis of valuing the said property on a as is basis, is reasonable given the fact that construction and marketing for sale/rental for the said development has not commenced. The Directors are of the view that the valuation of the Appraised Properties, as at the Latest Practicable Date would not be

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

materially different from that as at the Valuation Date, and that the Appraised Properties of the Group are fairly stated.

- (iii) To their best knowledge and belief, as at the Latest Practicable Date, save as disclosed in the unaudited financial statements of the Group as at 31 March 2019, the announcements released by the Company on the SGXNET and the Circular, there have been no known material events that have or will have material impact to the unaudited statement of financial position of the Group, *inter-alia* assets of the Group, since 31 March 2019.
- (iv) As at the Latest Practicable Date, save as disclosed in this Letter or the Circular, the Directors have confirmed that there has been no intention to dispose of any properties owned by the Group and no firm offer for any of the properties owned by the Group.
- (v) As at the Latest Practicable Date, save for the Appraised Properties which are subject to valuation, there are no material differences between the estimated market values of the assets of the Group *inter-alia* remaining PPE for which no valuation was performed and their respective book values as at 31 March 2019, which would have a material impact on the NAV and/or NTA of the Group.

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

The aggregate market value of the Appraised Properties as ascribed by the Independent Valuer as at the Valuation Dates is approximately S\$134.94 million.

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

The Directors represented and confirmed that, to the best of their knowledge and based on the information made available to them by the Management, there will be no potential tax liability for the Appraised Properties which are subject to valuation and Financial Assets, in the event that such assets were to be sold at the market value as ascribed by the Independent Valuer and as determined by the Directors.

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

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

RNAV and RNTA⁽¹⁾	S\$'000
Aggregate market values of the Appraised Properties as at the 30 June 2019	134,940
Less: aggregate net book values of the Appraised Properties as at 31 March 2019	(48,255)
Less: potential tax liabilities ⁽²⁾	-
Revaluation surplus after potential tax liabilities from the Appraised Properties ⁽⁴⁾	86,685
NAV and/or NTA	163,948
Add: Revaluation surplus/(deficit) from the Appraised Properties	86,685
RNAV and/or RNTA	250,633
RNAV and/or RNTA per Share (S\$)⁽³⁾	2.05
RNAV and/or RNTA less Cash and Financial Assets per Share ("Adjusted RNAV and/or RNTA") per Share	1.56
Discount of Offer Price from RNAV and/or RNTA per Share (%)	(41.6)
Discount of Adjusted Offer Price from Adjusted RNAV and/or RNTA per Share (%)	(54.6)

Notes:

- (1) Figures and computations are subject to rounding.
- (2) The Directors and the Management confirmed that there is no potential tax liability.
- (3) Based on the Company's issued Share capital comprising 122,045,014 Shares (excluding 3,429,100 treasury Shares) as at the Latest Practicable Date.
- (4) Based on Directors' confirmation that the revaluation surplus and the potential tax liability arising for the Financial Assets as at Latest Practicable Date and the book values as at 31 March 2019 will not be materially different.

After taking into account the market value of the Appraised Properties, the Group's RNAV and/or RNTA per Share, is approximately S\$2.05. The Offer Price of S\$1.20 for each Offer Share represents a discount of approximately 41.6% from the Group's RNAV and/or RNTA per Share respectively.

Based on the table above after taking into account the market value of the Appraised Properties and Financial Assets, the Group's Adjusted RNAV and/or Adjusted RNTA per Share, is approximately S\$1.56. The Adjusted Offer Price of approximately S\$0.71 for each Offer Share represents a discount of approximately 54.6% from the Group's Adjusted RNAV and/or Adjusted RNTA per Share respectively.

We note that from Directors' representations that in the event that the estimated gross developmental value for the Redevelopment Property is used, instead of values as shown earlier, the value of the land on completion of development and construction after deducting *inter-alia* construction costs, miscellaneous expenses, development profit on completion (as the construction and marketing for sales/rental has yet to commence) will not be materially different from the value as per the valuation of the land on an as is basis, of approximately S\$25.5 million.

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

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

In addition, as set out in Section 8.3 of the Offer Document, the Offeror has no current intentions to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Company or its subsidiaries, in each case, other than in the ordinary and usual course of business. However, the Offeror retains the flexibility at any time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the interest of the Company.

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

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

8.3. Relative valuation analysis

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

The Selected Comparable Companies have been identified after a search was carried out on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and evaluation of the companies operating in the same industry as the Group. We have had discussions with the Directors and Management about the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group.

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

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

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

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

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

Selected Comparable Companies	Principal Activities
<p>Asia Enterprises Holding Limited ("Asia Enterprises")</p> <p><i>Listed on SGX-ST</i></p>	<p>The company is a distributor of a range of steel products to industrial end users. It operates through three segments: steel distribution, provision of steel processing and corporate Segment. The company operates in Singapore, Indonesia, Malaysia and other regions.</p>
<p>HG Metal Manufacturing Limited ("HG Metal")</p> <p><i>Listed on SGX-ST</i></p>	<p>The company is principally engaged in the business of trading of steel products. It has two operating segments: trading segment which is engaged in the supplying of steel products and includes the holding of investments in subsidiaries in the business of steel distribution and provision of industrial steel services, and the manufacturing segment which produces construction steel products and provides related engineering services.</p>
<p>CosmoSteel Holdings Limited ("CosmoSteel")</p> <p><i>Listed on SGX-ST</i></p>	<p>The company's business segment includes energy, marine, trading and others. Its energy segment includes oil and gas, engineering and construction; petrochemical, and power. Its marine segment includes shipbuilding and repair. The trading segment includes traders purchasing goods and on-sell to end user customers. Others segment includes other industries, such as the manufacturing and pharmaceutical sectors.</p>
<p>Sin Ghee Huat Corporation Ltd ("Sin Ghee Huat")</p> <p><i>Listed on SGX-ST</i></p>	<p>The company's activities relate to stockholding and sale of stainless steel products and investment holding. The company trades and sells stainless steel and specialty metal products, including bars, plates, pipes, flanges, tubes and fittings. The company's segments include marine and ship-building; oil, gas and petrochemical; building and construction; machining and processing, and trading and others. Its geographical segments include Singapore, Indonesia, other ASEAN countries and others, including China, Australia, New Zealand, India, South America and Middle East.</p>

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

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

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

Selected Comparable Companies ⁽⁹⁾	LTM ROE (%) ⁽¹⁾	LTM Net profit margin (%) ⁽²⁾	LTM Asset turnover (times) ⁽³⁾	Total liabilities ⁽⁴⁾ /shareholder equity ⁽⁵⁾ (times)	Total borrowings ⁽⁶⁾ /shareholder equity ⁽⁵⁾ (times)
Asia Enterprises	1.2	3.2	0.3	0.1	0.1
HG Metal	n.m. ⁽⁷⁾	n.m. ⁽⁷⁾	1.0	0.5	0.2
CosmoSteel	n.m. ⁽⁸⁾	n.m. ⁽⁸⁾	0.8	0.5	0.4
Sin Ghee Huat	3.1	5.2	0.6	0.1	0.005
MAXIMUM	3.1	5.2	1.0	0.5	0.4
MINIMUM	1.2	3.2	0.3	0.1	0.005
MEDIAN	2.1	4.2	0.7	0.3	0.2
SIMPLE AVERAGE	2.1	4.2	0.7	0.3	0.2
The Group	2.1	5.0	0.4	0.02	No borrowings

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

Notes:

- (1) The last twelve months ("LTM") return on equity ("ROE") is based on the ratio of the most recent twelve months consolidated net profits after tax attributable to the equity holders to the consolidated equity holders excluding minority interest of the respective companies.
- (2) LTM net profit margin is the ratio of the most recent twelve months consolidated net profits after tax attributable to shareholders to the most recent twelve months total consolidated revenue of the respective companies.
- (3) LTM asset turnover is the ratio of the most recent twelve months total consolidated revenue to the total consolidated assets of the respective companies.
- (4) Total liabilities include inter-alia all the liabilities of the respective companies but exclude any contingent liabilities, if any.
- (5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies.
- (6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts, where applicable.
- (7) HG Metal incurred a loss after tax attributable to owners of the Company of approximately S\$4.28 million for the LTM ended 31 March 2019. Hence, the group's LTM ROE and LTM net profit margin ratios are negative and not meaningful.
- (8) CosmoSteel incurred a loss after tax attributable to owners of the Company of approximately S\$28.68 million for the LTM ended 31 March 2019. Hence, the group's LTM ROE and LTM net profit margin ratios are negative and not meaningful.
- (9) Figures and computation presented in this section are subjected to rounding.

For illustrative purposes only, we note the following:-

- (i) The Group recorded a LTM ROE of approximately 2.1% and LTM net profit margin of approximately 5.0% for LTM ended 31 March 2019. The former is in line with both the median and simple average of the Selected Comparable Companies while the latter is within the range, higher than median and simple average but lower than maximum for the Selected Comparable Companies.
- (ii) The Group's LTM asset turnover ratio was approximately 0.4 times, which is within the range, lower than the simple average and median of the Selected Comparable Companies.
- (iii) The Group's total liabilities to shareholders' equity as at 31 March 2019 was approximately 0.02 times and the Group does not have any borrowings as at 31 March 2019. The ratio of total liabilities to shareholders' equity is lower than any of the Selected Comparable Companies while as compared to all the Selected Comparable Companies which have borrowings, the Group has no borrowings.

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

In summary, the Group's LTM ROE and LTM net profit margin appears to be within the range, the former in line with the median and simple average whereas the latter is higher than any of the Selected Comparable Companies respectively (save for Sin Ghee Huat). The Group's LTM asset turnover appears to be within the range and almost in line with the minimum for the Selected Comparable Companies. In terms of financial position, the Group's total liabilities to shareholders' equity and total borrowings to shareholders' equity as at 31 March 2019 appears to be lower and more favourable than any of the Selected Comparable Companies.

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

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

Selected Comparable Companies ⁽⁹⁾	Market Capitalisation (\$ m)	LTM EV/EBITDA ⁽¹⁾ (times)	LTM PER ⁽²⁾ (times)	P/NAV ⁽³⁾ (times)	P/NTA ⁽⁴⁾ (times)	Premium/(discount) over/from NTA (%)
Asia Enterprises	50.95	8.39	44.34	0.55	0.55	(45.3)
HG Metal	26.12	n.m. ⁽⁵⁾	n.m. ⁽⁵⁾	0.27	0.27	(73.2)
CosmoSteel	24.10	n.m. ⁽⁶⁾	n.m. ⁽⁶⁾	0.32	0.32	(67.8)
Sin Ghee Huat	48.84	8.04	18.84	0.58	0.58	(42.5)
MAXIMUM	50.95	8.39	44.34	0.58	0.58	(42.5)
MINIMUM	24.10	8.04	18.84	0.27	0.27	(73.2)
MEDIAN	37.48	8.21	31.59	0.43	0.43	(56.5)
SIMPLE AVERAGE	37.50	8.21	31.59	0.43	0.43	(57.2)
The Group	146.45	20.13⁽⁷⁾	42.65⁽⁷⁾	0.58⁽⁸⁾	0.58⁽⁸⁾	(41.6)

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

Notes:

- (1) The LTM EV/EBITDA for the Selected Comparable Companies is based on the most recent twelve months EBITDA as reported by the respective companies.
- (2) The LTM PERs for the Selected Comparable Companies are based on the most recent twelve months earnings after tax as reported by the respective companies.
- (3) The P/NAV ratios for the Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced audited or unaudited financial statements, with the prices and NAV per share being adjusted for cash.
- (4) The P/NTA ratios for the Selected Comparable Companies are based on their respective NTA values as set out in their latest available announced audited or unaudited financial statements.
- (5) HG Metal incurred a loss after tax attributable to owners of the Company and EBITDA of approximately S\$4.3 million and negative S\$0.9 million respectively for the LTM ended 31 March 2019. Hence, HG Metal's LTM PER and LTM EV/EBITDA ratios are negative and not meaningful.
- (6) CosmoSteel incurred a loss after tax attributable to owners of the Company and EBITDA of approximately S\$28.7 million and negative S\$25.2 million respectively for the LTM ended 31 March 2019. Hence, CosmoSteel's LTM PER and LTM EV/EBITDA ratios are negative and not meaningful.
- (7) For the Group, the computations for LTM PER, LTM EV/EBITDA ratios are based on market capitalisation as implied by the Offer Price for the Shares. The earnings after tax, EBITDA, or the Group are based on the results for latest 12 months ending 31 March 2019. P/NAV and P/NTA ratios are based on the ratios for Offer Price to RNAV per Share, and Offer Price to RNTA per Share respectively.
- (8) Based on the Group's RNAV and RNTA per Share of approximately S\$2.05.

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

(9) *Figures and computation presented in this section are subjected to rounding.*

For illustrative purposes only, we note:

- (i) The market capitalisation of the Group as implied by the Offer Price is above the range and higher than any of the Selected Comparable Companies. We note that the trading statistics for companies with higher market capitalisation may be different than those with lower market capitalisation and this may be attributable to the relative liquidity in terms of number or value of shares traded as well as relative interest in the shares of companies with larger market capitalisation.
- (ii) The valuation of the Group (as implied by the Offer Price) in terms of LTM EV/EBITDA of approximately 20.13 times is above the range, significantly higher than the maximum (or any) of the Selected Comparable Companies.
- (iii) The valuation of the Group (as implied by the Offer Price) in terms of LTM PER of approximately 42.65 times is within the range, higher than the simple average and median of the Selected Comparable Companies but lower than the maximum of the Selected Comparable Companies.
- (iv) The valuation of the Group (as implied by the Offer Price and RNAV or RNTA per Share) in terms of both P/NAV and P/NTA ratios are higher than the maximum (or any) of the Selected Comparable Companies.

In addition, the Group and two of the Selected Comparable Companies (being Asia Enterprises and Sin Ghee Huat) are in a net cash position (wherein the amount of cash held as at the respective balance sheet dates exceeds the total borrowings). We note that the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share) of approximately 0.45 times, in terms of both P/NAV and P/NTA ratios is favourable as compared to similar ratios (after adjusting for the net cash position) for Asia Enterprises and Sin Ghee Huat of approximately 0.26 and 0.48 times respectively. In fact the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share) is higher than the simple average of the two companies of approximately 0.37 times.

In summary, the valuation of the Group (as implied by the Offer Price) in terms of LTM EV/EBITDA appears to be more favourable as compared to any of the Selected Comparable Companies. The valuation of the Group in terms of LTM PER (as implied by the Offer Price) appears to be within the range, more favourable than the simple average and median of the Selected Comparable Companies. In addition, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be more favourable than any of the Selected Comparable companies. Furthermore, the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share), is in general favourable as compared to the Selected Comparable Companies on a similar basis.

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

- (i) Notwithstanding the Group's relatively better financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios), the Group's financial performance (in terms of LTM ROE) appears to be in line with the simple average and median of the Selected Comparable Companies); and
- (ii) the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in an acquisition of control whilst for the Offer, the Offeror *inter-alia* does not intend to maintain the listing status of the company in the event the free float requirement is not satisfied and does not intend to take any step for the public float to be restored. In addition, the Offeror has stated it intends to exercise its rights of compulsory acquisition if entitled. As disclosed in the Offer Announcement and the Offer Document, the Offeror and its Concert Parties (including the Undertaking Shareholders) held an aggregate interest of approximately 55.14% in the Share capital of the Company.

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

In addition, considering, *inter-alia*, the core business of the Group (being trading in industrial steel products, hardware trading and investment holding) where majority, if not all, of the assets are used for its trading activities, and that the Group's operations are on a going concern basis, earnings-based valuation ratios (being PER and EV/EBITDA) are likely more appropriate valuation benchmark as compared to asset-based valuation multiples. Notwithstanding, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be more favourable than any of the Selected Comparable Companies. Furthermore the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share), is in general favourable as compared to the Selected Comparable Companies on a similar basis.

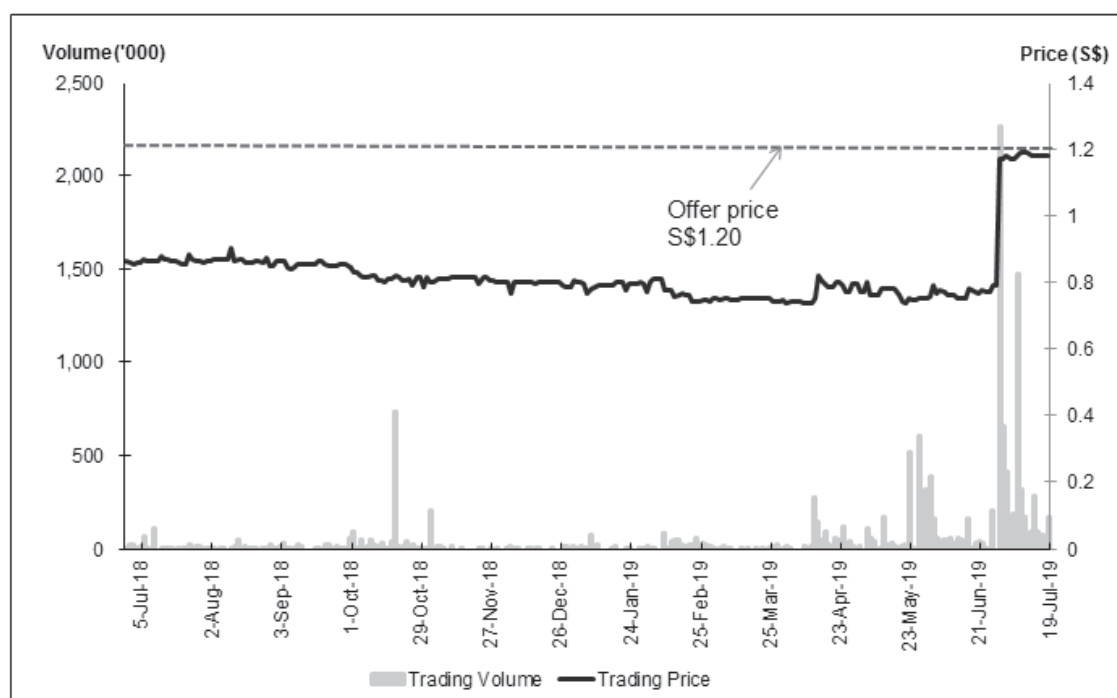
We also wish to highlight that the NAV and NTA based approach of valuing a company is dependent on factors that may differ for each Selected Comparable Companies including, *inter-alia*, factors such as depreciation policies. As such, the comparison of the NAV and NTA of the Group with those of the Selected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

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

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

8.4. Market quotation and trading activities for the Shares

The historical price and volume charts for the Shares (based on the closing prices together with the number of Shares traded on a daily basis) for the period commencing from 29 June 2018, being the Market Day 12 months prior to 28 June 2019 (being the last market day immediately preceding the Offer Announcement Date) and ending on the Latest Practicable Date is set out below:



Source: SGX-ST

We note that the Company requested for a trading halt on 28 June 2019 (before market opened). On 1 July 2019, being the Market Day immediately after the Offer Announcement Date, the trading halt for Shares were lifted at 8.21 a.m. before the market opened.

For the period commencing from 29 June 2018 and ending on the Offer Announcement Date (both dates inclusive), we note that the Shares were only traded on 192 Market Days out of a total 250 Market Days (or approximately 76.8%) and the closing prices for the Shares during the said period were always below the Offer Price.

For the period commencing on the Market Day immediately after the Offer Announcement Date (after lifting of the trading halt) to the Latest Practicable Date, the Shares were traded on 15 Market Days out of a total 15 Market Days and the prices for the Shares were underpinned by the Offer, increasing by approximately 49.4% to close at S\$1.18 as at the Latest Practicable Date but remained slightly below the Offer Price during the said period.

As a general market comparison and observation, the FTSE Straits Times Index ("FTSE STI") increased slightly by approximately 1.6% for the period commencing from 29 June 2018 and ending on 28 June 2019, being the Offer Announcement Date. Subsequently, the FTSE STI increased by approximately 1.7% from the Offer Announcement Date to the Latest Practicable Date. For the same period commencing from 29 June 2018 and ending on 28 June 2019, being the Offer Announcement Date the closing prices for the Shares decreased by approximately 8.7% and subsequently increased by approximately 49.4% to close at S\$1.18 as at the Latest Practicable Date. We observed that the Shares appear to have outperformed the FTSE STI for the period commencing immediately after the announcement date (after lifting of the trading halt) till the Latest Practicable Date (likely underpinned by the Offer). For the 12 months period prior to the Offer Announcement Date, closing prices for Shares of the Company declined by approximately 8.7% whereas the FTSE STI recorded a small gain of approximately 1.6%.

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

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

	VWCP per Share (S\$) ⁽¹⁾	Premium of the Offer Price over the VWCP per Share (%)	Lowest transacted price (S\$)	Highest transacted price (S\$)	Average daily trading volume ⁽²⁾	Average daily trading volume as % of free-float ⁽³⁾ (%)
For the period prior to the Offer Announcement Date (28 June 2019)						
Last 12 months	0.785	52.9	0.725	0.905	29,204	0.05
Last 6 months	0.766	56.7	0.725	0.825	41,765	0.08
Last 3 months	0.766	56.7	0.725	0.825	71,921	0.13
Last 1 month	0.764	57.0	0.750	0.800	86,200	0.16
Last transacted price on 27 June 2019 (being the Last Trading Day prior to the Offer Announcement Date) ⁽⁴⁾	0.790	51.9	0.775	0.790	202,000	0.37
For the period commencing on the Market Day immediately after the Offer Announcement Date up to the Latest Practicable Date (19 July 2019)						
Till the Latest Practicable Date	1.176	2.1	1.17	1.19	429,860	0.79
Latest Practicable Date ⁽⁵⁾	1.180	1.7	1.18	1.19	167,100	0.31

Source: SGX-ST

Notes:

- (1) The VWCP had been weighted based on the last transacted prices of the Shares and traded volumes for the relevant trading days for each of the periods.
- (2) The average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period divided by the number of Market Days during that period.
- (3) Free float refers to approximately 54,749,589 Shares or approximately 44.86% of the issued Shares (other than treasury Shares) held by Shareholders, other than the Substantial Shareholders (including the Offeror and its Concert Parties, and Undertaking Shareholders) and Directors as at the Latest Practicable Date.
- (4) This represents the last transacted price instead of VWCP for the Shares on 27 June 2019, being the last transacted price for the Shares on the Last Trading Day prior to the Offer Announcement Date. We noted that the Company requested for a trading halt before market opened on 28 June 2019.
- (5) This represents the last transacted price instead of VWCP for the Shares on 19 July 2019, being the Latest Practicable Date.

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

- (i) represents a premium of approximately 51.9% over the last transacted price of S\$0.790 per Share for the Shares on the SGX-ST on 27 June 2019, being the Last Trading Day immediately preceding the Offer Announcement Date ;
- (ii) represents a premium of approximately 52.9%, 56.7%, 56.7% and 57.0% over the VWCP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Offer Announcement Date respectively;
- (iii) represents a premium of approximately 2.1% over the VWCP for the Shares for the period commencing on the Market Day immediately after the Offer Announcement Date (after lifting of the trading halt) and ending on the Latest Practicable Date; and
- (iv) represents a premium of approximately 1.7% over the last transacted price of S\$1.18 per Share on the SGX-ST on 19 July 2019, being the Latest Practicable Date.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from 29 June 2018 and ending on the Latest Practicable Date, we note that:

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

- (i) from 29 June 2018 to 28 June 2019, being the Offer Announcement Date (both dates inclusive), Shares were traded on 192 Trading Days (approximately 76.8%) out of the total 250 Market Days during the period, with the total number of Shares traded being approximately 7.3 million Shares and an average daily trading volume (based on a total of 250 Market Days) of approximately 29,204 Shares, which represents approximately 0.024% of the issued Shares (other than treasury Shares) as at the Latest Practicable Date or approximately 0.053% of the issued Shares (other than treasury Shares) held by Shareholders other than the Substantial Shareholders (including the Offeror and its Concert Parties, and Undertaking Shareholders) and Directors as at the Latest Practicable Date.
- (ii) for the period commencing on the Market Day immediately after the Offer Announcement Date (after lifting of the trading halt) till the Latest Practicable Date (both dates inclusive), Shares were traded on 15 Trading Days out of the total 15 Market Days during the period, with the total number of Shares traded being approximately 6.4 million Shares and an average daily trading volume of approximately 429,860 Shares, which represents approximately 0.35% of the issued Share capital (other than treasury Shares) as at the Latest Practicable Date or approximately 0.79% of the issued Share capital (other than treasury Shares) held by Shareholders other than the Substantial Shareholders (including the Offeror and its Concert Parties, and Undertaking Shareholders) and Directors as at the Latest Practicable Date.

We note that trading for the Shares is erratic and that the daily average number of Shares traded during the 12 months period prior to the Offer Announcement Date is relatively low as compared to the number of issued Shares held by Shareholders other than the Substantial Shareholders (including the Offeror and its Concert Parties, and Undertaking Shareholders) and the Directors as at the Latest Practicable Date. However, the trading activities for the Shares appear to be relatively active in the context of number of Market Days wherein Shares were traded, as Shares were traded on 192 Trading Days out of the total 250 Market Days during the 1 year period prior to the Offer Announcement Date. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value in view of the lack of liquidity for the Shares (in terms of number of Shares traded on daily basis), they nonetheless represent the prices for transactions between willing buyer and willing seller.

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

Independent Directors should note that given the low liquidity of the Shares (in terms of number of Shares traded on daily basis) during the periods observed, the Offer may represent a realistic exit opportunity for the Shareholders to realise their entire investment for cash and that the Offer Price is at a significant premium above market prices of Shares for periods prior to the Offer Announcement Date. It is noted that the Offer Price exceeds the highest closing price for the Shares in the twelve months prior to Announcement and up to and including the Last Trading Day. In the absence of the Offer, such an exit for all Shareholders other than the Offeror and its Concert Parties, and Undertaking Shareholders may not be readily available due to the low trading liquidity for the Shares. For illustrative purpose only, based on the average daily trading volume of 29,204 Shares for the period 12 months prior to the Offer announcement date, it would take approximately 1,875 Market Days or close to 7.5 years (based on 250 Market Days per year) for the public Shareholders to be able to sell off their 54,749,589 Shares in the market.

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

Independent Directors should also note that past trading performance for the Shares may not be relied upon as an indication of the fair value of the Company's securities.

8.5. Comparison with other successful privatization and delisting transactions in Singapore

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

- (i) Privatisation by way of general offers ("**Selected Successful Privatisations**"); and
- (ii) Voluntary delisting ("**Selected Successful Delistings**"),

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

In making the comparison herein, we wish to highlight that the companies selected and covered herein are not directly comparable to the Company and may largely differ from the Company in terms of, *inter-alia*, size and scale of operations, type and/or composition of business activities and specialization, asset base, geographical spread, track record, financial performance, capital structure, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Likewise, they involve shares of companies which are quoted, listed and tradeable on the stock exchange.

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

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

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

Selected Successful Privatisations		Premium/(Discount) of offer price over/(from)				
Company	Date of announcement	% shareholding of the offeror and concert parties at the start of transaction ⁽¹⁾	Last transacted price prior to announcement (%)	VWAP for 1 month period prior to announcement (%)	VWAP for 3 month period prior to announcement (%)	P/NAV (times) ⁽²⁾
Auric Pacific Group Limited	7-Feb-17	79.98	13.4	17.7	23.8	1.2 ⁽³⁾
Global Premium Hotels Limited	23-Feb-17	71.86	14.1	18.1	21.7	0.5 ⁽⁴⁾
CWT Limited	9-Apr-17 ⁽⁵⁾	65.10	5.9	6.4	14.8	1.5 ⁽⁶⁾
Nobel Design Holdings Ltd	2-May-17	64.30	8.5	9.4	15.9	0.7 ⁽⁷⁾
Changian Plastic & Chemical Limited	29-May-17	79.90	45.3	46.6	48.2	0.4 ⁽⁸⁾
China Flexible Packaging Holdings Limited	19-Jun-17	58.40	23.2	24.3	28.2	0.6 ⁽⁹⁾
GP Batteries International Limited	10-Aug-17 ⁽¹⁰⁾	64.88	62.5	62.9	62.7	0.8 ⁽¹¹⁾
Poh Tiong Choon Logistics Limited	20-Sep-17	66.67	1.6	30.0	41.3	3.1 ⁽¹²⁾
Cogent Holdings Limited	3-Nov-17	84.33	5.2	6.2	12.7	1.2 ⁽¹³⁾
CWG International Ltd	28-Dec-17	81.10	27.5	29.5	29.2	0.4 ⁽¹⁴⁾
Tat Hong Holdings Ltd	21-Sep-17 ⁽¹⁵⁾	0.00	29.9	34.0	35.5	0.7 ⁽¹⁶⁾
Lee Metal Group Ltd	21-Feb-18 ⁽¹⁷⁾	48.06	9.1	14.1	21.4	1.0 ⁽¹⁸⁾
Wheelock (Singapore) Properties Limited	19-Jul-18	76.21	22.7	29.0	22.7	0.8 ⁽¹⁹⁾
Keppel Telecommunications & Transportation Ltd	27-Sep-18	79.09	40.4	39.5	34.9	1.2 ⁽²⁰⁾
M1 Limited	27-Sep-18 ⁽²¹⁾	33.32	26.3	29.9	29.1	3.9 ⁽²²⁾
Cityneon Holdings Limited	29-Oct-18	68.95	4.1	6.9	11.9	4.5 ⁽²³⁾
PCI Limited	4-Jan-19	0.0	27.9	44.0	47.2	2.0 ⁽²⁴⁾
Declout Limited	7-Jan-19	60.90	62.5	66.7	66.7	1.3 ⁽²⁵⁾
Courts Asia Limited	18-Jan-19	0.00	34.9	35.8	34.0	0.6 ⁽²⁶⁾
Kingboard Copper Foil Holdings Limited	4-Apr-19	87.96	9.1	21.8	28.1	0.9 ⁽²⁷⁾
800 Super Holdings Limited	6-May-19	77.62	16.1	30.6	31.2	1.8 ⁽²⁸⁾
MAXIMUM		87.96	62.5	66.7	66.7	4.5
MINIMUM		0.00	1.6	6.2	11.9	0.4
MEDIAN		66.67	22.7	29.5	29.1	1.0
SIMPLE AVERAGE		59.46	23.3	28.7	31.5	1.4
Group	28-Jun-19	55.14	51.9	58.3	58.6	0.6⁽²⁹⁾

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

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

Notes:

- (1) Where applicable, it includes the percentage shareholding of the undertaking shareholder(s) as the date of the offer document.
- (2) P/NAV ratios are based on the offer price and NAV per share for the respective companies.
- (3) Based on the revalued NAV per share of Auric Pacific Group Limited as at 31 December 2016
- (4) Based on the revalued NAV per share of Global Premium Hotels Limited as at 31 December 2016
- (5) Based on pre-conditional offer announcement date, being 9 April 2017.
- (6) Based on the revalued NAV per share of CWT Limited as at 30 June 2017.
- (7) Based on the revalued NAV per share of Nobel Design Holdings Limited as at 31 March 2017.
- (8) Based on the revalued NAV per share of Changtian Plastic & Chemical Limited as at 31 March 2017.
- (9) Based on the revalued NAV per share of China Flexible Holdings Limited as at 30 June 2017, which includes the net proceeds from the exercise of warrants and the revaluation of appraised assets.
- (10) Based on pre-conditional offer announcement date, being 10 August 2017.
- (11) Based on the revalued NAV per share of GP Batteries International Limited as at 30 June 2017.
- (12) Based on the revalued NAV per share of Poh Tiong Choon Logistics Limited as at 30 June 2017.
- (13) Based on the revalued NAV per share of Cogent Holdings Limited as at 30 September 2017.
- (14) Based on the revalued NAV per share of CWG International Limited as at 31 December 2017
- (15) Based on initial announcement date, being 21 September 2017.
- (16) Based on the revalued NAV per share of Tat Hong Holdings Ltd as at the latest reported financial statements.
- (17) Based on pre-conditional offer announcement date, being 21 February 2018.
- (18) Based on the latest revalued NAV per share of Lee Metal Group Ltd as at 31 March 2018.
- (19) Based on the revalued NAV per share of Wheelock (Singapore) Properties Limited as at 30 June 2018.
- (20) Based on the historical NAV per share of Keppel Telecommunications & Transportations Ltd as at 30 June 2018.
- (21) Based on pre-conditional offer announcement date, being 27 September 2018.
- (22) Based on the revalued NAV per share of M1 Limited as at 30 September 2018.
- (23) Based on the revalued NAV per share of Cityneon Holdings Limited as at 30 September 2018.
- (24) Based on the revalued NAV per share of PCI Limited as at 31 December 2018.
- (25) Based on the revalued pro-forma NAV per share of Declout Limited as at 30 September 2018.
- (26) Based on the pro-forma NAV per share of Courts Asia Limited as at 15 January 2019.
- (27) Based on the revalued NAV per share of Kingboard Copper Foil Holdings Limited as at 31 December 2018.
- (28) Based on the unaudited NAV per share of 800 Super Holdings Limited as at 31 March 2019.
- (29) Based on the Group's Offer Price and RNAV.

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

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

- (i) As disclosed in the Offer Announcement and the Offer Document, the Offeror and its Concert Parties (including the Undertaking Shareholders) held an aggregate interest of approximately 55.14% in the Share capital of the Company, which is within the range but lower than both the simple average and the median for the percentage of shareholding interest for each of the offeror and parties acting in concert as at the start for the Selected Successful Privatisations.
- (ii) The premium of approximately 51.9% as implied by the Offer Price over the last transacted price for Shares prior to the Offer Announcement Date is within the range and higher or more favourable when compared to the simple average and the median for the Selected Successful Privatisations. The premium of approximately 58.3% and 58.6% as implied by the Offer Price over the VWAP for the Shares for 1-month period and 3-month period prior to the Last Trading Day respectively are higher and more favourable than both the simple average and median for the Selected Successful Privatisations but are still within the range of the Selected Successful Privatisations.
- (iii) Overall the premiums as implied by the Offer Price over the historical last transacted prices (for various periods or dates) for Shares prior to the Offer Announcement Date, are generally higher and more favourable than both the simple average and median for the Selected Successful Privatisations but still within the range of the Selected Successful Privatisations.
- (iv) The valuation of the Group (as implied by the Offer Price and RNAV) in terms of P/NAV ratio is within the range of the Selected Successful Privatisations but lower than the simple average and median for transactions under the Selected Successful Privatisations.

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

When considered in the context of the shareholding of the Offeror and its Concert Parties (including the Undertaking Shareholders) as set out in the Offer Announcement and the Offer Document, which is within the range and lower than both the simple average and the median for the percentage of shareholding interest for each of the offeror and parties acting in concert (including the undertaking shareholders) as at the start for the Selected Successful Privatisations, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices for the Shares and the RNAV in terms of P/NAV ratio, appears in general to be comparable to the Selected Successful Privatisations.

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

Selected Successful Delistings

Company	Date of announcement	% shareholding of the offeror and concert parties at the start of transaction ⁽¹⁾	Premium/(Discount) of offer price over/(from)			
			Last transacted price prior to announcement (%)	VWAP for 1 month period prior to announcement (%)	VWAP for 3 month period prior to announcement (%)	P/NAV (times) ⁽²⁾
Global Logistic Properties Limited	14-Jul-17	36.84	25.2	19.4	17.7	1.1 ⁽³⁾
Fischer Tech Limited	27-Jul-17	51.26	31.3	46.9	63.6	1.5 ⁽⁴⁾
Rotary Engineering Limited	2-Oct-17	0.00	20.1	19.3	25.1	1.3 ⁽⁵⁾
Vard Holdings Limited	13-Nov-17	83.51	8.7	16.2	29.3	0.9 ⁽⁶⁾
Weiye Holdings Limited	13-Mar-18	66.93	31.3	40.7	44.1	0.3 ⁽⁷⁾
LTC Corporation Limited	7-Sep-18	88.44	44.5	46.1	45.4	0.5 ⁽⁸⁾
MAXIMUM		88.44	44.5	46.9	63.6	1.5
MINIMUM		0.00	8.7	16.2	17.7	0.3
MEDIAN		59.10	28.3	30.1	36.7	1.0
SIMPLE AVERAGE		54.50	26.9	31.4	37.5	0.9
Group	28-Jun-19	55.14	51.9	58.3	58.6	0.6⁽⁹⁾

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

Notes:

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

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

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

- (i) As disclosed in the Offer Announcement and the Offer Document, the Offeror and its Concert Parties (including the Undertaking Shareholders) held an aggregate interest of approximately 55.14% in the Share capital of the Company, which is within the range, but lower than the median but higher than the simple average for the Selected Successful Delistings.
- (ii) The premium of approximately 51.9% and 58.3% as implied by the Offer Price over the last transacted price for Shares prior to the Offer Announcement Date and over the VWAP for the 1-month period prior to the Last Trading Day respectively is higher than any of the Selected Successful Delistings.

The premium of approximately 58.6% as implied by the Offer Price over the VWAP for the Shares for the 3-month period prior to the Last Trading Day is within the range and higher than both the simple average and median for the Selected Successful Delistings.

- (iii) The valuation of the Group as implied by the Offer Price and the RNAV per Share in terms of P/NAV ratio of approximately 0.6 times is within the range, but less favourable than the simple average and the median for the Selected Successful Delistings.

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

When considered in the context of the shareholding of the Offeror and its Concert Parties (including Undertaking Shareholders) as set out in the Offer Announcement and Offer Document, which is within the range, lower than the median but higher than the simple average for the Selected Successful Delistings, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices for the Shares and the RNAV per Share in terms of P/NAV ratio, appears in general to be comparable to the Selected Successful Delistings.

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

9. OTHER CONSIDERATIONS

9.1. Existing shareholding structure of the Company

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

	Direct Interests	Deemed Interests	Total interests	% of the issued Share capital as at the Latest Practicable Date ⁽¹⁾
Offeror and its Concert Parties (including Undertaking Shareholders)				
Shares held by Consortium members ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	66,100,200	54.16%
Concert Parties ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	1,195,405	0.98%
Total Shares owned, controlled and agreed to be acquired by Offeror and its Concert Parties (including Undertaking Shareholders)	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	67,295,425	55.14%
Directors (other than the Offeror and its Concert Parties, and Undertaking Shareholders)⁽⁵⁾	Nil	Nil	Nil	Nil
Substantial Shareholders (Consortium Members)				
Yee Kim Holdings Pte. Ltd. ⁽¹⁾⁽³⁾		18,603,000	18,603,000	15.24%
Pey Choi ⁽¹⁾⁽⁴⁾		18,603,000	18,603,000	15.24%
Substantial Shareholders (other than Offeror and Concert Parties, and Undertaking Shareholders)	Nil	Nil	Nil	Nil
Public Shareholdings			54,749,589	44.86%
Total			122,045,014	100.00%

Notes:

- (1) Based on 122,045,014 Shares (excluding treasury Shares) as at Latest Practicable Date.
- (2) Consortium members have given an undertaking to accept 66,100,020 or approximately 54.16% of issued Shares (excluding treasury Shares). Please refer to Section 5 of the Offer Document for the details of Hennfa and the Relevant Consortium Members which have given their undertakings. Details of Concert Parties can be found in Appendix IV of the Offer Document.
- (3) Yee Kim Holdings Pte. Ltd. is a business and management consultancy company which is held by Lim Yee Kim and Pey Choi. By virtue of Section 7 of the Companies Act, Cap 50, Yee Kim Holdings Pte. Ltd. is deemed interested in the Shares of Hennfa, which is part of the Consortium members.
- (4) Pey Choi is the spouse of Lim Yee Kim.
- (5) Details of Directors' interest can be found in Appendix II of the Circular. We note from the Circular that save for the Consortium Arrangements, none of the Directors has any direct or deemed interests in any Offeror securities as at the Latest Practicable Date. The Independent Directors do not have any interest in Shares.

We note that as stated in the Offer Announcement Date and the Offer Document, the Offeror and its Concert Parties (including Undertaking Shareholders) held 67,295,425 Shares, representing approximately 55.14% of the issued Share capital (excluding treasury Shares) of the Company. Accordingly, the Offeror and its Concert Parties already has majority control over the Company (shareholding exceeding 50%), which places the Offeror and its Concert Parties in a position to have an influence, *inter-alia*, on the management, operating and financial policies of the Company and ability to pass all ordinary resolution on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of Shareholders.

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

As at the Latest Practicable Date, the Directors who hold the Shares have informed the Company of their intentions in respect of the Offer as follows:

- (a) As set out in the Offer Document, Dr. Lim Puay Koon has provided an Irrevocable Undertaking to accept the Offer, further details of which are set out in Section 4 of this Circular. Dr. Lim Puay Koon has accordingly notified the Company that he intends to accept the Offer in respect of all 7,240,500 Shares which he owns, representing approximately 5.93% of the total issued Shares (other than treasury Shares) as at the Latest Practicable Date.
- (b) As set out in the Offer Document, Mr Lim Eng Chong has provided an Irrevocable Undertaking to accept the Offer, further details of which are set out in Section 4 of this Circular. Mr Lim Eng Chong has accordingly notified the Company that he intends to accept the Offer in respect of all 4,520,430 Shares which he owns, representing approximately 3.70% of the total issued Shares (other than treasury Shares) as at the Latest Practicable Date.
- (c) As set out in the Offer Document, Mr Lim Kim Thor has provided an Irrevocable Undertaking to accept the Offer, further details of which are set out in Section 4 of this Circular. Mr Lim Kim Thor has accordingly notified the Company that he intends to accept the Offer in respect of all 6,880,980 Shares which he owns, representing approximately 5.64% of the total issued Shares (other than treasury Shares) as at the Latest Practicable Date.
- (d) As set out in the Offer Document, Mr Lim Beo Peng has provided an Irrevocable Undertaking to accept the Offer, further details of which are set out in Section 4 of this Circular. Mr Lim Beo Peng has accordingly notified the Company that he intends to accept the Offer in respect of all 2,680,710 Shares which he owns, representing approximately 2.20% of the total issued Shares (other than treasury Shares) as at the Latest Practicable Date.
- (e) As set out in the Offer Document, Mr Lim Boh Chuan has provided an Irrevocable Undertaking to accept the Offer, further details of which are set out in Section 4 of this Circular. Mr Lim Boh Chuan has accordingly notified the Company that he intends to accept the Offer in respect of all 7,240,050 Shares which he owns, representing approximately 5.93% of the total issued Shares (other than treasury Shares) as at the Latest Practicable Date.

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

9.2. Dividend track record

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

Historical dividends paid by the Company

Period	Net Dividend per Share (S\$)	Net Dividend Payout ⁽¹⁾	Implied net dividend yield ⁽²⁾
FY2018	0.04	105.0%	3.3%
FY2017	0.02	339.0%	1.7%
FY2016 ⁽³⁾	0.01	n.m.	0.8%

Notes:

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

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

- (3) *The net dividend payout for FY2016 was not meaningful as the Group recorded negative earnings per share of approximately 15.5 cents.*

We note that the Company have declared and paid dividends for the past three (3) financial years, being FY2016, FY2017 and FY2018. Based on our discussions with the Directors, we understand that the Company does not have a fixed dividend policy and the form, frequency, and/or dividend payout will depend, *inter-alia*, on the Company's financial performance and position, project capital expenditure, future investment plans and any other factors that the Directors consider relevant.

Investments in selected alternative investments

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

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

Selected Comparable Companies	Financial Year End	Net Dividend Payout⁽¹⁾	Net Dividend Yield⁽²⁾
Asia Enterprises	31-Dec-18	100.0%	3.4%
CosmoSteel	30-Sep-18	n.m. ⁽³⁾	n.m. ⁽³⁾
HG Metal	31-Dec-18	n.m. ⁽³⁾	n.m. ⁽³⁾
Sin Ghee Huat	31-Dec-18	300.0%	1.4%
STI ETF	30-Jun-18	N.A.	3.5%
The Group	30-Jun-18	105.0%	3.3%

Notes:

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

We note that the Company's dividend payout is higher than those for Selected Comparable Companies which paid dividends (save for Sin Ghee Huat). Whilst the Company's net dividend yield in respect of its most recent financial year as implied by the Offer Price, is better than most of the Selected Comparable Companies (save for Asia Enterprises), it is lower than the net dividend yield for investments in STI ETF. On balance, the dividend yield for the Group as implied by the Offer Price is favourable when compared to most of the Selected Comparable Companies (save for Asia Enterprises).

The above analysis is on the assumption that the Company, Selected Comparable Companies and STI ETF maintain their respective net dividend per share at the same level as that in their last financial year.

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

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

9.3. Share consolidation and share buy back

9.3.1 Share consolidation

On 7 September 2015 (“**Share Consolidation Announcement Date**”), the Company announced a share consolidation exercise (“**Share Consolidation**”) to consolidate every five (5) existing ordinary shares in the capital of the Company, then, into one (1) ordinary share (“**Consolidated Share**”) in the capital of the Company.

We note that as at the Share Consolidation Announcement Date, the Company had an issued and paid-up share capital of 627,370,610 shares (including 10,593,000 treasury shares).

As at 9.00 a.m. on 8 January 2016, the Share Consolidation was completed and become effective. Following the completion of the Share Consolidation, the issued share capital of the Company comprised 125,474,114 Consolidated Shares (including 2,118,600 consolidated treasury Shares), after disregarding any fractions of Consolidated Shares arising from the Share Consolidation.

For illustrative purposes only, we note the following:–

- (i) The Offer Price represents a premium of approximately 105.1% over the last transacted price of S\$0.585 per Share on SGX-ST on 8 January 2016, being the market day of the Shares immediately after the Completion of the Share Consolidation; and
- (ii) The Offer Price represents a premium of approximately 58.9% to the last transacted price of pre-consolidated price of S\$0.151 per Share on the SGX-ST on 7 September 2015, being the last trading day of the Shares prior to the Share Consolidation Announcement Date, and after taking into account the Share Consolidation on a post-consolidated basis of S\$0.755 per Share).

The above comparison between the Offer Price and the Share Consolidation Price is necessarily limited and has to be assessed in the context of the economic or general market conditions then prevailing for the Shares or the prices for which the Shares were traded at the time and as the purpose for the Share Consolidation may have been different from the Offer.

9.3.2 Share buy back

We note that the Company has not purchased any Shares pursuant to its share buy back mandate for the last 12 months preceding the Offer Announcement Date and the period commencing on the Market Day immediately after the Offer Announcement Date to the Latest Practicable Date.

We also note that the Company had purchased 117,000 Shares (“**2017 Purchased Shares**”) and 666,000 Shares (“**2016 Purchased Shares**”) pursuant to the share buy back mandate granted at the 2017 AGM and 2016 AGM respectively. The total consideration paid for the 2017 Purchased Shares and 2016 Purchased Shares was S\$94,856.43 and S\$499,367.73 respectively.

The purchased shares are kept by the Company as treasury Shares.

For illustrative purposes only, we note the following:–

- (i) The Offer Price represents a premium of approximately 48.1% and 50.0% over the highest price paid per Share for 2017 Purchased Shares and the highest price paid per Share for 2016 Purchased Shares respectively.
- (ii) The Offer Price represents a premium of approximately 48.4% and 60.4% over the average price paid per Share for 2017 Purchased Shares and the average price paid per Share for 2016 Purchased Shares respectively.

The above comparison between the Offer Price, the highest or average price paid per Share for 2017 Purchased Shares and 2016 Purchased Shares is necessarily limited and has to be assessed in the context of the economic or general market conditions for the Shares then prevailing or the prices for

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

which the Shares were traded at the time as the purpose for the Share buy back may have been different from the Offer.

9.4. Offer is conditional

We note from Section 2.5 of the Offer Document that the Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, when taken together with Shares owned, controlled acquired or agreed to be acquired by the Offeror and any person acting in concert with it before or during the Offer, will result in the Offeror and any person acting in concert with it holding such number of Shares carrying more than 90% of the voting rights attributable to all the Shares in issue (excluding treasury Shares) as at the close of the Offer (the “**90 per cent. Acceptance Condition**”).

We note that the Offer will not become or be capable of being declared unconditional as to acceptance until the Closing Date unless at any time prior to completion date, the Offeror has valid acceptances which will result in the Offeror meeting the Acceptance Condition.

Save for the acceptance condition, the Offer will be unconditional in all other respects.

We note that as at the Latest Practicable Date, the Offeror and its Concert Parties (including the Undertaking Shareholders) hold in aggregate 67,295,425 Shares (or approximately 55.14% of the total Shares in issue other than treasury Shares). As set out in the Offer document, Hennfa and *inter-alia* the Relevant Consortium Members have provided irrevocable undertakings for 18,603,000 Shares and 47,497,020 Shares (or approximately 15.24% and 38.92% of total Shares in issue other than treasury Shares) respectively in favour of the Offeror.

In addition, in Section 2.8 of the Offer document, the Offer will not be capable of becoming or being declared to be unconditional as to acceptances after 5.30pm on the 60th day after the date of despatch of the Offer document. We note the Offer is to remain open for 14 days after being declared unconditional as to acceptance.

9.5. No revision of the Offer Price

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

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

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

9.6. Alternative takeover offer

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

As at the Offer Announcement Date, the Offeror and its Concert Parties (including Undertaking Shareholders) held 67,295,425 Shares, constituting approximately 55.14% of the issued Share capital of the Company and subsequent to the Offer Announcement Date to the Latest Practicable Date, the Offeror did not make any further announcement in connection with changes in its shareholding in the Company or further purchases of Shares. Under such circumstances, any competing offer for Shares is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares that the Offeror and its Concert Parties (including Undertaking Shareholders) holds. Thus, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced.

9.7. Control over the Company

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

9.8. Listing Status and Compulsory Acquisition

Listing status

We note from Section 8.1 of the Offer Document that under Rule 1105 of the Listing Manual of the SGX-ST (“**Listing Manual**”), upon an announcement by the Offeror that acceptances have been received that bring the holdings of the Shares owned by the Offeror and parties acting in concert with the Offeror to above 90 per cent. of the total number of issued Shares (excluding treasury Shares), the SGX-ST may suspend the trading of the listed securities of the Company on the SGX-ST until such time when the SGX-ST is satisfied that at least 10 per cent. of the total number of issued Shares (excluding treasury Shares) are held by at least 500 Shareholders who are members of the public.

Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90 per cent. of the total number of issued Shares (excluding treasury Shares), thus causing the percentage of the total number of issued Shares (excluding treasury Shares) held in public hands to fall below 10 per cent., the SGX-ST will suspend trading of the listed securities of the Company only at the close of the Offer.

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

In the event the Company does not meet the Free Float Requirement, the Offeror does not intend to preserve the listing status of the Company and does not intend to take any steps for any trading suspension in the securities of the Company to be lifted.

Compulsory acquisition

We note from Section 8.2 of the Offer Document that pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances of the Offer and/or acquires such

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

number of Offer Shares from the date of the Offer otherwise than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of Shares in issue (excluding treasury Shares) as at the close of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror would be entitled to exercise the right to compulsorily acquire all the Offer Shares of Shareholders who have not accepted the Offer (the “**Dissenting Shareholders**”) at the same price as the Offer Price on the same terms as those offered under the Offer.

In such event, the Offeror intends to exercise its right of compulsorily acquisition when entitled under Section 215(1) of the Companies Act.

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

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

9.9. Offeror’s intention for the Company

We note from Section 8.3 of the Offer Document that in the event the Company does not meet the Free Float Requirement, the Offeror does not intend to take any step for the public float to be restored and does not intend to take any steps for any trading suspension in the securities of the Company to be lifted. In addition, the Offeror intends to reserve its right to take steps at the appropriate time, whether during or after the Offer, to seek a voluntary delisting of the Company from the SGX-ST, where permitted by, and in accordance with, the relevant requirements of the Listing Manual and the Code.

As set out in Section 8.3 of the Offer Document, it is the current intention of the Offeror for the Company to continue with its existing business in line with the rationale of the Offer. Save as disclosed and other than in the ordinary course of business, the Offeror presently has no plans to (i) introduce any major changes to the business of the Group; (ii) re-deploy the fixed assets of the Group; or (iii) discontinue the employment of the existing employees of the Group. However, the Offeror retains the flexibility at any time to further consider any options or opportunities in relation to the Company which may present themselves or which the Offeror may regard to be in the interest of the Company.

9.10. Material Litigation and Contracts with Interested Persons

Material Litigation

We note from the Appendix II of the Circular that as at the Latest Practicable Date, save as disclosed in publicly available information on the Group, the Directors are not aware of any material litigation, claims or proceedings pending or threatened against, or made by, the Company or any of its subsidiaries or any facts likely to give rise to any such material litigation, claims or proceedings, which might materially and adversely affect the financial position of the Group, taken as a whole.

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

Material contracts with interested persons

We note from Appendix II of the Circular that as at the Latest Practicable Date, save as disclosed in publicly available information on the Group, neither the Company nor any of its subsidiaries has entered into material contracts with persons who are Interested Persons (other than those entered into in the ordinary course of business) during the period beginning three (3) years before the Offer Announcement Date.

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

10. OPINION

In arriving at our opinion in respect of the Offer, we have taken into account, *inter-alia*, the following factors which we consider to have a significant bearing on our assessment as summarised below and as elaborated elsewhere in this Letter. Save for the Independent Valuation Report in connection with the market value of the Appraised Properties, we have not been furnished with the valuation for the remaining PPE or assets and have relied on the Director's confirmation that as at the Latest Practicable Date, on an aggregate basis, there are no material differences between the estimated market value of the remaining PPE or assets (including, *inter-alia*, Financial Assets) for which no valuation was obtained and their respective book values and our views, recommendation and opinion are necessarily limited and subject to these matters.

This is purely a summary of the factors that have been highlighted in this Letter and Shareholders are advised to read the following in conjunction with, and in the context of, the full text of this Letter:

- (a) The intention of the Offeror and the listing status as set out in Section 8 of the Offer Document.
- (b) The historical financial performance and position of the Group as set out in Section 8.1 of this Letter. The Group has been profitable during the period reviewed (save for FY2016) with net profit attributable to shareholders of approximately negative S\$19.09 million, S\$720 thousand, S\$4.66 million and S\$2.12 million in FY2016, FY2017, FY2018 and 9M2019 respectively.

The Group's financial position has generally been strong notwithstanding the slight decline in shareholders' equity (from approximately S\$165.93 million as at 30 June 2016 to approximately S\$163.95 million as at 31 March 2019) from *inter-alia* payments of dividends. In addition net working capital position (improved from approximately S\$89.92 million as 30 June 2016 to approximately S\$91.36 million and S\$92.25 million as at 30 June 2017 and 30 June 2018 respectively), with minimal or no borrowings during the period reviewed. As at 31 March 2019, the Group has no borrowings. The aggregate amounts of cash and cash equivalents and Financial Assets as at 31 March 2019, is approximately S\$59.93 million.

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the circular, this Letter and the unaudited financial statements for the Group for 9M2019, there has been no material changes to the assets and liabilities, financial position, condition and performance.

- (c) The historical financial performance and position of the Group *vis a vis* the Selected Comparable Companies - The Group as compared to the Selected Comparable Companies is in a relatively better financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios). The Group's LTM ROE and LTM net profit margin appears to be within the range, the former in line with the median and simple average whereas the latter is higher than any of the Selected Comparable Companies (save for Sin Ghee Huat). The Group's LTM asset turnover appears to be within the range and almost in line with the minimum for the Selected Comparable Companies. Overall the Group has a financial performance, which in general, is comparable to the Selected Comparable Companies.
- (d) The Offer Price (as set out in Section 8 of this Letter) after taking into account, *inter-alia*, the following factors:-
 - (i) The Offer Price represents a discount of approximately 10.7% over the Group's NAV per Share and NTA per Share respectively as at 31 March 2019.
 - (ii) The Adjusted Offer Price (being the Offer Price less Cash and Financial Assets per Share), represents a discount of approximately 16.8% from the NAV per Share and NTA per Share for the Group after deducting Cash and Financial Assets per Share from the NAV per Share and NTA per Share as at 31 March 2019.
 - (iii) The Offer Price represents a discount of approximately 41.6% from the Group's RNAV and RNTA per Share.

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

- (iv) The Offer Price represents a premium of approximately 51.9% over the last transacted price of S\$0.79 per Share for the Shares on the SGX-ST on 27 June 2019, being the Last Trading Day prior to the Offer Announcement Date.
- (v) The Offer Price represents a premium of approximately 52.9%, 56.7%, 56.7% and 57.0% over the VWCP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Offer Announcement Date respectively.
- (vi) The Offer Price represents a premium of approximately 2.1% over the VWCP for the Shares for the period commencing on the Market Day immediately after the Offer Announcement Date and ending on the Latest Practicable Date.
- (vii) The Offer Price represents a premium of approximately 1.7% over the last transacted price of S\$1.18 per Share on the SGX-ST on 19 July 2019, being the Latest Practicable Date.
- (viii) Fair or favourable comparison with the valuation of the Selected Comparable Companies - the valuation of the Group (as implied by the Offer Price) in terms of LTM EV/EBITDA appears to be above the range and more favourable than any of the Selected Comparable Companies. In addition, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and the Group's RNAV per Share and RNTA per Share) appears to be more favourable than any of the Selected Comparable Companies. However, it is noted that the valuation of the Group in terms of LTM PER (as implied by the Offer Price) appears to be more favourable than the simple average and median but slightly lower than the maximum of the Selected Comparable Companies. Such comparison should be reviewed in conjunction with the following: (a) the Group is in a relatively better financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios) and, the Group's financial performance in terms of the LTM ROE and LTM net profit margin appears to be within the range, with the former in line with the median and simple average whereas the latter is higher than any of the Selected Comparable Companies (save for Sin Ghee Huat); (b) the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in acquisition of control whilst for the Offer, the Offeror's intention is to delist the Company and (as stated in the Offer Announcement and Offer Document), the Offeror and its Concert Parties (including the Undertaking Shareholders) had already a majority control over the Company by having an interest in 67,295,425 Shares representing approximately 55.14% of the total number of issued Shares (excluding treasury Shares); and (c) considering, *inter-alia*, the core business of the Group (being trading in industrial steel products, hardware trading and investment holding) where majority, if not all, of the assets are used for its trading activities, and that as the Group's operations are on a going concern basis, earnings-based valuation ratios (being PER and EV/EBITDA) are likely more appropriate valuation benchmark as compared to asset-based valuation ratios. Notwithstanding, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be more favourable than any of the Selected Comparable Companies. Furthermore the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share), is in general favourable as compared to the Selected Comparable Companies on a similar basis.
- (ix) Fair or favourable comparison with the Selected Successful Privatisations - the valuation of the Group as implied by the Offer Price in terms of premiums over historical prices for the Shares appears to be within the range and more favourable as compared to the simple average and median for the Selected Successful Privatisations. In addition, the valuation of the Group (as implied by the Offer Price and RNAV per Share) in terms of the P/NAV ratio appears to be within the range but lower than the simple average and median for the Selected Successful Privatisations. When considered in the context of the shareholdings of the Offeror and its Concert Parties (including Undertaking Shareholders) as set out in the Offer Announcement and the Offer Document, which is within the range and lower than both the simple average and the median for the percentage of shareholding interest for each of the offeror and parties acting in concert (including undertaking shareholders) as at the start for the Selected Successful Privatisations, the

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

valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices for the Shares and the RNAV in terms of P/NAV ratio, appears in general to be comparable to the Selected Successful Privatisations.

- (x) Fair or favourable comparison with the Selected Successful Delistings. The valuation of the Group as implied by the Offer Price in terms of premiums over last transacted price prior to announcement and the VWAP for the 1-month period prior to announcement respectively appears to be above the range and more favourable than any of the Selected Successful Delistings whilst the premiums for VWAP for the 3-month period prior to announcement was within the range and higher than the simple average and median. In addition, the valuation of the Group (as implied by the Offer Price and RNAV per Share) in terms of the P/NAV ratio appears to be within the range, above minimum but below median and average for the Selected Successful Delistings. When considered in the context of the shareholdings of the Offeror and its Concert Parties (including Undertaking Shareholders) as set out in the Offer Announcement and Offer Document, which is within the range, but lower than the median but higher than the simple average as at the start for the Selected Successful Delistings, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices for the Shares and the RNAV per Share in terms of P/NAV ratio, appears in general to be comparable to the Selected Successful Delistings.
 - (xi) Favourable comparison with the Share price after the Completion of the Share Consolidation. The Offer price represents a premium of approximately 105.1% over S\$0.585 per Share on SGX-ST on 8 January 2016, being the market day of the Shares immediately after the completion of the Share Consolidation.
 - (xii) Favourable comparison, in general with the highest or average price paid per Share for the 2017 Purchased Shares and 2016 Purchased Shares.
- (e) As at the Offer Announcement Date, the Offeror and its Concert parties (including Undertaking Shareholders) held 67,295,425 Shares, constituting approximately 55.14% of the issued Share capital of the Company (excluding treasury Shares). Accordingly, the Offeror already has statutory control over the Company, which places the Offeror and its Concert Parties (including Undertaking Shareholders) in a position to have significant influence, *inter-alia*, on the management, operating and financial policies of the Company and ability to pass all ordinary resolution on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of Shareholders. Subsequent to the Offer Announcement Date to the Latest Practicable Date, the Offeror did not make any further announcement in connection with changes in its shareholding in the Company or further purchases of Shares. Competing offer for the Shares (if any) is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares that the Offeror and its Concert Parties (including Undertaking Shareholders) hold. In addition, in Section 9.6 of the IFA letter, the directors have confirmed that apart from the Offeror, no other third parties have approached the Company with an intention to make an offer. Thus, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced.
- (f) Our analysis as set out in paragraph 9.2 of this Letter suggests that the Company's dividend payout is better than any of the Selected Comparable Companies (save for Sin Ghee Huat). The Company's dividend yield in respect of its most recent financial year as implied by the Offer Price is more favourable than most of the Selected Comparable Companies (save for Asia Enterprises) but lower than the dividend yield of STI ETF. On balance, the dividend yield for the Group as implied by the Offer Price is favourable when compared to most of the Selected Comparable Companies (save for Asia Enterprises).
- (g) As at the Latest Practicable Date, the Offer is conditional upon the 90 per cent. Acceptance Condition. The Offeror does not intend to preserve the listing status of the Company.
- (h) As set out in the Offer Document, the Offer Price is final and the Offeror does not intend to increase the Offer Price.

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

- (i) The Directors' confirmation that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.
- (j) Other considerations are set out in paragraph 9 or other such sections of this Letter.

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

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

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

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

- (i) Fair or favourable comparison with the valuation of the Selected Comparable Companies in terms of LTM EV/EBITDA and LTM PER ratios and P/NAV or P/NTA ratios. Furthermore the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share), is in general favourable as compared to the Selected Comparable Companies on a similar basis. The comparison were made taking into account: (a) the Group's relatively better financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios), and Group's financial performance in terms of the LTM ROE and LTM net profit margin which appears to be within the range, with the former in line with the median and simple average whereas the latter is higher than any of the Selected Comparable Companies (save for Sin Ghee Huat); and (b) the fact that the Offeror and its Concert Parties (including Undertaking Shareholders) had already a majority control over the Company as at the Offer Announcement Date. In addition, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and the Group's RNAV and RNTA per Share) as well as LTM EV/EBITDA ratio appears to be higher than any of the Selected Comparable Companies, whilst the valuation of the Group in terms of LTM PER (as implied by the Offer Price) appears to be within the range of the Selected Comparable Companies and higher than simple average and median for Selected Comparable Companies.
- (ii) Fair or favourable comparison with the Selected Successful Privatisations in terms of both premiums over historical prices for the Shares and the valuation of the Group (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of P/NAV or the P/NTA ratio, appears in general to be comparable to the Selected Successful Privatisations. This should be viewed in conjunction with the fact that the Offeror and its Concert Parties (including Undertaking Shareholders) had already a majority control over the Company as at the Offer Announcement Date.
- (iii) Fair or favourable comparison with the Selected Successful Delistings in terms of both premiums over historical prices for the Shares and the valuation of the Group (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of P/NAV or the P/NTA ratio, appears in general to be comparable to the Selected Successful Delistings. This should be viewed in conjunction with the fact that the Offeror and its Concert Parties (including

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

Undertaking Shareholders) had already a majority control over the Company as at the Offer Announcement Date.

- (iv) Substantial premiums implied by the Offer Price over the historical prices for the Shares prior to the Offer Announcement Date considering, *inter-alia*, (a) the implied premium of approximately 51.9% over the last transacted price prior to the Offer Announcement Date; and (b) the implied premiums of approximately 52.9%, 56.7%, 56.7% and 57.0% over the VWCP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Offer Announcement Date. The implied premium over the historical prices for the Shares appears in general to be comparable to both the Selected Successful Privatisations and the Selected Successful Delistings.
- (v) As set out in the Offer Document and confirmed by the Directors, the Shares have not been transacted above the Offer Price since May 2013.
- (vi) Favourable comparison of the Offer Price against the Share price following the Share Consolidation and in general favourable comparison with the highest or average price paid per Share for the 2017 Purchased Shares and 2016 Purchased Shares.

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

- (i) As set out in the Offer Announcement and the Offer Document, the Offeror and its Concert Parties (including Undertaking Shareholders) had already a statutory control of the Company, which places the Offeror in a position to significantly influence, *inter-alia*, the management, operating and financial policies of the Company and is in a position to pass all ordinary resolutions on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of Shareholders.
- (ii) Fair or favourable comparison with the Selected Successful Privatisations in terms of premiums over historical prices for the Shares. This should be viewed in conjunction with the fact that the Offeror and its Concert Parties (including Undertaking Shareholders) had already a majority control over the Company as at the Offer Announcement Date.
- (iii) Fair or favourable comparison with the Selected Successful Delistings in terms of premiums over historical prices for the Shares. This should be viewed in conjunction with the fact that the Offeror and its Concert Parties (including Undertaking Shareholders) had already a majority control over the Company as at the Offer Announcement Date.
- (iv) Substantial premiums implied by the Offer Price over the historical prices for the Shares prior to the Offer Announcement Date.
- (v) As set out in the Offer Document, the Shares have not been transacted above the Offer Price since May 2013.
- (vi) Favourable comparison of the Offer Price against the Share price following the Share Consolidation and in general favourable comparison with the 2017 Purchased Shares and 2016 Purchased Shares.
- (vii) The Director's confirmation that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.
- (viii) While the transacted prices for the Shares subsequent to the Offer Announcement Date may have been underpinned by the Offer and the trading for the Shares on a daily basis may have (in general) increased subsequent to the Offer Announcement Date and till the Latest Practicable Date (as compared to the 1-year period prior to the Offer Announcement Date), there is no assurance that the trading activities for the Shares will be maintained at such levels or that the transacted prices for the Shares will be maintained after the closing of the Offer. In particular, there is no assurance that interest in the Shares will be maintained after the Offer as

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

the possibility of an alternative offer from parties other than the Offeror is low in view of the Offeror' and Concert Parties (including Undertaking Shareholders) majority control as represented by the percentage of the total number of Shares that it holds.

- (ix) Low liquidity for the Shares (in terms of daily average trading volume) prior to the Offer Announcement Date.

ACA's Recommendation on the Offer

Based on our assessment of the financial terms of the Offer as set out above, we advise the Independent Directors that they should recommend that Shareholders **ACCEPT** the Offer. In addition, the Offer represent a realistic opportunity for Shareholders to realise their entire investment in cash taking into account, *inter-alia*, the low liquidity for the Shares (in terms of daily average trading volume) prior to the Offer Announcement Date and that the Share price have not transacted above the Offer Price since May 2013 and exceeds the highest closing price for the Shares in the past one year period and up to and including the Last Trading Day.

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

In the event that Shareholders are concerned about the liquidity and the prices at which they can realise their investments in the Offer Shares (including whether they can realize their investments at prices higher than the Offer Price after deducting related expenses), acceptance of the Offer will provide certainty of exit at the Offer Price. However, in the event that Shareholders are able to dispose the Offer Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling the Offer Shares in the open market. It should be noted that for the period commencing on the Market Day immediately after the Offer Announcement Date to the Latest Practicable Date, the transacted prices for the Shares have always been lower than the Offer Price and the Offer Price represents a small premium of approximately 1.7% over the last transacted price of S\$1.18 per Share on the SGX-ST on 19 July 2019, being the Latest Practicable Date.

Matters to highlight

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

1. If the Shareholders are considering selling their Offer Shares in the open market, they should be aware that the current market prices and trading volumes for the Shares may have been supported by the Offer and may not be maintained at current levels when the Offer closes. It should be noted that for the period commencing on the Market Day immediately after the Offer Announcement Date to the Latest Practicable Date, the transacted prices for the Shares have always been lower than the Offer Price and the Offer Price represents a small premium of approximately 1.7% over the last transacted price of S\$1.18 per Share on the SGX-ST on 19 July 2019, being the Latest Practicable Date.
2. The Offeror has stated in the Offer Document that it will not revise the Offer Price of S\$1.20 per Share.
3. Whilst the possibility of a higher offer from a third party cannot be ruled out, as at the Latest Practicable Date, we are not aware of any publicly available evidence of an alternative offer for the Shares. Shareholders should be aware that the chances of such an alternative offer for Shares being made by a third party may be affected by the fact that as at the Latest Practicable Date, the Offeror and its Concert Parties (including the Undertaking Shareholders) hold in aggregate of 67,295,425 Shares, representing approximately 55.14% of the total number of issued Shares (excluding treasury Shares).

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

4. The Offeror is making the Offer with a view to delist or privatise the Company from the SGX-ST and if entitled to under the Companies Act, the Offeror intends to compulsorily acquire all the Offer Shares.
5. In the event the Company does not meet the Free Float Requirement, the Offeror does not intend to preserve the listing status of the Company and does not intend to take any steps for any trading suspension in the securities of the Company to be lifted.
6. In the event that the trading of Shares on the SGX- ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror does not intend to preserve the listing status of the Company and has no intention of undertaking or supporting any action for any such trading suspension by the SGX-ST to be lifted.
7. The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter and the unaudited financial statements for the Group for 9M2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.
8. Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or appraisal of the Group's assets and liabilities (including without limitation, property, plant and equipment and assets held for sale) or contracts entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group save for the Independent Valuation Report issued by the Independent Valuer in respect of the market value of the Appraised Properties as at the Valuation Date. With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, property, plant and equipment and assets held for sale where applicable) including, *inter-alia*, the contracts that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors.

Limitations

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

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

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

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders **who wish to accept the Offer** must do so not later than the 5.30 pm (Singapore time) on 16 August 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, abiding by the procedures for the acceptance of the Offer as set out in Appendix VI of the Offer Document, and in the accompanying FAA and/or FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by CDP (in respect of the FAA) or the Registrar (in respect of the FAT), as the case may be, not later than 5.30 p.m. (Singapore time) on 16 August 2019 as may be announced from time to time by or on behalf of the Offeror.

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

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

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

Yours faithfully,

For and on behalf of

ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

APPENDIX II – ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

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

Name	Address	Description
Mr Lim Chee San	c/o 116 Neythal Road Singapore 628603	Non-Executive Chairman, Independent Director
Mr Lim Boh Chuan	c/o 116 Neythal Road Singapore 628603	Chief Executive Officer, Managing Director
Mr Lim Beo Peng	c/o 116 Neythal Road Singapore 628603	Deputy Managing Director
Mr Lim Kim Thor	c/o 116 Neythal Road Singapore 628603	Executive Director
Mr Lim Eng Chong	c/o 116 Neythal Road Singapore 628603	Non-Executive Director
Dr Lim Puay Koon	c/o 116 Neythal Road Singapore 628603	Non-Executive Director
Mr Philip Chan Kam Loon	c/o 116 Neythal Road Singapore 628603	Independent, Non-Executive Director

2. HISTORY AND PRINCIPAL ACTIVITIES

The Company was incorporated under the laws of Singapore on 31 July 1973 and was listed on the Main Board of the SGX-ST on 4 February 1994. The principal activities of the Company and its subsidiaries consist of trading in industrial steel products and investment holding as at the Latest Practicable Date.

3. SHARE CAPITAL

3.1 Issued Share Capital

The issued and paid-up share capital of the Company as at the Latest Practicable Date is S\$107,485,000, comprising 122,045,014 Shares (excluding 3,429,100 Shares held in treasury).

3.2 Capital, Dividends and Voting Rights

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution. An extract of the relevant provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting has been reproduced in [Appendix V](#) to this Circular. The Constitution is available for inspection at the registered address of the Company at 116 Neythal Road, Singapore 628603. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution and/or the Companies Act.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

3.3 Number of Shares Issued since the End of the Last Financial Year

As at the Latest Practicable Date, the Company has not issued any new Shares since the end of FY2019, being the last financial year of the Company.

3.4 Convertible Instruments

As at the Latest Practicable Date, the Company has not issued any instruments convertible into, rights to subscribe for, or options in respect of, securities being offered for or which carry voting rights affecting the Shares that are outstanding as at the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS

4.1 Interests of the Company in Offeror Securities

As at the Latest Practicable Date, the Company does not have any direct or deemed interests in any Offeror Securities.

4.2 Dealings in Offeror Securities by the Company

As at the Latest Practicable Date, the Company has not dealt for value in any Offeror Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.3 Interests of the Directors in Offeror Securities

Save for the Consortium Arrangements, none of the Directors has any direct or deemed interests in any Offeror Securities as at the Latest Practicable Date.

4.4 Dealings in Offeror Securities by the Directors

Save for the Consortium Arrangements, none of the Directors has dealt for value in any Offeror Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.5 Interests of the Directors in Company Securities

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

Name	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Lim Boh Chuan ⁽²⁾⁽³⁾	7,240,050	5.93	18,603,000	15.24
Lim Beo Peng	2,680,710	2.20	-	-
Lim Kim Thor ⁽³⁾⁽⁴⁾	6,880,980	5.64	18,639,000	15.27
Lim Eng Chong ⁽³⁾⁽⁴⁾	4,520,430	3.70	18,603,000	15.24
Lim Puay Koon ⁽²⁾⁽³⁾	7,240,500	5.93	18,603,000	15.24

Notes:

- (1) Based on the issued share capital of the Company comprising 122,045,014 Shares (excluding 3,429,100 treasury shares) at the Latest Practicable Date.
- (2) Lim Boh Chuan and Lim Puay Koon are brothers. Together, they hold 28.50% of the voting shares in Hennfa Investments Pte Ltd ("Hennfa").

APPENDIX II – ADDITIONAL GENERAL INFORMATION

- (3) Hennfa is an investment holding company which is 23.54% owned by Yee Kim Holdings Pte. Ltd. ("YKH"). YKH is a business management and consultancy services company which is held equally by Messrs Lim Yee Kim and Pey Choi. Pey Choi is the spouse of Lim Yee Kim. By virtue of Section 7 of the Companies Act, YKH is deemed interested in the shares of Hennfa. The other shareholders of Hennfa are Pit Hong Holdings Pte. Ltd., Lim Kim Thor, Lim Kim Hock, Lim Eng Chong, Lim Boh Chuan and Lim Puay Koon, each of whom holds less than 20% of the shareholdings in Hennfa.
- (4) Lim Kim Thor and Lim Eng Chong are brothers and together they hold 25.62% of the voting shares in Hennfa.

4.6 Dealings in Company Securities by the Directors

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

4.7 Company Securities owned or controlled by the IFA

As at the Latest Practicable Date, none of the IFA or any funds whose investments are managed by the IFA on a discretionary basis owns or controls any Company Securities.

4.8 Dealings in Company Securities by the IFA

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

4.9 Intentions of the Directors in respect of their Shares

As at the Latest Practicable Date, the Directors who hold the Shares have informed the Company of their intentions in respect of the Offer as follows:

- (a) As set out in the Offer Document, Dr Lim Puay Koon has provided an Irrevocable Undertaking to accept the Offer, further details of which are set out in Section 4 of this Circular. Dr Lim Puay Koon has accordingly notified the Company that he intends to accept the Offer in respect of all 7,240,500 Shares which he owns, representing approximately 5.93% of the total issued Shares as at the Latest Practicable Date.
- (b) As set out in the Offer Document, Mr Lim Eng Chong has provided an Irrevocable Undertaking to accept the Offer, further details of which are set out in Section 4 of this Circular. Mr Lim Eng Chong has accordingly notified the Company that he intends to accept the Offer in respect of all 4,520,430 Shares which he owns, representing approximately 3.70% of the total issued Shares as at the Latest Practicable Date.
- (c) As set out in the Offer Document, Mr Lim Kim Thor has provided an Irrevocable Undertaking to accept the Offer, further details of which are set out in Section 4 of this Circular. Mr Lim Kim Thor has accordingly notified the Company that he intends to accept the Offer in respect of all 6,916,980 Shares which he owns, representing approximately 5.67% of the total issued Shares as at the Latest Practicable Date.
- (d) As set out in the Offer Document, Mr Lim Beo Peng has provided an Irrevocable Undertaking to accept the Offer, further details of which are set out in Section 4 of this Circular. Mr Lim Beo Peng has accordingly notified the Company that he intends to accept the Offer in respect of all 2,680,710 Shares which he owns, representing approximately 2.20% of the total issued Shares as at the Latest Practicable Date.
- (e) As set out in the Offer Document, Mr Lim Boh Chuan has provided an Irrevocable Undertaking to accept the Offer, further details of which are set out in Section 4 of this Circular. Mr Lim Boh Chuan has accordingly notified the Company that he intends to accept the Offer in respect of all 7,240,050 Shares which he owns, representing approximately 5.93% of the total issued Shares as at the Latest Practicable Date.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

5. OTHER DISCLOSURES

5.1 Directors' Service Contracts

As at the Latest Practicable Date:

- (a) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation; and
- (b) there are no such contracts entered into or amended during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.2 Arrangements affecting Directors

Save as disclosed in this Circular, as at the Latest Practicable Date:

- (a) it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and
- (c) none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

6. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, save as disclosed in publicly available information on the Group, neither the Company nor any of its subsidiaries has entered into material contracts (other than those entered into in the ordinary course of business) with persons who are Interested Persons during the period beginning three (3) years before the Offer Announcement Date, and ending on the Latest Practicable Date.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed in publicly available information on the Group, the Directors are not aware of any material litigation, claims or proceedings pending or threatened against, or made by, the Company or any of its subsidiaries or any facts likely to give rise to any such material litigation, claims or proceedings, which might materially and adversely affect the financial position of the Group, taken as a whole.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

8. FINANCIAL INFORMATION

8.1 Consolidated Statements of Comprehensive Income

A summary of the audited consolidated statement of comprehensive income of the Group for FY2016, FY2017 and FY2018 and the unaudited financial information of the Group for 3QFY2019 is set out below.

	FY2016 Audited S\$'000	FY2017 Audited S\$'000	FY2018 Audited S\$'000	3QFY2019 Unaudited S\$'000
Revenue	55,750	49,070	59,736	50,088
Other income	2,028	1,956	2,133	1,929
Other (losses)/gains	(1,264)	(466)	2,095	(20)
Expenses				
- Purchases of inventories	(38,215)	(35,314)	(50,067)	(35,302)
- Changes in inventories	(15,398)	(1,602)	4,333	(4,359)
- Employee compensation	(7,809)	(6,624)	(7,397)	(5,929)
- Depreciation	(1,979)	(2,011)	(1,922)	(1,410)
- Finance	(4)	(1)	-	-
- Other	(11,406)	(4,259)	(4,469)	(2,843)
(Loss)/profit before income tax	(18,297)	749	4,442	2,154
Income tax (expense)/credit	(797)	(29)	217	(35)
Total (loss)/profit	(19,094)	720	4,659	2,119
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation	(276)	(124)	144	180
Available-for-sale financial assets				
- Fair value (losses)/gains	(33)	473	(782)	-
- Reclassification	(80)	22	(10)	-
Items that will not be reclassified subsequently to profit or loss:				
Financial assets, at fair value through other comprehensive income ("FVOCI")				
- Fair value gains	-	-	-	64
Other comprehensive (loss)/income, net of tax	(389)	371	(648)	244
Total comprehensive (loss)/income	(19,483)	1,091	4,011	2,363
Net (loss)/earnings per share (cents/share)	(15.48)	0.59	3.81	1.74 ⁽¹⁾
Net dividends per share (cents/share)	1.00	2.00	4.00	-

Notes:

(1) Net earnings per share for 3QFY2019 is for 9 months ended 31 March 2019.

(2) There is no minority interests for the Group.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

The above summary should be read together with the annual reports of the Company for FY2016, FY2017 and FY2018 and relevant financial statements, copies of which are available for inspection at the registered office of the Company at 116 Neythal Road, Singapore 628603 during normal business hours.

The unaudited financial information of the Group for 3QFY2019 is set out in fuller detail in Appendix IV of this Circular.

8.2 Balance Sheets

A summary of the audited balance sheet of the Group as at 30 June 2018 and the unaudited balance sheet of the Group for 3QFY2019 is set out below.

	FY2018 Audited S\$'000	3QFY2019 Unaudited S\$'000
ASSETS		
Current assets		
Cash and cash equivalents	45,995	38,512
Trade and other receivables	21,043	18,960
Inventories	32,359	36,718
Other current assets	206	958
Tax recoverable	67	80
	99,670	95,228
Non-current assets		
Available-for-sale financial assets	20,577	-
Financial assets, at FVOCI	-	21,420
Investment properties	32,053	32,178
Property, plant and equipment	19,181	18,548
	71,811	72,146
Total assets	171,481	167,374
LIABILITIES		
Current liabilities		
Trade and other payables	6,565	3,280
Borrowings	558	-
Provision for directors' retirement gratuity	75	86
Derivative financial instruments	218	-
	7,416	3,366
Non-current liabilities		
Deferred income tax liabilities	14	14
Provision for directors' retirement gratuity	25	47
	39	61
Total liabilities	7,455	3,427
NET ASSETS	164,026	163,948

APPENDIX II – ADDITIONAL GENERAL INFORMATION

	FY2018 Audited S\$'000	3QFY2019 Unaudited S\$'000
EQUITY		
Share capital	107,485	107,485
Treasury shares	(3,389)	(3,389)
Other reserves	(2,393)	(2,157)
Retained profits	62,323	62,009
Total equity	164,026	163,948

The above summary should be read together with the annual report for FY2018, the audited consolidated statements of financial position of the Group for FY2018, and the unaudited financial information of the Group for 3QFY2019 which are set out in Appendix III and IV of this Circular, and the related notes thereto.

8.3 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 reproduced in Appendix III of this Circular, and section 5 of the unaudited financial information of the Group for 3QFY2019, which are set out in Appendix IV of this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the audited consolidated financial statements of the Group for FY2018 and that contained in the unaudited financial information of the Group for 3QFY2019), there are no significant accounting policies or any points from the notes to the financial statements which are of major relevance for the interpretation of the accounts.

8.4 Changes in Accounting Policies

Save as disclosed in this Circular and in publicly available information on the Group, as at the Latest Practicable Date, there is no change in the accounting policy of the Group which will cause the figures disclosed in this Circular not to be comparable to a material extent.

Copies of the annual reports of the Company for FY2018, FY2017 and FY2016 and the unaudited financial information of the Group for 3QFY2019 are available on the SGX-ST website at www.sgx.com or for inspection at the registered address of the Company at 116 Neythal Road, Singapore 628603 during normal office hours for the period during which the Offer remains open for acceptance.

8.5 Material Changes in Financial Position

Save for information disclosed in this Circular and publicly available information on the Company (including but not limited to announcements released by the Company in respect of its financial results such as the unaudited financial statements of the Group for 3QFY2019 as announced on 10 May 2019 and set out in Appendix IV of this Circular), there are no known material changes in the financial position of the Company as at the Latest Practicable Date since 30 June 2018, being the date to which the Company's last published audited financial statements were made up.

8.6 Material Change in Information

Save as disclosed in this Circular and save for the information relating to the Group and the Offer that is publicly available, there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

8.7 Valuation of the Subject Properties

The Company has commissioned independent valuations of the Subject Properties. As disclosed in the Valuation Report, the basis of valuation is market value. A copy of the Valuation Report is set out in Appendix VI to this Circular. The Valuation Report in respect of the Subject Properties are available for inspection at the registered address of the Company at 116 Neythal Road, Singapore 628603.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the Subject Properties, which are the subject of a valuation given in connection with the Offer, were to be sold at the amount of the valuation. Based on the Valuation Report, the potential tax liabilities that may be incurred by the Company on the hypothetical disposal of the Subject Properties on an “as is” basis is nil as any gains would be capital in nature.

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

9. GENERAL

9.1 Costs and Expenses

All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

9.2 Documents for Inspection

Copies of the following documents are available for inspection at the registered address of the Company at 116 Neythal Road, Singapore 628603 during normal business hours for the period during which the Offer remains open for acceptance:

- (a) the Constitution;
- (b) the annual reports of the Company for FY2016, FY2017 and FY2018;
- (c) the unaudited financial information of the Group for 3QFY2019;
- (d) the IFA Letter;
- (e) the Valuation Report; and
- (f) the letters of consent referred to in Section 13 of this Circular.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

The audited consolidated financial statements of the Group for FY2018 which are set out below have been reproduced from the Company's annual report for FY2018 and were not specifically prepared for inclusion in this Circular.

A copy of the annual report for FY2018 is available for inspection at the registered address of the Company at 116 Neythal Road, Singapore 628603, during normal business hours for the period during which the Offer remains open for acceptance.

**APPENDIX III – AUDITED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

(Incorporated in Singapore. Registration Number: 197301452D)

ANNUAL REPORT

For the financial year ended 30 June 2018

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 30 June 2018

The directors present their statement to the shareholders together with the audited financial statements of the Group for the financial year ended 30 June 2018 and the balance sheet of the Company as at 30 June 2018.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 11 to 75 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Mr Lim Boh Chuan
Mr Lim Beo Peng
Mr Lim Kim Thor
Mr Lim Eng Chong
Dr Lim Puay Koon
Mr Chan Kam Loon, Philip
Mr Lim Chee San

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 30 June 2018

Directors' interests in shares or debentures

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At	At	At	At
	<u>30.06.2018</u>	<u>01.07.2017</u>	<u>30.06.2018</u>	<u>01.07.2017</u>
Company (No. of ordinary shares)				
Lim Boh Chuan	7,240,050	7,240,050	18,603,000	18,603,000
Lim Kim Thor	6,880,980	6,880,980	18,639,000	18,639,000
Lim Eng Chong	4,520,430	4,520,430	18,603,000	18,603,000
Lim Puay Koon	7,240,500	7,240,500	18,603,000	18,603,000
Lim Beo Peng	2,680,710	2,680,710	-	-

- (b) According to the register of directors' shareholdings, all directors, except Mr Chan Kam Loon, Philip and Mr Lim Chee San, are deemed to have interests in all the ordinary shares of the wholly-owned subsidiaries held by the Group at the beginning and end of the financial year.
- (c) The directors' interests in the ordinary shares of the Company and of related corporations as at 21 July 2018 were the same as at 30 June 2018.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 30 June 2018

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Mr Chan Kam Loon, Philip	–	Independent (Chairman)
Dr Lim Puay Koon	–	Non - Executive
Mr Lim Chee San	–	Independent

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing these functions, the Committee:

- (i) reviewed with the external auditors, their audit plan and audit report;
- (ii) reviewed any matters which the external auditors wish to discuss, without the presence of management;
- (iii) reviewed with the internal auditors, their audit plan, evaluation of the internal accounting controls, audit report and any matters which the internal auditors wish to discuss;
- (iv) reviewed the balance sheet of the Company and the consolidated financial statements of the Group in the quarterly announcements and annual report;
- (v) made recommendations to the Board on the appointment of the external and internal auditors and on their remunerations; and
- (vi) reviewed the Interested Person Transactions as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") as is required by SGX-ST and ensured that the transactions were on normal commercial terms and not prejudicial to the interests of the shareholders of the Company.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

**APPENDIX III – AUDITED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 30 June 2018

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors



Lim Boh Chuan
Director

5 October 2018



Lim Beo Peng
Director

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF HUPSTEEL LIMITED AND ITS SUBSIDIARIES

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of HUPSteel Limited (“the Company”) and its subsidiaries (“the Group”) and balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (“the Act”) and Financial Reporting Standards in Singapore (“FRSs”) 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 30 June 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the year ended 30 June 2018;
- the consolidated balance sheet of the Group and balance sheet of the Company as at 30 June 2018;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority 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.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUPSTEEL LIMITED AND ITS SUBSIDIARIES (continued)

Our Audit Approach (continued)

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 for the financial year ended 30 June 2018. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Allowance for write-down of inventory <i>Refer to Note 3.1(a) (Critical accounting estimates, assumptions and judgements) and Note 14 (Inventories) to the financial statements.</i></p> <p>As at 30 June 2018, the Group's gross carrying amount of inventories was \$36.0 million (2017: \$28.0 million) and represents 21% of the Group's total assets.</p> <p>Inventories are measured in accordance with FRS 2 Inventories at the lower of cost or net realizable value ("NRV"), being estimated selling price less selling costs.</p> <p>Due to the nature of the industry, the selling price is highly dependent on the market price of steel, which is subject to volatility.</p> <p>We focus on this area because valuation of inventory involves significant level of management judgment in estimating the allowance amount to write down the carrying amount of inventories to the lower of cost or NRV.</p>	<p>We performed the following audit procedures:</p> <ol style="list-style-type: none"> Test the accuracy of management's computation of the aging profile of the inventories; Evaluate the reasonableness of the forecasted demand of the slower moving inventories by reviewing the historical movement of inventory by age group; Assess the selection of the referenced inventory items used as comparables for inventory items without recent sales; Assess the reasonableness and accuracy of the estimated NRV computed by management; and Assess appropriateness of the disclosures in the financial statements relating to nature of the estimation uncertainty which require management judgement. <p>Based on the audit procedures performed above, we found management's judgment in relation to the allowance for write-down of inventory to be appropriately supported and the disclosure in this report to be appropriate.</p>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF HUPSTEEL LIMITED AND ITS SUBSIDIARIES (continued)

Our Audit Approach (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Allowance for trade receivables <i>Refer to Note 3.1(b) (Critical accounting estimates, assumptions and judgements) and Note 13 (Trade and other receivables) to the financial statements.</i></p> <p>As at 30 June 2018, the Group’s gross trade receivable was \$25.2 million (2017: \$16.4 million) and represents 15% (2017: 10%) of the Group’s total assets.</p> <p>We focus on this area because valuation of trade receivables involves significant level of management judgment in identifying customers with outstanding balances which have objective evidence of impairment based on credit ageing profile and historical customer repayment trend.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> a) Test the accuracy of the aging profile of trade receivables; b) Review management’s counterparty risk assessment, focusing on older debtor balances and debtors with no current year sales for which no allowance had been made; c) Evaluate management’s assessment based on independent understanding of the industry and market conditions in which these customers are based; d) Corroborate management’s explanation with supporting documentation relating to historical customer repayment trend, customer repayments subsequent to the year-end, sales trends, as well as correspondences with customers. e) Assess the appropriateness of the disclosures in the financial statements relating to critical management judgement. <p>Based on the audit procedures performed above, we found management’s judgment in relation to the allowance for doubtful receivables to be appropriately supported and the disclosure in this report to be appropriate.</p>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF HUPSTEEL LIMITED AND ITS SUBSIDIARIES (continued)

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

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 FRSSs, 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.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUPSTEEL LIMITED AND ITS SUBSIDIARIES (continued)

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

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

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

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

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

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

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUPSTEEL LIMITED AND ITS SUBSIDIARIES (continued)

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Maurice Loh Seow Wee.



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 5 October 2018

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2018

	Note	Group 2018 \$'000	2017 \$'000
Revenue	4	59,736	49,070
Other income	5	2,133	1,956
Other gains/(losses)	6	2,095	(466)
Expenses			
- Purchases of inventories		(50,067)	(35,314)
- Changes in inventories		4,333	(1,602)
- Employee compensation	7	(7,397)	(6,624)
- Depreciation	20,21	(1,922)	(2,011)
- Finance	8	-	(1)
- Other	9	(4,469)	(4,259)
Total expenses		(59,522)	(49,811)
Profit before income tax		4,442	749
Income tax credit/(expense)	10	217	(29)
Total profit		4,659	720
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation	28(b)	144	(124)
Available-for-sale financial assets			
- Fair value (losses)/gains	28(b)	(782)	473
- Reclassification	28(b)	(10)	22
Other comprehensive (loss)/income, net of tax		(648)	371
Total comprehensive income		4,011	1,091
Profit attributable to equity holders of the Company		4,659	720
Total comprehensive profit attributable to equity holders of the Company		4,011	1,091
Earnings per share for loss attributable to equity holders of the Company (cents per share)			
- Basic	11	3.81	0.59
- Diluted	11	3.81	0.59

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

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

As at 30 June 2018

	Note	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	45,995	52,555	7,093	13,337
Trade and other receivables	13	21,043	16,447	15,566	11,349
Inventories	14	32,359	28,026	15,375	13,354
Other current assets	15	206	193	62	87
Tax recoverable	10	67	54	-	-
Derivative financial instruments	16	-	108	-	108
		<u>99,670</u>	<u>97,383</u>	<u>38,096</u>	<u>38,235</u>
Non-current asset classified as held-for-sale	34	-	650	-	650
		<u>99,670</u>	<u>98,033</u>	<u>38,096</u>	<u>38,885</u>
Non-current assets					
Available-for-sale financial assets	17	20,577	20,827	20,577	20,827
Investment in club membership		-	-	-	-
Investment in subsidiaries	18	-	-	9,457	9,457
Loan to a subsidiary	19	-	-	29,499	29,369
Investment properties	20	32,053	33,690	27,155	26,868
Property, plant and equipment	21	19,181	20,207	89	114
		<u>71,811</u>	<u>74,724</u>	<u>86,777</u>	<u>86,635</u>
Total assets		<u>171,481</u>	<u>172,757</u>	<u>124,873</u>	<u>125,520</u>
LIABILITIES					
Current liabilities					
Trade and other payables	23	6,565	6,476	4,887	5,045
Borrowings	24	558	140	558	140
Provision for directors' retirement gratuity	25	75	56	75	56
Derivative financial instruments	16	218	-	218	-
		<u>7,416</u>	<u>6,672</u>	<u>5,738</u>	<u>5,241</u>
Non-current liabilities					
Deferred income tax liabilities	22	14	239	-	-
Provision for directors' retirement gratuity	25	25	598	25	598
		<u>39</u>	<u>837</u>	<u>25</u>	<u>598</u>
Total liabilities		<u>7,455</u>	<u>7,509</u>	<u>5,763</u>	<u>5,839</u>
NET ASSETS		<u>164,026</u>	<u>165,248</u>	<u>119,110</u>	<u>119,681</u>
EQUITY					
Share capital	27	107,485	107,485	107,485	107,485
Treasury shares	27	(3,389)	(3,038)	(3,389)	(3,038)
Other reserves	28	(2,393)	(1,664)	1,071	1,944
Retained profits		62,323	62,465	13,943	13,290
Total equity		<u>164,026</u>	<u>165,248</u>	<u>119,110</u>	<u>119,681</u>

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

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2018

	Note	Attributable to equity holders of the Company						Total equity \$'000
		Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Currency translation reserves \$'000	Fair value reserves \$'000	Retained profits \$'000	
2018								
Beginning of financial year		107,485	(3,038)	(477)	(1,701)	514	62,465	165,248
Purchase of treasury shares	27	-	(351)	-	-	-	-	(351)
Dividends paid	26	-	-	-	-	-	(4,882)	(4,882)
Reclassification of asset revaluation reserve for disposal of asset held-for-sale	28(b)(i)	-	-	(81)	-	-	81	-
Profit after tax		-	-	-	-	-	4,659	4,659
Other comprehensive income/(loss) for the year		-	-	-	144	(792)	-	(648)
Total comprehensive income/(loss) for the year		-	-	-	144	(792)	4,659	4,011
End of financial year		107,485	(3,389)	(558)	(1,557)	(278)	62,323	164,026
2017								
Beginning of financial year		107,485	(2,498)	(477)	(1,577)	19	62,973	165,925
Purchase of treasury shares	27	-	(540)	-	-	-	-	(540)
Dividends paid	26	-	-	-	-	-	(1,228)	(1,228)
Profit after tax		-	-	-	-	-	720	720
Other comprehensive (loss)/income for the year		-	-	-	(124)	495	-	371
Total comprehensive (loss)/income for the year		-	-	-	(124)	495	720	1,091
End of financial year		107,485	(3,038)	(477)	(1,701)	514	62,465	165,248

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

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Total profit		4,659	720
Adjustments for:			
- Income tax (credit)/expense		(217)	29
- Depreciation		1,922	2,011
- Loss/(gain) on disposal of property, plant and equipment		5	(1)
- Gain on disposal of investment property		(4,515)	-
- Investment properties written-off		2,185	-
- Reclassification from other comprehensive income on disposal of available-for-sale financial assets		(10)	22
- Impairment losses on available-for-sale financial assets		143	194
- Impairment of club membership		-	36
- Interest income		(577)	(1,012)
- Interest expense		-	1
- Unrealised currency translation (gain)/loss		(77)	7
- Dividend income		(435)	(264)
		<u>3,083</u>	<u>1,743</u>
Change in working capital			
- Inventories		(4,333)	1,602
- Trade and other receivables		(4,694)	(2,563)
- Derivative financial instruments		326	(9)
- Other current assets		(13)	211
- Trade and other payables		612	(707)
- Provision for directors' retirement gratuity		(554)	31
Cash provided by operations		<u>(5,573)</u>	<u>308</u>
Income tax (paid)/refunded		(26)	27
Interest received		675	1,064
Net cash (used in)/provided by operating activities		<u>(4,924)</u>	<u>1,399</u>
Cash flows from investing activities			
Property, plant and equipment			
- Purchases		(344)	(199)
- Proceeds from disposal		5	7
Investment properties			
- Purchases		(1,050)	-
- Proceeds from disposal		4,642	-
Available-for-sale financial assets			
- Purchases		(9,861)	(5,623)
- Proceeds from disposal		9,093	5,427
Dividends received		435	264
Net cash provided by/(used in) investing activities		<u>2,920</u>	<u>(124)</u>
Cash flows from financing activities			
Purchase of treasury shares		(351)	(540)
Proceeds from borrowings		4,261	6,208
Repayment of borrowings		(3,843)	(6,652)
Dividends paid to shareholders		(4,882)	(1,228)
Interest paid		-	(1)
Net cash used in financing activities		<u>(4,815)</u>	<u>(2,213)</u>
Net decrease in cash and cash equivalents		<u>(6,819)</u>	<u>(938)</u>
Cash and cash equivalents at beginning of the financial year		52,555	53,614
Effects of currency translation on cash and cash equivalents		259	(121)
Cash and cash equivalents at end of the financial year	12	<u>45,995</u>	<u>52,555</u>

Reconciliation of liabilities arising from financing activities

	1 July 2017 \$'000	Proceeds \$'000	Repayments \$'000	30 June 2018 \$'000
Borrowings	140	4,261	(3,843)	558

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

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Hupsteel Limited (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 116 Neythal Road, Singapore 628603.

The principal activities of the Company consist of trading in industrial steel products and investment holding.

The principal activities of its subsidiaries are set out in Note 18 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise judgement in applying the Group’s accounting policies. It also requires the use of accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2018

On 1 July 2018, the Group adopted the new or amended FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Consolidated Statement of Cash Flows to the Financial Statement.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Sale of goods – industrial steel and general hardware products*

Revenue from these sales is recognised when the Group has delivered the products to the customers in accordance with the contractual terms and the customers have accepted the products in accordance with the sales contract. For sales on bill and hold arrangements, revenue is recognised upon delivery.

(b) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(c) *Dividend income*

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

(d) *Interest income*

Interest income, including income from other financial instruments, is recognised using the effective interest method.

2.3 Group accounting

Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns with its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

Subsidiaries (continued)

(ii) Acquisitions (continued)

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Goodwill on acquisitions" for the subsequent accounting policy on goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries/loan to subsidiary" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Component of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.5 on borrowing costs).

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold land and buildings	25 to 50 years
Motor vehicles	4 to 10 years
Furniture, fittings and equipment	3 to 10 years
Plant and machinery	3 to 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains and losses".

2.5 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction as well as those in relation to general borrowings used to finance the construction of properties and assets under construction.

2.6 Investment properties

Investment properties comprise significant portions of freehold industrial building and warehouses that are held for long-term rental yields and/or for capital appreciation or for a currently indeterminate use. Investment properties include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Freehold land on which the freehold industrial building and warehouses are sitting on is not depreciated. Depreciation on other items of investment properties is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years. The residual value, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.6 Investment properties (continued)

Certain freehold land and buildings were revalued by independent professional valuers on the basis of open market with existing use for the purposes of the initial public offering of shares of the Company and the listing of the Company's shares on the Singapore Exchange.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

Any amount in the asset revaluation reserve is transferred to retained profits directly upon disposal of the investment property.

2.7 Investments in subsidiaries/loan to subsidiary

Investments in subsidiaries, including loans that are considered as part of net investment in subsidiaries based on the economic substance of the loan, are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.8 Impairment of non-financial assets

Investment in club membership
Property, plant and equipment
Investment properties
Investments in subsidiaries

Investment in club membership, property, plant and equipment, investment properties and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.8 Impairment of non-financial assets (continued)

Investment in club membership

Property, plant and equipment

Investment properties

Investments in subsidiaries

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.9 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) *Classification* (continued)

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 13), "cash and cash equivalents" (Note 12) and deposits within "other current assets" (Note 15) on the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose off the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(d) *Subsequent measurement*

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets, are recognised separately in other income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(e) *Impairment* (continued)

(i) Loans and receivables (continued)

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.9(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial assets is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.10 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.11 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.12 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

2.13 Fair value estimation of financial assets and liabilities

The fair value of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of currency forwards are determined using actively quoted forward exchange rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.14 Leases

(a) *When the Group is the lessee:*

The Group leases land and certain office equipment under operating leases from non-related parties.

Lessee - Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.14 Leases (continued)

(b) *When the Group is the lessor:*

The Group leases investment properties under operating leases to non-related parties.

Lessor – Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.16 Income taxes (continued)

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.17 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.18 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.18 Currency translation (continued)

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rate at the date of the balance sheet;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.21 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

2.22 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.23 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgements in applying the entity's accounting policies

(a) *Estimated allowance of inventory write-down*

The Group is exposed to risk of slow-moving and/or obsolete inventory, and volatility in steel product selling prices. Therefore the Group assesses whether any allowance is required to reflect the carrying value of inventory in accordance with Note 2.15.

The identification of these inventory items and determination of the net realisable value involve critical management judgement, where management identifies these items based on historical and expected future sales trend, and estimates the net realisable values based on the current market outlook. If there are adverse changes to these assumptions, this may result in further write-down of the inventory balance.

At the balance sheet date, the carrying amount of inventory is \$32,359,000 and disclosed in Note 14.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

3. Critical accounting estimates, assumptions and judgements (continued)

3.1 Critical judgements in applying the entity's accounting policies (continued)

(b) Estimated allowance for impairment of receivables

The Group makes allowance for impairment of receivables based on management's assessment of the recoverability of trade receivables. Allowances for impairment of receivables are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables involves management judgement, as management identifies receivables with objective evidence of impairment based on credit ageing profile, historical customer repayment trend and whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the customer operates in.

Out of the total receivables as at balance sheet date, certain receivables for the Group and the Company amounting to \$4,709,000 (2017: \$5,447,000) and \$153,000 (2017: \$274,000) respectively relate to customers exposed to specific industrial/geographical risk profile with slow or no payments as at year end. The management has performed impairment assessment following such indicators and keeping in view the financial capability of the customers, concluded that these balances are to be impaired since the customers are not expected to be able to pay in due course.

4. Revenue

	<u>Group</u>	
	2018 \$'000	2017 \$'000
Sale of goods	59,736	49,070

5. Other income

	<u>Group</u>	
	2018 \$'000	2017 \$'000
Rental income (Note 20)	1,027	574
Dividend income	435	264
Sale of scrap metal	10	6
Interest income from :		
- fixed deposits	180	305
- available-for-sale financial assets	388	699
- other	9	8
	577	1,012
Sundry income	84	100
	2,133	1,956

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

6. Other gains/(losses)

	2018 \$'000	Group 2017 \$'000
Currency translation losses – net	(108)	(359)
(Loss)/gain on disposal of property, plant and equipment	(5)	1
Gain on disposal of investment property	4,515	-
Investment properties written-off	(2,185)	-
Fair value gain on derivative financial instruments not qualifying as hedges	11	108
Available-for-sale financial assets		
- Impairment losses (Note 17)	(143)	(194)
- Reclassification from other comprehensive income on disposal (Note 28(b)(iv))	10	(22)
	(133)	(216)
	2,095	(466)

7. Employee compensation

	2018 \$'000	Group 2017 \$'000
Wages and salaries	6,285	5,580
Directors' fees	298	296
Employer's contribution to defined contribution plans including Central Provident Fund	770	717
Retirement gratuity (Note 25)	44	31
	7,397	6,624

8. Finance expense

	2018 \$'000	Group 2017 \$'000
Interest expense on:		
- borrowings	-	1

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

9. Other expenses

	2018 \$'000	Group 2017 \$'000
Rental expense on operating leases	981	913
Outward freight and handling charges	1,175	839**
(Reversal of)/impairment loss on trade receivables - net (Note 30(b)(ii))	(661)	170
Legal and professional charges*	275	257
Property taxes	657	736
Repairs and maintenance	358	331
Upkeep of motor vehicles	198	201
Utilities	87	84
Bank charges	57	129
Travel and entertainment	118	166
Insurance expense	99	126
Telecommunication expense	73	79
Other	1,052	228
	<u>4,469</u>	<u>4,259</u>

* Included in the legal and professional charges are fees paid to auditors of the Company, for audit services for the financial year ended 30 June 2018, of \$149,000 (2017: \$126,000). There are no non-audit services fees paid to auditors of the Company for the financial year ended 30 June 2018 and 2017.

** Costs incurred in bringing the inventories to their present location and condition has been reclassified from "Other expenses" to "Purchases of inventory" to conform with current year presentation.

10. Income taxes

(a) Income tax (credit)/expense

	2018 \$'000	Group 2017 \$'000
Tax (credit)/expense attributable to profit is made up of:		
Current income tax		
- Foreign	8	11
	<u>8</u>	<u>11</u>
Deferred income tax (Note 22)	(147)	57
	<u>(139)</u>	<u>68</u>
Over provision in preceding financial years		
- current income tax	-	(39)
- deferred income tax	(78)	-
Total	<u>(217)</u>	<u>29</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

10. Income taxes (continued)

(a) Income tax (credit)/expense (continued)

The (credit)/tax on the Group's profit for the year differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2018 \$'000	Group 2017 \$'000
Profit before tax	4,442	749
Tax calculated at tax rate of 17% (2017: 17%)	755	127
Effects of:		
- Effect of different tax rate in other country	50	(13)
- Expenses not deductible for tax purposes	714	459
- Income not subject to tax	(1,043)	(66)
- Tax incentives	(28)	(41)
- Unrecognised deferred tax assets	-	20
- Utilisation of previously unrecognised		
- Tax losses	(587)	(406)
- Capital allowances	-	(12)
- Over provision of tax in prior financial years	(78)	(39)
Tax (credit)/charge	(217)	29

(b) Movement in current income tax recoverable

	2018 \$'000	Group 2017 \$'000	2018 \$'000	Company 2017 \$'000
Beginning of financial year	(54)	(52)	-	-
Income tax (paid)/refunded	(26)	27	9	17
Tax expense	8	11	(9)	(17)
Over provision in preceding financial year	-	(39)	-	-
Currency translation differences	5	(1)	-	-
End of financial year	(67)	(54)	-	-

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

11. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2018	<u>Total</u>	2017
Profit attributable to equity holders of the Company (\$'000)	<u>4,659</u>		<u>720</u>
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	<u>122,266</u>		<u>122,921</u>
Basic earnings per ordinary share (cents)	<u>3.81</u>		<u>0.59</u>

(b) Diluted earnings per share

Diluted earnings per share is the same as the basic earnings per share.

12. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	33,812	37,923	6,081	12,337
Short-term bank deposits	<u>12,183</u>	<u>14,632</u>	<u>1,012</u>	<u>1,000</u>
	<u>45,995</u>	<u>52,555</u>	<u>7,093</u>	<u>13,337</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

13. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<u>Current</u>				
Trade receivables				
- Non-related parties	25,069	21,438	6,800	5,625
- Subsidiaries	-	-	7,899	5,256
Less: Allowance for impairment of receivables - non-related parties (Note 30(b)(ii))	(4,709)	(5,447)	(153)	(274)
Trade receivables - net	20,360	15,991	14,546	10,607
Goods and services tax receivables	318	175	274	108
Other receivables	233	51	187	22
Interest receivable	132	230	95	190
Non-trade receivables from subsidiaries	-	-	464	422
	21,043	16,447	15,566	11,349

Non-trade receivables from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

14. Inventories

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Finished goods	32,359	28,026	15,375	13,354

The cost of inventories recognised as an expense amounts to \$45,734,000 (2017: \$36,916,000).

During the financial year, the Group recognised an inventory write-down of \$742,000 (2017: \$30,000) as a result of management's assessment on the adequacy of inventory allowance as described in Note 3.1(a). The write-down was included in "changes in inventories".

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

15. Other current assets

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Deposits	20	43	2	9
Prepayments	186	150	60	78
	<u>206</u>	<u>193</u>	<u>62</u>	<u>87</u>

16. Derivative financial instruments

	Group			Company		
	Contract notional amount \$'000	Fair value		Contract notional amount \$'000	Fair value	
		Asset \$'000	Liability \$'000		Asset \$'000	Liability \$'000
2018						
<i>Non-hedging instruments</i>						
- Currency forwards	6,029	-	(218)	6,029	-	(218)
2017						
<i>Non-hedging instruments</i>						
- Currency forwards	5,700	108	-	5,700	108	-

Derivative financial instruments comprise fair value gains of the United States Dollar/Singapore Dollar currency forwards used to manage the exposure from committed purchases of inventories in foreign currencies.

17. Available-for-sale financial assets

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	20,827	20,312	20,827	20,312
Additions	9,861	5,623	9,861	5,623
Disposals	(9,093)	(5,427)	(9,093)	(5,427)
Impairment losses (Note 6)	(143)	(194)	(143)	(194)
Currency translation (losses)/gains	(93)	40	(93)	40
Fair value (losses)/gains recognised in other comprehensive income (Note 28(b)(iv))	(782)	473	(782)	473
End of financial year	<u>20,577</u>	<u>20,827</u>	<u>20,577</u>	<u>20,827</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

17. Available-for-sale financial assets (continued)

Available-for-sale financial assets are analysed as follows:

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Listed securities				
- Equity securities - Singapore	9,990	5,765	9,990	5,765
- Equity securities - US	1,026	885	1,026	885
- Equity securities - Others	809	963	809	963
- Debt securities - SGD	2,040	6,766	2,040	6,766
- Debt securities - USD	6,712	6,448	6,712	6,448
	20,577	20,827	20,577	20,827

During the financial year, the Group recognised an impairment loss of \$143,000 (2017: \$194,000) against equity securities whose trade prices either had been significantly below cost, or had been below cost for a prolonged period.

18. Investment in subsidiaries

	<u>Company</u>	
	2018	2017
	\$'000	\$'000
Equity investments at cost	9,457	9,457

The particulars of the subsidiaries are as follows:

<u>Name</u>	Country of incorporation/ <u>business</u>	<u>Principal activities</u>	<u>Effective interest</u>		<u>Cost of unquoted equity investment</u>	
			2018 %	2017 %	2018 \$'000	2017 \$'000
Held by the Company						
Eastern Win Enterprises Pte. Ltd. ⁽¹⁾	Singapore	General hardware trading and racking services	100	100	364	364
Metal House Investment Pte Ltd ⁽¹⁾	Singapore	Property investment holding	100	100	6,000	6,000
Hup Seng Huat Land Pte Ltd ⁽¹⁾	Singapore	Investment holding, property investment holding and logistics services	100	100	1,050	1,050
Thong Seng Metal Pte Ltd ⁽¹⁾	Singapore	Steel product trading	100	100	300	300
Pressure Products Sdn. Bhd. ⁽²⁾	Malaysia	Steel product trading	100	100	1,743	1,743
					9,457	9,457
Held by subsidiary						
Hoe Seng Huat Pte. Ltd. ⁽¹⁾	Singapore	Steel product trading	100	100	20,000	20,000

⁽¹⁾ Audited by PricewaterhouseCoopers LLP, Singapore

⁽²⁾ Audited by PricewaterhouseCoopers PLT, Kuala Lumpur

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

19. Loan to a subsidiary

	2018 \$'000	Company 2017 \$'000
<i>Non-current</i>		
Loan due after 12 months	29,499	29,369

The loan to a subsidiary is unsecured and interest-free. It has no fixed terms of repayment and is not expected to be repaid in the next 12 months from the balance sheet date. The loan to a subsidiary is considered as part of net investment in subsidiary based on the economic substance of the loan.

20. Investment properties

	Investment property \$'000	Investment property under redevelopment \$'000	Total \$'000
Group			
2018			
<i>Cost or revalued amount</i>			
Beginning of financial year	41,101	-	41,101
Additions	752	298	1,050
Write-off	(4,908)	-	(4,908)
End of financial year	36,945	298	37,243
Representing:			
Cost	22,967	298	23,265
Revalued amount*	13,978	-	13,978
	36,945	298	37,243
<i>Accumulated depreciation</i>			
Beginning of financial year	7,411	-	7,411
Depreciation charge	502	-	502
Write-off	(2,723)	-	(2,723)
End of financial year	5,190	-	5,190
Net book value	31,755	298	32,053

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

20. Investment properties (continued)

	Investment property \$'000	Investment property under redevelopment \$'000	Total \$'000
Group			
2017			
<u>Cost or revalued amount</u>			
Beginning of financial year	41,751	-	41,751
Reclassified to non-current asset held-for-sale	(650)	-	(650)
End of financial year	41,101	-	(650)
Representing:			
Cost	22,423	-	22,423
Revalued amount*	18,678	-	18,678
	41,101	-	41,101
<u>Accumulated depreciation</u>			
Beginning of financial year	6,867	-	6,864
Depreciation charge	547	-	547
End of financial year	7,414	-	7,411
Net book value	33,690	-	33,690

	Investment property/ Total \$'000
Company	
2018	
<u>Cost or revalued amount</u>	
Beginning of financial year	29,393
Additions	753
End of financial year	30,146
Representing:	
Cost	22,968
Revalued amount*	7,178
	30,146
<u>Accumulated depreciation</u>	
Beginning of financial year	2,525
Depreciation charge	466
End of financial year	2,991
Net book value	27,155

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

20. Investment properties (continued)

	<u>Investment property/ Total \$'000</u>
Company	
2017	
<u>Cost or revalued amount</u>	
Beginning of financial year	30,043
Reclassified to non-current asset held-for-sale	(650)
End of financial year	<u>29,393</u>
Representing:	
Cost	22,215
Revalued amount*	<u>7,178</u>
	<u>29,393</u>
<u>Accumulated depreciation</u>	
Beginning of financial year	2,068
Depreciation charge	457
End of financial year	<u>2,525</u>
Net book value	<u>26,868</u>

* Investment properties comprising freehold land and buildings of the Group and the Company were revalued by the directors based on a valuation carried out by independent professional valuers on the basis of open market value with existing use. The valuation was carried out in August 1992 for the purpose of updating the book value of the freehold properties for the initial public offering of shares of the Company and the listing of the Company's shares on the Singapore Exchange.

A revaluation surplus was recognised in the asset revaluation reserve account. The Group has no policy on the frequency of valuation of its investment properties.

The following amounts are recognised in profit or loss in relation to investment properties:

	<u>2018</u>	<u>Group</u>	<u>2017</u>
	<u>\$'000</u>		<u>\$'000</u>
Rental income (Note 5)	1,027		574
Direct operating expenses arising from:			
- Investment properties that generate rental income	(663)		(212)
- Investment properties that do not generate rental income	(324)		(664)
	<u>(987)</u>		<u>(664)</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

20. Investment properties (continued)

Investment properties are leased to non-related parties under operating leases (Note 29(c)).

If all investment properties had been included in the financial statements at historical cost less accumulated depreciation, the net book value of investment properties for the Group and the Company would have been \$28,513,000 (2017: \$30,202,000) and \$23,710,000 (2017: \$23,422,000) respectively.

As at 30 June 2018, the fair value of investment properties is \$74,929,000 (2017: \$75,240,000) as determined by independent professional valuers based on the properties' highest-and-best-use using the Market Comparison Method.

See Note 21 for details relating to investment properties.

Valuation techniques and processes

The Group engages an external, independent and qualified valuer to determine the fair value of the investment properties at the end of every financial year based on the properties' highest-and-best-use.

The fair values of the Group's investment properties, classified as Level 3 of the fair value hierarchy, have been derived using Market Comparison Method.

The Market Comparison Method involves analysis of recent transactions of comparable properties within the vicinity and elsewhere in Singapore. Necessary comparisons and adjustments have been made for the differences in location, tenure, size, age, condition, standard of finishes, date of sale, amongst other factors.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

21. Property, plant and equipment

	Leasehold land and <u>buildings</u> \$'000	Motor <u>vehicles</u> \$'000	Furniture, fittings and <u>equipment</u> \$'000	Plant and <u>machinery</u> \$'000	Total \$'000
Group					
2018					
<u>Cost</u>					
Beginning of financial year	31,182	1,785	2,345	3,232	38,544
Currency translation differences	74	8	11	2	95
Additions	-	271	18	55	344
Disposals	-	(47)	(9)	-	(56)
End of financial year	31,256	2,017	2,365	3,289	38,927
<u>Accumulated depreciation and impairment losses</u>					
Beginning of financial year	12,123	1,353	2,157	2,704	18,337
Currency translation differences	14	8	11	2	35
Depreciation charge	1,092	121	58	149	1,420
Disposals	-	(39)	(7)	-	(46)
End of financial year	13,229	1,443	2,219	2,855	19,746
Net book value					
End of financial year	18,027	574	146	434	19,181
	Leasehold land and <u>buildings</u> \$'000	Motor <u>vehicles</u> \$'000	Furniture, fittings and <u>equipment</u> \$'000	Plant and <u>machinery</u> \$'000	Total \$'000
Group					
2017					
<u>Cost</u>					
Beginning of financial year	31,243	1,771	2,340	3,232	38,586
Currency translation differences	(61)	(6)	(9)	(2)	(78)
Additions	-	182	15	2	199
Disposals	-	(162)	(1)	-	(163)
End of financial year	31,182	1,785	2,345	3,232	38,544
<u>Accumulated depreciation and impairment losses</u>					
Beginning of financial year	11,039	1,388	2,091	2,539	17,057
Currency translation differences	(11)	(5)	(9)	(2)	(27)
Depreciation charge	1,095	127	75	167	1,464
Disposals	-	(157)	-	-	(157)
End of financial year	12,123	1,353	2,157	2,704	18,337
Net book value					
End of financial year	19,059	432	188	528	20,207

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

21. Property, plant and equipment (continued)

	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
<u>Company</u>			
2018			
<u>Cost</u>			
Beginning of financial year	-	1,309	1,309
Additions	-	7	7
Disposals	-	(5)	(5)
End of financial year	-	1,311	1,311
<u>Accumulated depreciation</u>			
Beginning of financial year	-	1,195	1,195
Depreciation charge	-	32	32
Disposals	-	(5)	(5)
End of financial year	-	1,222	1,222
Net book value			
End of financial year	-	89	89
	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
2017			
<u>Cost</u>			
Beginning of financial year	129	1,298	1,427
Additions	-	12	12
Disposals	(129)	(1)	(130)
End of financial year	-	1,309	1,309
<u>Accumulated depreciation</u>			
Beginning of financial year	126	1,161	1,287
Depreciation charge	3	34	37
Disposals	(129)	-	(129)
End of financial year	-	1,195	1,195
Net book value			
End of financial year	-	114	114

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

21. Property, plant and equipment (continued)

The properties of the Group are as follows:

<u>Description</u>	<u>Location</u>	<u>Floor area square metres</u>	<u>Site area square metres</u>	<u>Tenure</u>	<u>Leasehold Term</u>
Classified as investment properties					
Warehouse with 7-storey office block annexe	6 Kim Chuan Drive Singapore	7,210	3,076	Freehold	-
2- storey shophouse	365/365A Jalan Besar, Singapore	335	158	Freehold	-
Office units	27 Foch Road #05-04/05/06/07 Hoa Nam Building Singapore	128	-	Freehold	-
7-storey industrial building (under redevelopment)	38 Genting Lane Singapore	4,040	2,103	Freehold	-
Classified as property, plant and equipment					
Warehouse with 5-storey office block annexe	116 Neythal Road Singapore	33,816	29,518	Leasehold	30 years from 2001
Warehouse	155 Gul Circle Singapore	7,091	13,601	Leasehold	30 years from 2009
Single-storey terraced factory	Lot MC 0259 Subang Industrial Park, Malaysia	149	149	Leasehold	99 years from 1992
Factory	Lot 1 Kawasan MIEL Phase 10 Section 23 Shah Alam, Malaysia	2,594	5,300	Leasehold	99 years from 1995
Classified as non-current asset held-for-sale disposed in FY2018					
2- storey shophouse	359 Jalan Besar Singapore	225	142	Freehold	-

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

22. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Deferred income tax (assets)/				
liabilities				
- to be (recovered)/settled within				
one year	(48)	12	-	-
- to be settled after one year	62	227	-	-
	<u>14</u>	<u>239</u>	<u>-</u>	<u>-</u>

The movement in the deferred income tax account are as follows:

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	239	182	-	-
Tax charged to profit or loss				
(Note 10(a))	(147)	57	-	-
Over provision in prior year	(78)	-	-	-
Currency translation differences	-	-	-	-
End of the financial year	<u>14</u>	<u>239</u>	<u>-</u>	<u>-</u>

Deferred income tax assets are recognised for deductible temporary differences, and capital allowances and tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group and Company have the following items for which deferred income tax assets have not been recognised:

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
- Unutilised capital allowances	46	46	-	-
- Unutilised tax losses	12,230	14,907	4,019	5,472
- Unutilised donations	36	36	36	36
- Provisions	395	918	376	757
- Other deductible temporary				
differences	102	357	-	-
	<u>12,809</u>	<u>16,264</u>	<u>4,431</u>	<u>6,265</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

22. Deferred income taxes (continued)

These items can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements in their respective countries of incorporation. These items have no expiry date except for donations, which will expire between 2020 and 2021.

The movement in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax liabilities

	Accelerated tax <u>depreciation</u> \$'000	<u>Total</u> \$'000
2018		
Beginning of financial year	239	239
Tax credited to profit or loss	(87)	(87)
Overprovision in prior year	(78)	(78)
End of financial year	<u>74</u>	<u>74</u>
2017		
Beginning of financial year	259	259
Tax credited to profit or loss	(20)	(20)
End of financial year	<u>239</u>	<u>239</u>

Deferred income tax assets

	<u>Provisions</u> \$'000	<u>Unutilised tax losses</u> \$'000	<u>Total</u> \$'000
2018			
Beginning of financial year	-	-	-
Tax credited to profit or loss	(60)	-	(60)
End of financial year	<u>(60)</u>	<u>-</u>	<u>(60)</u>
2017			
Beginning of financial year	(20)	(57)	(77)
Tax charged to profit or loss	20	57	77
End of financial year	<u>-</u>	<u>-</u>	<u>-</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

22. Deferred income taxes (continued)

Company

Deferred income tax liabilities

	Accelerated tax <u>depreciation</u> \$'000
2018	
Beginning of the financial year	17
Tax credited to profit or loss	<u>(4)</u>
End of the financial year	<u>13</u>
2017	
Beginning of the financial year	19
Tax credited to profit or loss	<u>(2)</u>
End of the financial year	<u>17</u>

Deferred income tax assets

	<u>Provisions</u> \$'000
2018	
Beginning of the financial year	(17)
Tax charged to profit or loss	<u>4</u>
End of the financial year	<u>(13)</u>
2017	
Beginning of the financial year	(19)
Tax charged to profit or loss	<u>2</u>
End of the financial year	<u>(17)</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

23. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Trade payables				
- Non-related parties	4,043	4,048	2,168	2,062
Goods and services tax payable	54	59	-	-
Non-refundable deposit	-	523	-	523
Rental deposits received from customers	539	38	539	37
Non-trade payables to subsidiaries	-	-	1,153	1,177
Other payables	273	248	95	140
Accrued operating expenses	1,656	1,560	932	1,106
	<u>6,565</u>	<u>6,476</u>	<u>4,887</u>	<u>5,045</u>

Non-trade payables to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

24. Borrowings

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Bills payable (unsecured)	558	-	558	-
Trust receipts (unsecured)	-	140	-	140
	<u>558</u>	<u>140</u>	<u>558</u>	<u>140</u>

Security granted

There is no corporate guarantee provided to banks by the Company because there is no outstanding borrowings owed by subsidiaries as at 30 June 2018 and 30 June 2017.

25. Provision for directors' retirement gratuity

	<u>Group and Company</u>	
	2018	2017
	\$'000	\$'000
- Current	75	56
- Non-current	25	598
	<u>100</u>	<u>654</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

25. Provision for directors' retirement gratuity (continued)

The movement of provision for directors' retirement gratuity in the balance sheet is as follows:

	<u>Group and Company</u>	
	2018	2017
	\$'000	\$'000
Beginning of the financial year	654	623
Provision made (Note 7)	44	31
Payment made to a director	(598)	-
End of the financial year	100	654

Retirement gratuity is available to certain directors of the Group. The retirement gratuity is calculated on a yearly basis and is based on a proportion of the directors' annual salary.

26. Dividends

	<u>Group and Company</u>	
	2018	2017
	\$'000	\$'000
<i>Ordinary dividends paid</i>		
Final exempt dividend in respect of the previous financial year of 2.0 cents (2017: 1.0 cent) per share	2,441	1,228
Interim exempt dividend in respect of current financial year of 2.0 cents (2017: nil) per share	2,441	-
	4,882	1,228

At the Annual General Meeting on 29 October 2018, a final dividend of 1.0 cent per share and special dividend of 1.0 cent per share amounting to a total of \$2,441,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 30 June 2019.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

27. Share capital and treasury shares

	No. of ← ordinary shares →		← Amount →	
	Issued share capital '000	Treasury shares '000	Share capital \$'000	Treasury shares \$'000
<u>Group and Company</u>				
2018				
Beginning of financial year	125,474	(2,988)	107,485	(3,038)
Treasury shares purchased	-	(441)	-	(351)
End of financial year	<u>125,474</u>	<u>(3,429)</u>	<u>107,485</u>	<u>(3,389)</u>
2017				
Beginning of financial year	125,474	(2,119)	107,485	(2,498)
Treasury shares purchased	-	(869)	-	(540)
End of financial year	<u>125,474</u>	<u>(2,988)</u>	<u>107,485</u>	<u>(3,038)</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

Treasury shares

The Company acquired 441,000 (2017: 869,000) of its shares in the open market. The total amount paid to acquire the shares was \$351,000 (2017: \$540,000) and this was presented as a component within shareholder's equity.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

28. Other reserves

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
(a) <u>Composition:</u>				
Other reserves:				
- Asset revaluation reserve (Note 28(b)(i))	1,444	1,525	1,349	1,430
- Goodwill arising from consolidation (Note 28(b)(ii))	(2,002)	(2,002)	-	-
	(558)	(477)	1,349	1,430
Currency translation reserve (Note 28(b)(iii))	(1,557)	(1,701)	-	-
Fair value reserve (Note 28(b)(iv))	(278)	514	(278)	514
	(2,393)	(1,664)	1,071	1,944
(b) <u>Movements:</u>				
(i) Asset revaluation reserve				
Beginning of financial year	1,525	1,525	1,430	1,430
Disposal of asset held-for-sale	(81)	-	(81)	-
End of financial year	1,444	1,525	1,349	1,430
(ii) Goodwill arising from consolidation				
Beginning and end of financial year	(2,002)	(2,002)	-	-
(iii) Currency translation reserve				
Beginning of financial year	(1,701)	(1,577)	-	-
Net currency translation differences of financial statements of foreign subsidiary	144	(124)	-	-
End of financial year	(1,557)	(1,701)	-	-
(iv) Fair value reserve				
Beginning of financial year	514	19	514	19
Available-for-sale financial assets				
- Fair value (losses)/gain (Note 17)	(782)	473	(782)	473
- Reclassification to profit or loss (Note 6)	(10)	22	(10)	22
End of financial year	(278)	514	(278)	514

Other reserves are non-distributable.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

29. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Investment property under redevelopment	9,002	-	-	-

(b) Operating lease commitments - where the Group is a lessee

At the balance sheet date, the Group and Company have rental commitments under non-cancellable operating leases for leasehold properties. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Not later than one year	1,003	974	1,303	1,279
Between one year and five years	3,728	3,718	1,241	61
Later than five years	9,690	9,879	-	-
	<u>14,421</u>	<u>14,571</u>	<u>2,544</u>	<u>1,340</u>

(c) Operating lease commitments – where the Group is a lessor

The Group and Company leases out its investment properties to third parties under non-cancellable operating rights.

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Not later than one year	1,262	201	1,262	170
Between one year and five years	4,065	92	4,065	92
	<u>5,327</u>	<u>293</u>	<u>5,327</u>	<u>262</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

30. Financial risk management

The Group's activities expose it to market risk (including currency risk and price risk), credit risk and liquidity risk. The Group uses financial instruments such as currency forwards to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes detailed policies such as authority levels, oversight responsibility, risk identification and measurement, exposure limits and hedging strategies. Financial risk management is carried out by finance personnel. The finance personnel measure actual exposures against the limits set and prepare regular reports for the review by the management team and the Board of Directors.

(a) Market risk

(i) *Currency risk*

The Group operates in Asia with dominant operations in Singapore and Malaysia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as United States Dollar ("USD"), Malaysian Ringgit ("MYR") and Euro.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

30. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	SGD \$'000	USD \$'000	MYR \$'000	EURO \$'000	OTHER \$'000	TOTAL \$'000
2018						
Financial Assets						
Cash and cash equivalents	39,340	970	5,216	131	338	45,995
Trade and other receivables	16,979	475	3,271	-	-	20,725
Intra-group receivables	39,734	-	-	-	-	39,734
Other current assets	16	-	4	-	-	20
Available-for-sale financial assets	2,040	6,712	-	-	-	8,752
	<u>98,109</u>	<u>8,157</u>	<u>8,491</u>	<u>131</u>	<u>338</u>	<u>115,226</u>
Financial Liabilities						
Trade and other payables	2,065	3,149	695	370	232	6,511
Intra-group payables	39,734	-	-	-	-	39,734
Borrowings	-	70	-	488	-	558
	<u>41,799</u>	<u>3,219</u>	<u>695</u>	<u>858</u>	<u>232</u>	<u>46,803</u>
Net financial assets/(liabilities)	56,310	4,938	7,796	(727)	106	68,423
Less: Net financial assets denominated in the respective entity's functional currency	(62,410)	-	(7,796)	-	-	(70,206)
Add: Currency forwards	-	(6,029)	-	-	-	(6,029)
Currency exposure	<u>(6,100)</u>	<u>(1,091)</u>	<u>-</u>	<u>(727)</u>	<u>106</u>	<u>(7,812)</u>
2017						
Financial Assets						
Cash and cash equivalents	44,216	4,357	3,850	-	132	52,555
Trade and other receivables	14,259	835	1,178	-	-	16,272
Intra-group receivables	36,929	-	-	-	-	36,929
Other current assets	40	-	3	-	-	43
Available-for-sale financial assets	6,766	6,448	-	-	-	13,214
	<u>102,210</u>	<u>11,640</u>	<u>5,031</u>	<u>-</u>	<u>132</u>	<u>119,013</u>
Financial Liabilities						
Trade and other payables	2,372	2,743	297	159	323	5,894
Intra-group payables	36,929	-	-	-	-	36,929
Borrowings	-	-	-	140	-	140
	<u>39,301</u>	<u>2,743</u>	<u>297</u>	<u>299</u>	<u>323</u>	<u>42,963</u>
Net financial assets/(liabilities)	62,909	8,897	4,734	(299)	(191)	76,050
Less: Net financial assets denominated in the respective entity's functional currency	(68,194)	-	(4,734)	-	-	(72,928)
Add: Currency forwards	-	(5,700)	-	-	-	(5,700)
Currency exposure	<u>(5,285)</u>	<u>3,197</u>	<u>-</u>	<u>(299)</u>	<u>(191)</u>	<u>(2,578)</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

30. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD \$'000	USD \$'000	EURO \$'000	OTHER \$'000	TOTAL \$'000
2018					
Financial Assets					
Cash and cash equivalents	6,004	623	131	335	7,093
Trade and other receivables	14,896	396	-	-	15,292
Other current assets	2	-	-	-	2
Available-for-sale financial assets	2,040	6,712	-	-	8,752
	<u>22,942</u>	<u>7,731</u>	<u>131</u>	<u>335</u>	<u>31,139</u>
Financial Liabilities					
Trade and other payables	2,902	1,741	244	-	4,887
Borrowings	-	70	488	-	558
	<u>2,902</u>	<u>1,811</u>	<u>732</u>	<u>-</u>	<u>5,445</u>
Net financial assets/(liabilities)	20,040	5,920	(601)	335	25,694
Less: Net financial assets denominated in the Company's functional currency	(20,040)	-	-	-	(20,040)
Add: Currency forwards	-	(6,029)	-	-	(6,029)
Currency exposure	-	(109)	(601)	335	(375)
2017					
Financial Assets					
Cash and cash equivalents	10,999	2,209	-	129	13,337
Trade and other receivables	10,839	402	-	-	11,241
Other current assets	9	-	-	-	9
Available-for-sale financial assets	6,766	6,448	-	-	13,214
	<u>28,613</u>	<u>9,059</u>	<u>-</u>	<u>129</u>	<u>37,801</u>
Financial Liabilities					
Trade and other payables	2,675	1,689	158	-	4,522
Borrowings	-	-	140	-	140
	<u>2,675</u>	<u>1,689</u>	<u>298</u>	<u>-</u>	<u>4,662</u>
Net financial assets/(liabilities)	25,938	7,370	(298)	129	33,139
Less: Net financial assets denominated in the Company's functional currency	(25,938)	-	-	-	(25,938)
Add: Currency forwards	-	(5,700)	-	-	(5,700)
Currency exposure	-	1,670	(298)	129	1,501

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

30. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Group and the Company's business operations are not exposed to significant foreign currency risk as it has no significant transactions denominated in foreign currencies.

(ii) *Price risk*

The Group is exposed to equity and debt securities price risk arising from the investments held by the Group which are classified as available-for-sale. These securities are listed in Singapore. To manage its price risk arising from investments in these securities, the Group diversifies its portfolio.

If prices for the equity securities and debt securities had changed by 10% and 5% respectively (2017: 10% and 5% respectively) with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income would have been:

	←	Increase/(decrease)	→
	2018	2018	2017
	Profit	Other	Profit
	after tax	comprehensive	after tax
	\$'000	income	\$'000
	\$'000	\$'000	\$'000
<u>Group and Company</u>			
<i>Equity securities</i>			
Increased by	-	1,183	-
Decreased by	(510)	(568)	(502)
	-	-	761
	-	-	(157)
<i>Debt securities</i>			
Increased by	-	438	-
Decreased by	-	(438)	-
	-	-	661
	-	-	(661)

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

30. Financial risk management (continued)

(a) Market risk (continued)

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's fixed deposits with banks, bank borrowings and fixed rate available-for-sale financial assets.

The Group and the Company has insignificant exposure to cash flow interest rate risk as the Group and the Company only has fixed rate borrowings.

The Group and Company are exposed to insignificant fair value interest rate risks arising mainly from its fixed rate available-for-sale financial assets and fixed rate borrowings.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables.

For trade receivables, the Group adopts the policy to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are made to customers with appropriate credit history, and monitors the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credit extended. For other financial assets such as bank deposits, the Group adopts the policy of dealing only with high credit quality counterparties.

Exposure to credit risk

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The trade receivables of the Group and of the Company comprise 6 debtors (2017: 5 debtors) and 7 debtors (2017: 7 debtors) respectively that individually represented 3% - 12% (2017: 4% - 20%) of trade receivables.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

30. Financial risk management (continued)

(b) Credit risk

(i) *Financial assets that are neither past due nor impaired*

Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-ratings agencies.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Past due < 3 months	8,819	5,736	3,051	1,923
Past due 3 to 6 months	1,753	1,505	62	836
Past due over 6 months	2,243	900	153	41
	<u>12,815</u>	<u>8,141</u>	<u>3,266</u>	<u>2,800</u>

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Gross amount	4,709	5,447	153	274
Less: Allowance for impairment	<u>(4,709)</u>	<u>(5,447)</u>	<u>(153)</u>	<u>(274)</u>
	-	-	-	-
Beginning of financial year	5,447	5,427	274	165
Currency translation difference	31	(13)	-	-
Allowance made (Note 9)	774	705	-	128
Write-back of allowance (Note 9)	(1,435)	(535)	(121)	(19)
Allowance utilised	<u>(108)</u>	<u>(137)</u>	<u>-</u>	<u>-</u>
End of financial year (Note 13)	<u>(4,709)</u>	<u>5,447</u>	<u>153</u>	<u>274</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

30. Financial risk management (continued)

(b) Credit risk

(ii) *Financial assets that are past due and/or impaired*

The impaired trade receivables arise mainly from sales to specific geographical customers who have defaulted on payment due to financial difficulties. The Group has since ceased sales to some of these customers. The Group only made sales to the other affected customers either on cash terms or through written instalment plans committed by these customers. Impairment of trade receivables arises when these customers do not repay according to the instalment plans.

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and Company's liquidity risk management policy is to maintain sufficient liquid financial assets to meet their working capital requirements of their financial liabilities which comprise mainly borrowings and trade and other payables.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flow.

	Less than <u>1 year</u> \$'000
<u>Group</u>	
At 30 June 2018	
Trade and other payables	6,511
Borrowings	<u>558</u>
At 30 June 2017	
Trade and other payables	5,894
Borrowings	<u>140</u>
<u>Company</u>	
At 30 June 2018	
Trade and other payables	4,887
Borrowings	<u>558</u>
At 30 June 2017	
Trade and other payables	4,522
Borrowings	<u>140</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

30. Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses the derivative financial instruments of the Group and the Company for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than <u>1 year</u> \$'000
<u>Group</u>	
At 30 June 2018	
Gross-settled currency forwards	
- Receipts	6,029
- Payments	<u>(6,248)</u>
At 30 June 2017	
Gross-settled currency forwards	
- Receipts	5,700
- Payments	<u>(5,592)</u>
	Less than <u>1 year</u> \$'000
<u>Company</u>	
At 30 June 2018	
Gross-settled currency forwards	
- Receipts	6,029
- Payments	<u>(6,248)</u>
At 30 June 2017	
Gross-settled currency forwards	
- Receipts	5,700
- Payments	<u>(5,592)</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

30. Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalent. Total capital is calculated as total equity plus net debt. The Group and Company is in net cash position for the financial year ended 30 June 2018 and 2017.

The Group is not subject to any externally imposed capital requirement for the financial year ended 30 June 2018 and 2017.

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

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

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

30. Financial risk management (continued)

(e) Fair value measurements (continued)

	Level 1 \$'000	Level 2 \$'000	Total \$'000
Group			
2018			
Assets			
Available-for-sale financial assets	20,577	-	20,577
Liabilities			
Derivative financial instruments	-	218	218
2017			
Assets			
Derivative financial instruments	-	108	108
Available-for-sale financial assets	20,827	-	20,827
Company			
2018			
Assets			
Available-for-sale financial assets	20,577	-	20,577
2017			
Assets			
Derivative financial instruments	-	108	108
Available-for-sale financial assets	20,827	-	20,827

The fair value of financial instruments traded in active market (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of forward foreign exchange contracts is determined using quoted forward currency rates at the balance sheet date. These investments are classified as Level 2 and comprise derivative financial instruments.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of current borrowings approximate their fair values.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

30. Financial risk management (continued)

(f) Financial instrument by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 16 and Note 17 to the financial statements, except for the following:

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Loans and receivables	66,740	68,870	22,387	24,587
Financial liabilities at amortised cost	7,069	6,034	5,445	4,662

31. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sale and purchases of goods and services

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
With subsidiaries :				
Sale of finished goods	-	-	4,425	2,952
Purchases of finished goods	-	-	(498)	(118)
Management fee income	-	-	121	121
Other income	-	-	39	-
Logistics expenses	-	-	(71)	(396)
Rental expenses	-	-	(1,231)	(1,219)
With companies in which certain directors of the Company have substantial financial interests:				
Management fees paid	37	73	-	-

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

31. Related party transactions (continued)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Salaries and other short-term employee benefits	2,581	2,474	2,126	2,043
Employer's contribution to defined contribution plans, including Central Provident Fund	165	152	126	114
Retirement gratuity	44	31	44	31
	<u>2,790</u>	<u>2,657</u>	<u>2,296</u>	<u>2,188</u>

Included in above, total compensation to directors of the Group and Company amounted to \$1,825,000 and \$1,439,000 respectively (2017: \$1,780,000 and \$1,418,000).

32. Segment information

Management has determined the operating segments based on reports received by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprises the Executive Directors and they are assisted by the Chief Financial Officer, and the department heads of each business.

The Exco considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the two primary geographic areas namely, Singapore and Malaysia. From a business segment perspective, management separately considers the sale of steel and hardware products, and rental income from properties in these geographic areas.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Steel product trading	Sale of industrial steel products
Hardware trading	Sale of general hardware products
Property investment	Rental of properties

The segment information has been compiled using a consistent basis. The division of the Group's revenue and rental income, results and assets and liabilities into geographical and business segments has been ascertained by reference to direct identification to each particular segment.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

32. Segment information (continued)

Segment results comprise profit/(loss) before tax for the respective reportable segments and exclude the effects of interest income and interest expense.

Segment assets comprise total assets allocated based on reportable segments and exclude tax assets.

Segment liabilities comprise total liabilities allocated based on reportable segments and exclude tax liabilities and borrowings.

	← Steel product trading \$'000	Singapore General hardware \$'000	Property investment \$'000	→ Malaysia steel product trading \$'000	Total \$'000
2018					
Total revenue and rental income	43,994	6,353	3,822	12,045	66,214
Inter-segment sales	(2,619)	(2)	(2,795)	(35)	(5,451)
External revenue and rental income	41,375	6,351	1,027	12,010	60,763
Segment results	799	646	2,164	256	3,865
Interest income					577
Income tax expense					217
Profit after tax					4,659
Segment results include the following items:					
Provision for inventory write-down	(742)	-	-	-	(742)
Reversal of/(allowance) for trade receivables	1,255	-	-	(594)	661
Segment assets	117,492	9,870	33,666	10,386	171,414
Tax assets					67
Total assets					171,481
Segment liabilities	5,209	975	62	637	6,883
Borrowings					558
Tax liabilities					14
Total liabilities					7,455
Other segment items					
Capital expenditure	231	91	1,052	20	1,394
Depreciation of investment properties and property, plant and equipment	499	74	1,326	23	1,922

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

32. Segment information (continued)

	← Singapore →		Malaysia	
	Steel products trading \$'000	General hardware \$'000	Property investment \$'000	steel products trading \$'000
				Total \$'000
2017				
Total revenue and rental income	40,623	6,712	3,418	3,508
Inter-segment sales	(1,715)	(1)	(2,844)	(57)
External revenue and rental income	38,908	6,711	574	3,451
Segment results	(580)	819	14	(516)
Interest income				1,012
Income tax expense				(29)
Profit after tax				720
Segment results include the following items:				
Provision for inventory write-down	(9)	(17)	-	(4)
Allowance for trade receivables	45	-	8	(223)
Segment assets	118,729	8,986	36,471	8,517
Tax assets				54
Total assets				172,757
Segment liabilities	6,006	781	46	297
Borrowings				140
Tax liabilities				239
Total liabilities				7,509
Other segment items				
Capital expenditure	198	-	-	1
Depreciation of investment properties and property, plant and equipment	1,353	77	547	34
				2,011

Revenue and rental income from external customers based on location of customers for each customer-based geographical information is as follows:

	2018 \$'000	2017 \$'000
Singapore	36,700	34,520
Malaysia	16,187	8,585
Indonesia	1,986	1,501
Other South East Asian countries	1,635	1,700
Other countries	4,255	3,338
	60,763	49,644

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

32. Segment information (continued)

The total of non-current assets (other than financial assets and deferred tax assets) broken down by location of the assets, is as follows:

	2018 \$'000	2017 \$'000
Singapore	50,066	52,786
Malaysia	1,168	1,111
	<u>51,234</u>	<u>53,897</u>

33. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 July 2018 and which the Group has not early adopted:

- (a) FRS 109 Financial Instruments (effective for annual periods beginning on or after 1 July 2018)

FRS 109 replaces FRS 39 *Financial instruments: Recognition and Measurement* and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI).

Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

33. New or revised accounting standards and interpretations (continued)

- (a) FRS 109 Financial Instruments (effective for annual periods beginning on or after 1 July 2018) (continued)

There is also now a new expected credit losses impairment model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 July 2018 (Note 34). The new accounting framework has similar requirements of FRS 109 and the impact of adopting the equivalent FRS 109 is disclosed in Note 34.

- (b) FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 July 2018)

FRS 115 replaces FRS 11 *Construction contracts*, FRS 18 *Revenue*, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

33. New or revised accounting standards and interpretations (continued)

- (b) FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 July 2018) (continued)

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 July 2018 (Note 34). The new accounting framework has similar requirements of FRS 115.

- (c) INT FRS 122 *Foreign Currency Transactions and Advance Considerations* (effective for annual periods beginning on or after 1 July 2018)

INT FRS 122 *Foreign Currency Transactions and Advance Considerations* considers how to determine the date of the transactions when applying the standard on foreign currency transactions, FRS 21 *The Effects of Changes in Foreign Exchange Rates*. The Interpretation applies where the Group either pays or receives consideration in advance for foreign currency-denominated contracts.

For single upfront payment/receipt, the Interpretation states that the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related item, should be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity should determine the date of the transaction for each payment or receipt.

The Interpretation is effective for accounting periods beginning on or after 1 July 2018. Early adoption is permitted. The Group is currently finalising the transition adjustments.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

33. New or revised accounting standards and interpretations (continued)

- (d) FRS 116 *Leases* (effective for annual periods beginning on or after 1 July 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments of the Group may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 July 2018 (Note 34). The new accounting framework has similar requirements of FRS 116. The Group has yet to determine to what extent the commitments as at 30 June 2018 will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

34. Adoption of SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 July 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 30 Sept 2018 in November 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 *First-time Adoption of IFRS*. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

34. Adoption of SFRS(I) (continued)

(a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 30 June 2019), subject to the mandatory exceptions and optional exemptions under IFRS 1. The Group plans to elect relevant optional exemptions and the exemptions resulting in significant adjustments to the Group's financial statements prepared under SFRS are as follows:

(i) *Deemed cost exemption*

The Group plans to elect and regard the revalued amount of its investment properties comprising of freehold land and buildings of the Group which was performed as one-off valuation between 1 January 1984 and 31 December 1996 (both dates inclusive) as their deemed cost at the date of transition to SFRS(I) on 1 July 2017. As the Group had measured the revalued amount of its investment properties using the cost model since one-off valuation, there is no material impact on the financial statements of the Group as the Group plans to continue to measure its investment properties using the cost model.

(ii) *Cumulative translation differences*

The Group plans to not elect to set the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 July 2017. As a result, there is no impact on the financial statements of the Group.

(b) Adoption of SFRS(I) equivalent of IFRS 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) equivalent of IFRS 9 on 1 July 2018. Accordingly, requirements of SFRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 30 June 2018.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

34. Adoption of SFRS(I) (continued)

(b) Adoption of SFRS(I) equivalent of IFRS 9 (continued)

(i) *Classification and measurement*

The Group has assessed the business models that are applicable on 1 July 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) equivalent of IFRS 9. Expected significant adjustments to the Group's balance sheet line items as a result of management's assessment are as follows:

- *AFS debt instruments classified as FVOCI*

Listed debt securities classified as "available-for-sale" will be reclassified as "fair value through other comprehensive income" as the Group's business model on these assets is to collect contractual cash flows consisting solely of payments of principal and interest and sell these assets.

- *Equity investments reclassified from AFS to FVOCI*

The Group has elected to recognise changes in the fair value of all its equity investments not held for trading and previously classified as available-for-sale in other comprehensive income.

(ii) *Impairment of financial assets*

The following financial assets will be subject to the expected credit loss impairment model under SFRS(I) equivalent of IFRS 9:

- trade receivables recognised under SFRS(I) equivalent of IFRS 15;
- debt instruments carried at fair value through OCI; and
- loans to related parties and other receivables at amortised cost.

Management has assessed the impact on the adoption of the new standards and does not anticipate a significant impact on the financial statements of the Group.

(c) Adoption of SFRS(I) equivalent of IFRS 15

In accordance with the requirements of IFRS 1, the Group will adopt SFRS(I) equivalent of IFRS 15 retrospectively.

Management has assessed the impact on the adoption of the new standards and does not anticipate a significant impact on the financial statements of the Group.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

HUPSTEEL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

35. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Hupsteel Limited on 5 October 2018.

APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 3QFY2019

The 3QFY2019 Results set out below have been extracted from the announcement by the Company on 10 May 2019 and were not specifically prepared for inclusion in this Circular. The figures have not been audited.

APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 3QFY2019

HUPSteel Limited 3QFY19 FINANCIAL STATEMENT (UNAUDITED)

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL-YEAR RESULTS

1(a) Group income statement and comparative statement for the corresponding period of the immediately preceding financial year

The following figures have not been audited.

	GROUP (S\$'000)					
	3Q FY19	3Q FY18	% +/(-)	1.7.18 - 31.3.19	1.7.17 - 31.3.18	% +/(-)
Revenue	16,568	18,409	-10%	50,088	41,491	21%
Changes in inventories	(8,467)	1,814	NM	(4,359)	(1,489)	193%
Purchases of inventories	(4,732)	(16,431)	-71%	(35,302)	(29,955)	18%
Gross profit	3,369	3,792	-11%	10,427	10,047	4%
Other gains/(losses)	74	(195)	NM	(20)	2,120	NM
Other operating income	612	608	1%	1,929	1,294	49%
Staff cost	(1,977)	(1,891)	5%	(5,929)	(5,203)	14%
Depreciation	(472)	(471)	NM	(1,410)	(1,442)	-2%
Other operating expenses	(1,182)	(885)	34%	(2,843)	(3,258)	-13%
Finance cost - net	-	-	NM	-	-	NM
Profit before tax	424	958	-56%	2,155	3,558	-39%
Income tax expense	(11)	(200)	-95%	(35)	(214)	NM
Total profit	413	758	-46%	2,119	3,344	-37%
Other comprehensive income/(loss) :						
Currency translation differences arising from consolidation	22	397	-94%	180	479	-63%
Available-for-sale financial assets						
- Fair value losses	-	(612)	NM	-	(667)	NM
- Reclassification	-	(76)	NM	-	8	NM
	22	(291)	NM	180	(180)	NM
Items that will not be reclassified subsequently to profit or loss:						
Financial assets, at fair value through other comprehensive income ("FVOCI")						
- Fair value gains	668	-	NM	64	-	NM
Total comprehensive income	1,103	467	136%	2,363	3,164	-25%
Profit attributable to Equity holders of the Company	413	758	-46%	2,119	3,344	-37%
Total comprehensive income attributable to Equity holders of the Company	1,103	467	136%	2,363	3,164	-25%
Profit attributable to Equity holders of the Company						

Profit attributable to shareholders is arrived at after charging the following:

	GROUP (S\$'000)			
	3Q FY19	3Q FY18	1.7.18 - 31.3.19	1.7.17 - 31.3.18
Dividend income	133	81	372	245
Interest income	124	164	502	449
Reclassification from other comprehensive income on disposal of available-for-sale financial assets	-	76	-	(8)
Gain on disposal of investment property	-	-	-	4,515
Investment property written off (<i>Fixed assets W/O due to re-development of an investment property</i>)	-	-	-	(2,185)
Gain/(Loss) on disposal of property, plant and equipment	8	(5)	8	(5)
Foreign exchange loss	74	(271)	(20)	(202)
Finance cost-net is made up of :				
Interest expense	*	*	*	*
Provision for slow moving stocks	(450)	(300)	(450)	(300)
Reversal of utilised loss allowance/(allowance) for trade receivables	(150)	561	88	726

Note * : Amounts less than S\$1,000

APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 3QFY2019

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	31.03.2019	30.06.2018	31.03.2019	30.06.2018
	\$'000	\$'000	\$'000	\$'000
Current Assets				
Cash and cash equivalents	38,512	45,995	10,037	7,093
Trade and other receivables	18,960	21,043	4,954	7,203
Inventories	36,718	32,359	17,739	15,375
Other current assets	958	206	495	62
Tax recoverable	80	67	-	-
Due from subsidiaries	-	-	8,172	8,363
	95,228	99,670	41,397	38,096
Non-Current Assets				
Available-for-sale financial assets	-	20,577	-	20,577
Financial assets, at FVOCI	21,420	-	21,420	-
Investment in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	29,623	29,499
Property, plant and equipment	18,548	19,181	77	89
Investment properties	32,178	32,053	26,802	27,155
	72,146	71,811	87,379	86,777
Total Assets	167,374	171,481	128,776	124,873
Current Liabilities				
Trade and other payables	3,280	6,565	1,592	3,734
Derivative financial instruments	-	218	-	218
Due to a subsidiary	-	-	-	1,153
Provision for directors' retirement gratuity	86	75	86	75
Borrowings	-	558	-	558
	3,366	7,416	1,679	5,738
Non-Current Liabilities				
Deferred income tax liabilities	14	14	-	-
Provision for directors' retirement gratuity	47	25	47	25
	61	39	47	25
Total Liabilities	3,427	7,455	1,726	5,763
Net Assets	163,948	164,026	127,050	119,110
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(3,389)	(3,389)	(3,389)	(3,389)
Capital reserves	(558)	(558)	1,349	1,349
Currency translation reserves	(1,377)	(1,557)	-	-
Fair value reserves	(222)	(278)	(222)	(278)
Retained profits	62,009	62,323	21,827	13,943
	163,948	164,026	127,050	119,110

**APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS
OF THE GROUP FOR 3QFY2019**

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand (S\$'000)

As at 31.03.2019		As at 30.6.2018	
Secured	Unsecured	Secured	Unsecured
-		-	558

Amount repayable after one year (S\$'000)

As at 31.03.2019		As at 30.6.2018	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The unsecured group borrowings consist of trust receipts of the Group arising from the ordinary course of business and bank borrowings. Certain Group borrowings are covered by corporate guarantee from the Company.

APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 3QFY2019

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group (S\$'000)			
	3Q FY19	3Q FY18	1.7.18 - 31.3.19	1.7.17 - 31.3.18
Cash flow from operating activities				
Total profit	413	758	2,119	3,344
Adjustments for:				
- Income tax expense	11	200	35	214
- Property, plant and equipment and investment properties				
- Depreciation	472	471	1,410	1,442
- Loss/(gain) on disposal	(8)	5	(8)	(4,510)
- Written off	-	-	-	2,185
- Available-for-sale financial assets				
- Reclassification from other comprehensive income on disposal	-	(76)	-	8
- Interest income	(124)	(164)	(502)	(449)
- Interest expense	-	-	-	-
- Dividend income	(133)	(81)	(372)	(245)
	631	1,113	2,682	1,989
Change in working capital				
- Trade and other receivables	4,859	(6,340)	2,083	(3,825)
- Inventories	(251)	(1,814)	(4,359)	1,489
- Other current assets	(924)	(151)	(970)	(43)
- Trade and other payables	(3,097)	695	(3,282)	(2,609)
- Provision for director retirement gratuity	11	(583)	33	(565)
Cash generated/(used in) from operations	1,228	(7,080)	(3,813)	(3,564)
Income taxes refunded	(17)	33	(52)	16
Interest received	124	164	502	449
Net cash provided by/(used in) operating activities	1,335	(6,883)	(3,363)	(3,099)
Cash flows from investing activities				
Property, plant & equipment :				
- Purchases	(217)	(103)	(902)	(1,198)
- Proceeds from disposal	7	1	8	5,166
Financial assets, available-for-sale				
- Purchases	(1,398)	(500)	(2,904)	(9,028)
- Proceeds from disposal	636	304	2,117	8,430
Dividends received	133	81	372	245
Net cash (used in)/provided by investing activities	(839)	(217)	(1,309)	3,615
Cash flows from financing activities				
Purchase of treasury shares	-	-	-	(351)
Proceeds from trust receipts	-	1,858	-	3,703
Repayment of trust receipts	-	(1,860)	(558)	(3,582)
Dividend paid to shareholders	-	(2,441)	(2,441)	(4,882)
Interest paid	*	*	*	*
Net cash (used in)/provided by financing activities	-	(2,443)	(2,999)	(5,112)
Net (decrease)/ increase in cash and cash equivalents	496	(9,543)	(7,671)	(4,596)
Cash and cash equivalents at beginning of the financial period	37,988	57,584	45,995	52,555
Effects of currency translation on cash and cash equivalents	28	397	188	479
Cash and cash equivalents at end of the financial period	38,512	48,438	38,512	48,438

Note *: Amounts less than S\$1,000

APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 3QFY2019

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

	Share Capital	Treasury shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2018	107,485	(3,389)	(558)	(1,557)	(278)	62,323	164,026
Dividend paid	-	-	-	-	-	(2,441)	(2,441)
Total comprehensive income	-	-	-	180	64	2,119	2,363
Transfer upon disposal of investments					(8)	8	-
At 31 March 2019	107,485	(3,389)	(558)	(1,377)	(222)	62,009	163,948
Group							
At 1 July 2017	107,485	(3,038)	(477)	(1,701)	514	62,465	165,248
Purchase of treasury shares	-	(351)	-	-	-	-	(351)
Dividend paid	-	-	-	-	-	(4,882)	(4,882)
Total comprehensive income/(loss)	-	-	-	479	(659)	3,344	3,164
At 31 March 2018	107,485	(3,389)	(477)	(1,222)	(145)	60,927	163,179

	Share Capital	Treasury shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
Company	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2018	107,485	(3,389)	1,349	-	(278)	13,943	119,110
Dividend paid	-	-	-	-	-	(2,441)	(2,441)
Total comprehensive income	-	-	-	-	64	10,317	10,381
Transfer upon disposal of investments					(8)	8	-
At 31 March 2019	107,485	(3,389)	1,349	-	(222)	21,827	127,050
Company							
At 1 July 2017	107,485	(3,038)	1,430	-	514	13,290	119,681
Purchase of treasury shares	-	(351)	-	-	-	-	(351)
Dividend paid	-	-	-	-	-	(4,882)	(4,882)
Total comprehensive (loss)/income	-	-	-	-	(659)	4,910	4,251
At 31 March 2018	107,485	(3,389)	1,430	-	(145)	13,318	118,699

APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 3QFY2019

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 also the number of shares that may be issued on conversion of all the outstanding convertibles 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 corresponding period immediately preceding financial year.

Treasury Shares	No. of shares	\$'000
Balance as at 30 Jun 2018	3,429,100	3,389
Purchases	0	0
Balance as at 31 Mar 2019	3,429,100	3,389

(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.

	31.03.19	30.06.18
Number of shares in issue excluding treasury shares	122,045,014	122,045,014

(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the end of the current financial period reported on.

None of the above occurred since the end of the previous period reported on.

(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.

There are no subsidiary holdings.

2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable as the figures have not been audited nor reviewed.

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 as in the most recently audited financial statements.

APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 3QFY2019

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Singapore Accounting Standards Council has issued a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), referred to as Singapore Financial Reporting Standards (International) ("SFRS(I)").

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 July 2018 and is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I). The Group has also concurrently applied the new SFRS(I) 9 Financial Instruments.

The Group has not early adopted any other mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the Group's accounting periods beginning on or after 1 July 2018. These include SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 July 2019). The Group is assessing the impact of the relevant new or revised accounting standards and interpretations.

(1) Application of SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

The Group has elected the deemed cost exemption to set the revalued amount of its investment properties comprising of freehold land and buildings of the Group which was performed as one-off valuation between 1 January 1984 and 31 December 1996 (both dates inclusive) as their deemed cost at the date of transition to SFRS(I) on 1 July 2017. As the Group had measured the revalued amount of its investment properties using the cost model since one-off valuation, there is no material impact on the financial statements of the Group as the Group plans to continue to measure its investment properties using the cost model.

(2) Adoption of SFRS(I) 9 Financial Instruments

SFRS(I) 9 is effective for annual periods beginning on or after 1 July 2018. The Group has elected to apply the short-term exemption under SFRS(I) 1, which exempts the Group from applying SFRS(I) 9 to comparative information. Accordingly, requirements of FRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 30 June 2018.

SFRS(I) 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. SFRS(I) 9 also introduces expanded disclosure requirements and changes in presentation.

(a) Classification and measurement

The Group has assessed the business models that are applicable on 1 July 2018 to financial assets so as to classify them into appropriate categories under SFRS(I) 9.

Significant adjustments to the Group's balance sheet line items are as follows:

- Equity investments previously classified as financial assets, available-for-sale ("AFS") to financial assets, fair value through other comprehensive income ("FVOCI") The Group has elected to recognise changes in the fair value of debt and equity investments previously classified as AFS in other comprehensive income.

(b) Impairment of financial assets

The following financial assets have been subjected to the expected credit loss model under SFRS(I) 9:

- trade receivables recognised under SFRS(I) 15;
- other receivables at amortised cost.

There is no material change in the provision for impairment for the above financial assets from the application of the expected credit loss impairment model.

APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 3QFY2019

Impact on the comparatives for the third quarter 2019 Financial Information

The financial effects of adopting SFRS(I)s are as follows:

	As at 01.07.2018 reported under SFRS(I)s	As at 30.06.2018 reported under SFRS*	As at 01.07.2017 reported under SFRS(I)s	As at 01.07.2017 reported under SFRS*
Group Balance Sheets	\$'000	\$'000	\$'000	\$'000
Financial assets, available-for-sale	-	20,577	20,827	20,827
Financial assets, at FVOCI	20,577	-	-	-
Retained earnings	62,323	62,323	62,465	62,465

* Singapore Financial Reporting Standards

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	GROUP			
	3 months ended 31.03.19	3 months ended 31.03.18	9 months ended 31.03.19	9 months ended 31.03.18
Earnings/(Loss) per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.34	0.62	1.74	2.74
(b) Diluted (cent)	0.34	0.62	1.74	2.74

The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 122,045,014 (31.03.18: 122,169,674) in issue during the period.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	GROUP		COMPANY	
	31.03.19	31.03.18	31.03.19	31.03.18
Net Asset Value per ordinary share (cents)	134.33	133.70	104.10	97.26

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 122,045,014 at the end of the period (30.06.18: 122,045,014).

APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 3QFY2019

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

REVIEW OF OPERATING PERFORMANCE FOR THE QUARTER ENDED 31 MARCH 2019 ("3QFY19")

Revenue and Gross profit

	S\$'000				
	3QFY19	2QFY19	3QFY18	9MFY19	9MFY18
Revenue	16,568	18,202	18,409	50,088	41,491
Gross Profit	3,369	3,415	3,792	10,427	10,047
GP %	20.3%	18.8%	20.6%	20.8%	24.2%

Revenue for 3QFY19 declined to S\$16.6M from S\$18.2M reported for 2QFY19. The lower turnover was mainly due to traditional business shutdowns during the Chinese New Year holidays and the short February month. However, turnover for 9MFY19 rose to \$50.1M compared with \$41.5M for 9MFY18 as sales were generally stronger in 1HFY19.

For 3QFY19, the Group reported a gross profit margin of 20.3% which was higher than 18.8% reported for 2QFY19. The gross profit margin was better than the previous quarter as there were more project sales which fetched lower gross profit margin in 2QFY19.

The Group's gross profit for 9MFY19 of S\$10.4M was slightly better than S\$10.0M reported for 9MFY18. However, gross profit margin dipped to 20.8% from 24.2% as reported for 9MFY18 as it was affected by stronger US dollar coupled with higher costs amidst a competitive market.

Other gains/(losses)

Other gains for 3QFY19 was S\$74K as compared to other losses of S\$195K in 3QFY18. This comprised foreign exchange gains of S\$74K (3QFY18: S\$271K foreign exchange loss and a gain on disposal of available-for-sale financial assets of S\$76K).

Other operating income

Other operating income for 3QFY19 which comprised rental income, dividends and interest income remained stable at S\$612K (3QFY18: \$608K).

Staff cost, Depreciation, Other operating expenses, Finance cost and Income tax

Staff cost for 3QFY19 of S\$2.0M was stable compared with S\$1.9M reported for 3QFY18 with the Group continuing to make consistent provision for staff incentives for the period.

Depreciation of S\$472K recorded in 3QFY19 was relatively unchanged from \$471K for 3QFY18.

Other operating expenses were marginally higher at S\$1.2M for 3QFY19 when compared with S\$0.9M for 3QFY18. Included in the other operating expenses was an allowance for trade receivables of \$150K while there was a write-back of allowance for doubtful trade receivables amounting to S\$561K in 3QFY18.

APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 3QFY2019

The Group incurred negligible finance cost in 3QFY19 and 3QFY18. The Group pays off its debts as and when they fall due so as to minimise finance cost.

The Group only recognised a tax expense of S\$11K in 3QFY19 (3QFY18: S\$200K) for profits earned in a foreign tax jurisdiction. The Group had unabsorbed tax losses carried forward from previous years for utilisation against current year profits.

Profit attributable to equity holders of the Company

The Group reported a net profit of S\$413K for 3QFY19 compared with a net profit of S\$758K reported for 3QFY18 as a result of lower revenue, weaker gross profit margins and allowance set aside for doubtful trade receivables. For 9MFY19, the Group reported a net profit after tax of S\$2.1M compared with a net profit of S\$3.3M for 9MFY18. The higher net profit after tax in 9MFY18 was mainly due to net gains derived from the disposal & amount written off relating to investment properties' transactions.

REVIEW OF FINANCIAL POSITION AS AT 31 MARCH 2019

Non current assets

As at the end of 3QFY19, the Group had financial assets, at FVOCI amounting to S\$21.4M (4QFY18 termed as available-for-sale financial assets: \$20.6M) as it continued to fine-tune the composition of its portfolio and better market valuation.

Current assets and current liabilities

Trade and other receivables decreased to S\$18.9M from S\$21.0M (4QFY18) as a result of lower sales during the period.

The Group reported higher inventory balance of S\$36.7M in 3QFY19 compared with S\$32.4M in 4QFY18 as a result of rising costs and inventory replenishment exercise.

Trade and other payables decreased to S\$3.3M (4QFY18: S\$6.6M) and there was also no outstanding borrowings as at 3QFY19 (4QFY18: S\$558K). The Group continues to utilise its cash and cash equivalents to pay down these liabilities as they fall due.

The Group posted a healthy level of current ratio of 28.4 times (4QFY18: 13.4 times) and continued to be in a net cash position for the quarter.

Share capital and reserves

Fair value reserves stood at S\$222K, debit balance, as at 3QFY19 (4QFY18: S\$278 debit balance) due to a slight appreciation in the market values of the Group's financial assets, at FVOCI.

Cash Flow

During the quarter, the Group achieved a net cash inflow of S\$1.3M from its operations (3QFY18: S\$6.9M outflow), S\$0.8M outflow from its investing activities (3QFY18: S\$0.2M) and no cash movement from its financing activities (3QFY18: S\$2.4M). These resulted in a net increase of S\$0.5M (3QFY18: S\$9.5M outflow) in cash and cash equivalents.

The Group maintained a healthy level of cash holding of S\$38.5M as at 3QFY19. This cash holding will provide the Group with a ready source of fund for its working capital requirements.

APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 3QFY2019

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or a prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the 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

Market conditions are expected to remain challenging as trade tensions between China and US have yet been resolved. As such, demand for steel products may not pick up in the short term which has remained soft since the end of Chinese New Year holidays.

With the successful and peaceful completion of elections in neighbouring countries, it is hoped that demand for steel products may strengthen as these countries' economies can achieve steady progress under newly elected authorities.

Higher oil prices and strengthening US dollar may push steel products' prices higher in the near term, hence affecting margins.

The Group continues to adapt its inventory purchases so as to respond readily to changes in customers' demand patterns in order to maintain its competitiveness.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

NA.

(c) Date payable

NA.

(d) Books closure date

NA.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been proposed by the Board for this quarter as the Group is preserving its cash reserves to support operational needs and to pursue strategic business opportunities.

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.

There was no IPT transaction for the quarter and the Group does not have any general mandate from shareholders pursuant to Rule 920.

APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 3QFY2019

14. Negative confirmation pursuant to Rule 705(5).

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited consolidated financial results for the quarter ended 31 March 2019 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers pursuant to Rule 720(1) of the SGX Listing Manual.

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720 (1) of the SGX Listing Manual.

BY ORDER OF THE BOARD

Tan Ching Chek
Company Secretary
10 May 2019

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

The rights of Shareholders in respect of capital, dividends and voting as extracted and reproduced from the Constitution are set out below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution, a copy of which is available for inspection at the registered address of the Company at 116 Neythal Road, Singapore 628603 during normal business hours for the period during which the Offer remains open for acceptance.

(A) RIGHTS IN RESPECT OF CAPITAL

ISSUE OF SHARES

4. (A) *No shares may be issued by the Directors without prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and to terms of such approval, and subject to these presents including Article 5, and to any special rights attached to any shares for the time being issued, the Directors may allot (with or without conferring a right of renunciation) or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and 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 subject to compliance with the Statutes be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards dividend, return of capital, voting otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Statutes, Provided Always that no Director shall participate in any issue of shares to employees unless the Company in General Meeting shall have approved the specific allotment to be made to such Director and unless he holds office in an executive capacity.*
- (B) *The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.*
- (C) *Except so far as otherwise provided by the conditions of issue or by these presents, all new shares shall be issued subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise. The shares shall be allotted within 10 market days (or such period as may be required to comply with the Statutes and the regulations of any stock exchange upon which shares in the Company may be listed) of the final applications closing date for an issue of shares.*
5. (A) *Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the listing rules of the Singapore Exchange Securities Trading Limited, all new shares shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as nearly as the circumstances admit, to the number of existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 5(A).*
- (B) *The Company may, notwithstanding Article 5(A) above but subject to the Statutes, apply to the Singapore Exchange Securities Trading Limited to waive the requirement to convene an Extraordinary General Meeting to obtain, shareholders' approval for any issues of shares*

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

proposed to be made (other than bonus or rights issue) without first offering them to persons entitled to receive notices from the Company of General Meetings as aforesaid, if the shares proposed to be issued will not exceed ten per cent, of the issued shares of the Company immediately prior to the proposed issue.

- (C) *The Company may, notwithstanding Article 5(A) above, authorise the Directors not to offer new shares to persons 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 persons on such terms and conditions as the Company may direct.*
6. *The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.*
7. *Where any shares are issued for the purpose of raising money to defray the expense of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in the Act and may charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant.*
- (A) *Subject to and in accordance with the provision of the Act and to any other applicable rules, regulations or legislation, the Company may purchase or otherwise acquire shares issued by it on such terms as the Company may think fit and in the manner prescribed by the Act. If required by the Act, any share which is so purchased or acquired by the Company shall unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that shares shall expire.*

PREFERENCE SHARES

8. (A) *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, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing capital or winding-up or sanctioning a sale of the undertaking 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 (or such period as may be required to comply with the Statutes and the regulations of any stock exchange upon which shares in the Company may be listed) in arrear.*
- (B) *The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.*

TREASURY SHARES

- 8A. *The Company shall not exercise any right in respect of Treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with Treasury shares in the manner authorised by, or prescribed pursuant to, the Act.*

VARIATION OF RIGHTS

9. (A) *Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Statutes, be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a Special Resolution passed at a*

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these presents relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him. Provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the holders of three-quarters of the issued shares of the class concerned within two months (or such period as may be required to comply with the Statutes and the regulations of any stock exchange upon which shares in the Company may be listed) of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

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

ALTERATION OF SHARE CAPITAL

11. *The Company may by Ordinary Resolution:-*

- (a) *consolidate and divide all or any of its shares;*
- (b) *sub-divide its shares, or any of them (subject, nevertheless, to the provisions of the Statutes), and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares; and*
- (c) *subject to the provisions of the Statutes, convert any class of shares into any other class of shares.*

12. *The Company may reduce its share capital or any other undistributable reserve in any manner and with and subject to any incident authorised and consent required by law.*

SHARE CERTIFICATES

13. *Every share certificate shall be issued under the Seal and shall specify the number and class of shares to which it relates and the amount (if any) unpaid thereon. No certificate shall be issued representing shares of more than one class.*

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

- (A) *The Company shall not be bound to register more than three persons (or such number as may be required to comply with the Statutes and the regulations of any stock exchange upon which shares in the Company may be listed) as the holder of share except in the case of executors, administrators or trustees of the estate of a deceased member.*

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

15. *The delivery by the Company to CDP of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issues shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement.*
- (A) *Every person whose name is entered as a member in the Register of Members shall be entitled within five market days of the date of allotment or ten market days (or such period as may be required to comply with the Statutes and the regulations of any stock exchange upon which shares in the Company may be listed) after the date of lodgement of any transfer to one certificate for all his shares of any one class or to several certificates in reasonable denominations each for a part of the shares so allotted or transferred.*
16. (A) *Where a member transfers part only of the shares comprised in a certificate or where a member requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares (in the case of transfer) and the whole of such shares (in the case of subdivision) issued in lieu thereof and the member shall pay (in the case of subdivision) a maximum fee of \$2 for each new certificate or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by any Stock Exchange upon which the shares in the Company may be listed. Where some only of the shares comprised in a share certificate are transferred the new certificate for the balance of such shares shall be issued in lieu without charge.*
- (B) *Any two or more certificates representing shares of any one class held by any member may at his request be cancelled and a single new certificate for such shares issued in lieu without charge.*
17. *Subject to the provisions of the Statutes, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of any Stock Exchange upon which the Company is listed 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 551 as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.*

TRANSFER OF SHARES

33. *All transfers of shares shall be effected by written instruments of transfer in the form for the time being approved by the Directors and each Stock Exchange upon which the Company may be listed provided that the provisions in these presents relating to the transfer of shares shall not apply to book-entry securities (as defined in the Act). An instrument of transfer shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided that CDP shall not be required to sign, as transferee, any instrument of transfer relating to any transfer of shares to it during such period as the Directors may think fit, The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.*
34. *The Registers of Members and of Transfers may be closed at such times and for such period as the Directors may from time to time determine, provided always that such Registers shall not be closed for more than thirty days (or such period as may be required to comply with the Statutes and the regulations of any stock exchange upon which shares in the Company may be listed) in any year, and that the Company shall give prior notice of each such closure as may be required to any Stock Exchange upon which the Company may be listed, stating the period and purpose or purposes for which the closure is made.*

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

35. (A) *There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the Rules, Bye-laws or Listing Rules of any Stock Exchange upon which the Company may be listed) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, they shall within one month (or such period as may be required to comply with the statutes and the regulations of any stock exchange upon which shares in the Company may be listed) beginning with the day on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.*
- (B) *The Directors may decline to register any instrument of transfer unless:-*
- (a) *such fee not exceeding \$2 as the Directors may from time to time require is paid to the Company in respect thereof;*
 - (b) *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 may 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*
 - (c) *the instrument of transfer is in respect of only one class of shares.*
36. *All instruments of transfer which are registered may be retained by the Company.*
37. *The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:-*
- (a) *the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;*
 - (b) *nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and*
 - (c) *references herein to the destruction of any document include references to the disposal thereof in any manner.*

EXCLUSION OF EQUITIES

42. *Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these presents or by law otherwise provided) any other right in*

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

respect of any share, except an absolute right to the entirety thereof in the registered holder and nothing in these presents contained relating to CDP or to Depositors shall in any circumstances be deemed to limit, restrict or qualify the above.

STOCK

43. *The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares.*
44. *The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previous to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.*
45. *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 participation in the profits or assets of the Company) shall be conferred by a number of stock units which would not, if existing in shares, have conferred such privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.*

(B) RIGHTS IN RESPECT OF DIVIDENDS

CALLS ON SHARES

18. *The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.*
19. *Each member shall (subject to receiving at least 14 days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.*
20. *If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors determine but the Directors shall be at liberty in any case or cases to waive payment of such interest wholly or in part.*
21. *Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these presents be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In case of non-payment all the relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.*
22. *The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.*
23. *The Directors may if they think fit receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish pro tanto the liability upon the shares in respect of which it is made and upon the money so received (until and to the extent that the same would but for such*

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not while carrying interest confer a right to participate in profits.

FORFEITURE AND LIEN

- 24. If a member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non payment.*
- 25. The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be made forfeit.*
- 26. 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 has been made, be made forfeit by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeit share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be made forfeit hereunder.*
- 27. A share so made forfeit 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, reallocation or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. The Directors may, if necessary, authorise some person to transfer a forfeit or surrendered share to any such other person as aforesaid.*
- 28. A member whose shares have been made forfeit or surrendered shall cease to be a member in respect of the shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of the shares at that time of forfeiture or surrender or waive payment in whole or in part.*
- 29. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share and for all moneys as the Company may be called upon by law to pay in respect of the shares of the member or deceased member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.*
- 30. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.*
- 31. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities and any residue shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale the Directors may authorise some person to transfer the shares sold to the purchaser.*

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

32. *A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly made forfeit 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 therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, allotment or disposal thereof together with the share certificate 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 registered as the holder 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 proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.*

TRANSMISSION OF SHARES

38. *In case of the death of a member, the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares, but nothing in this Article shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.*
39. *Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share either be registered himself as holder of the share upon giving to the Company notice in writing of such his desire or transfer such share to some other person. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer executed by such member.*
40. *Save as otherwise provided by or in accordance with these presents, a person becoming entitled to a share in consequence of the death or bankruptcy of a member (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the member in respect of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to General Meetings of the Company until he shall have been registered as a member in the Register of Members or his name shall have been entered in the Depository Register in respect of the share.*
41. (A) *There shall be paid to the Company in respect of the registration of any probate or letters of administration or certificate of death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding \$2 as the Directors may from time to time require or prescribe.*
- (B) *The provisions in these presents relating to the transmission of shares shall not apply to the transmission of book-entry securities (as defined in the Act).*

RESERVES

119. *The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same the Directors shall comply with the provisions (if any) of the Statutes.*

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

DIVIDENDS

120. *The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.*
121. *If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.*
122. *Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:-*
- (a) all dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and*
 - (b) all dividends must be apportioned and paid proportionally to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid. For the purpose of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored.*
123. *No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.*
124. *No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.*
125. (A) *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.*
- (B) *The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.*
126. *The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.*
127. *The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.*
128. *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 there to (or, if two or more 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 member or person or persons may by writing direct, Provided that the payment by the Company to CDP of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment.*

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

129. *If two or more persons are registered as joint holder of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.*
130. *Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.*

CAPITALISATION OF PROFITS AND RESERVES

- 131 (A) *The Directors may, with the sanction of an Ordinary Resolution of the Company:-*
- (a) *issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on the date of the Ordinary Resolution (or such other date as maybe specified therein or determined as therein provided); and/or*
 - (b) *capitalise any sum standing to the credit of any of the Company's reserve account or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided).*
- (B) *The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalisation, 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 capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.*

(C) RIGHTS IN RESPECT OF VOTING

GENERAL MEETINGS

46. *An Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months (or such period as may be required to comply with the Statutes and the regulations of any stock exchange upon which shares in the Company may be listed) after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. All other General Meetings shall be called Extraordinary General Meetings.*
47. *The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.*

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

NOTICE OF GENERAL MEETINGS

48. *An Annual General Meeting and any Extraordinary General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by twenty-one days' notice in writing at the least and any other General Meeting by fourteen days' notice (or such period as may be required to comply with the statutes and the regulations of any stock exchange upon which shares in the Company may be listed) in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in manner hereinafter mentioned to all members other than such as are not under the provisions of these presents entitled to receive such notices from the Company, Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:-*

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

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to any Stock Exchange upon which the Company may be listed, Provided Always that in the case of any General Meeting at which it is proposed to pass a Special Resolution, at least twenty-one days' notice in writing of such General Meeting shall be given to any Stock Exchange upon which the Company may be listed.

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

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

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

50. *Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:-*

- (a) declaring dividends;*
- (b) receiving and adopting the accounts, the reports of the Directors and Auditors and other documents required to be attached or annexed to the accounts;*
- (c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;*
- (d) re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting); and*
- (e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed.*

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

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

PROCEEDINGS AT GENERAL MEETINGS

52. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.
53. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two members present in person or by proxy, Provided that if only proxies appointed by CDP attend any two such proxies (not being proxies for the same Depositor) shall suffice to establish both plurality and quorum.
54. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the directors may by not less than ten days' notice appoint.
55. The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more on sine die, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.
56. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
57. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by an error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.
58. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:-
- (a) the chairman of the meeting; or
 - (b) not less than two members (or such number as may be required to comply with the Statutes and the regulations of any stock exchange upon which shares in the Company may be listed) present in person or by proxy and entitled to vote; or
 - (c) any member present in person or by proxy, or where such a member has appointed two proxies any one of such proxies, or any number or combination of such members or proxies, holding or representing as the case may be not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

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

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

59. *Unless a poll is required a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution, If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.*
60. *In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.*
61. *A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the chairman may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.*

VOTES OF MEMBERS

62. *Subject to any special rights or restrictions as to voting attached by or in accordance with these presents to any class of shares, on a show of hands every member who is present in person or by proxy shall have one vote (the Chairman to determine which proxy shall be entitled to vote where a member is represented by two proxies, and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares of the Company entered against his name in the Depository Register as at forty-eight hours before the time of the relevant General Meeting (the “cut-off time”) as certified by the CDP to the Company. A Depositor shall only be entitled to attend any General Meeting and to speak and vote thereat and to appoint proxies in respect thereof if his name appears on the Depository Register maintained by CDP forty-eight hours before the General Meeting as a Depositor on whose behalf CDP holds shares in the Company.*
63. *In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or (as the case may be) the Depository Register in respect of the share.*
64. *Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.*

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

65. *No member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.*
66. *No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.*
67. *On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.*
68. (A) *A member shall not be entitled to appoint more than two proxies (or such number as may be required to comply with the Statutes and the regulations of any stock exchange upon which shares in the Company may be listed) to attend and vote at the same General Meeting.*
- (B) *Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy failing which the nomination shall be deemed to be alternative.*
- (C) *The Company shall be entitled notwithstanding Article 68(B) above to deem each Depositor or each proxy of a Depositor who pursuant to Article 68(B) above is to represent the entire balance standing to the Securities Account of the Depositor, to represent such number of shares as is actually credited to the Securities Account of the Depositor as at the cut-off time, as certified by CDP to the Company, and where a Depositor has apportioned the balance standing to his Securities Account pursuant to Article 68(B) above between two proxies, to apportion the said number of shares between the two proxies in the same proportion as previously specified by the Depositor pursuant to Article 68(B) above, and accordingly no instrument appointing a proxy of a Director shall be rendered invalid merely by reason of any discrepancy between the Depositor's shareholding specified in the instrument of proxy or where the balance standing to a Depositor's Securities Account has been apportioned pursuant to Article 68(B) above between two proxies, the aggregate of the proportions of the Depositor's shareholding they are specified to represent, and the true balance standing to the Securities Account of the Depositor as at the cut-off time, if the instrument is dealt with as herein provided.*
- (D) *A proxy need not be a member.*
69. (A) *An instrument appointing a proxy for any member shall be in writing in any usual or common form or in any other form which the Directors may approve and:-*
- (a) *in the case of an individual member shall be signed by the member or his attorney; and*
- (b) *in the case of a member which is a corporation shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.*
- (B) *The signatures on an instrument of proxy need not be witnessed, Where an instrument appointing a proxy is signed on behalf of a member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to Article 70, failing which the instrument of proxy may be treated as invalid.*
70. *An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office) not less than forty-eight hours (or such period as may be requested to comply with the Statutes and the regulations of any stock*

APPENDIX V – EXTRACTS FROM THE CONSTITUTION

exchange upon which shares in the Company may be listed) before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.

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

CORPORATIONS ACTING BY REPRESENTATIVES

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

APPENDIX VI – VALUATION REPORT



19 July 2019

Board of Directors
Hupsteel Limited
116 Neythal Road
Singapore 628603

Dear Sirs,

We refer to the instructions issued by Hupsteel Limited (the “**Company**”) requesting CKS Property Consultants Pte Ltd (the “**Valuer**”) for formal valuation advice in respect of the Properties (as defined below) belonging to the Company. We have specifically been instructed to provide our opinion of Market Value of the remaining leasehold interest in the Property as at 30 June 2019 (“**Valuation Date**”). The purpose of this engagement is to assist the Board of Directors of the Company in their assessment of the value of the assets, and inclusion in a circular to shareholders in relation to a voluntary conditional cash offer for the Company by Oversea Chinese Banking Corporation Limited for and on behalf of Hercules Pte. Ltd., announced on 28 June 2019 (the “**Offer**”).

We have prepared our report in accordance with the International Valuation Standards Council (IVSC) definition of Market Value and adopted by the Singapore Institute of Surveyors and Valuers (SISV) and the Royal Institution of Chartered Surveyors (RICS), which is:

“Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion”.

and also on the following basis:

“the price at which the property might reasonably be expected to be sold at the date of the valuation assuming:

- i. a willing, but not anxious, buyer and seller; and
- ii. a reasonable period within which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind; and
- iii. that the property will be reasonably exposed to the market; and
- iv. that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued; and
- v. that the seller has sufficient resources to allow a reasonable period for the exposure of the property for sale; and
- vi. that the seller has sufficient resources to negotiate an agreement for the sale of the property.”



Cert No: SG08/01936
Co Reg No: 197301070H
Estate Agent Licence No. L3004325E

CKS PROPERTY CONSULTANTS PTE LTD (Part of PhillipCapital Group)

250 North Bridge Road #09-02 Raffles City Tower Singapore 179101
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APPENDIX VI – VALUATION REPORT

CKS PROPERTY CONSULTANTS PTE LTD

● Page 2

Scope of Work

To comply with the Singapore Takeover Code, the Company instructed the Valuer to estimate the Market Value of the Properties belonging to the Company as at Valuation Date for internal reference and disclosure in a shareholder's circular in relation to the Offer. The Properties, made up of land and buildings, are as follows:

1. A vacant industrial land at 38 Genting Lane Singapore 349553 ("**38 Genting Lane**");
2. A single-storey purpose-built detached factory with a warehouse and workers' dormitory at 155 Gul Circle Singapore 629612 ("**155 Gul Circle**");
3. 3 blocks of 2-storey warehouse buildings, 1 block of single-storey warehouse building and a 5-storey office building at 116 Neythal Road Singapore 628603 ("**116 Neythal Road**");
4. A 2-storey intermediate conservation shop house at 365 Jalan Besar Singapore 208995 ("**365 Jalan Besar**");
5. An 8-storey multi-user general industrial building at 6 Kim Chuan Drive Singapore 537082 ("**6 Kim Chuan Drive**"); and
6. Four office units located within a commercial-cum-residential development at 27 Foch Road #05-04/05/06/07 Hoa Nam Building Singapore 209264 ("**Hoa Nam Building #05-04/05/06/07**"),

(together, the "**Properties**")

The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Gathering of information of the Properties
- Site inspection
- Development of appropriate valuation models pertinent to the valuation exercise
- Preparation of draft valuation reports
- Submission of the final valuation reports for the purpose of this exercise

We hereby certify that the valuer undertaking this valuation, Mr Ang Guan Choon, Licensed Appraiser AD041-2009651E, is authorised to practise as a valuer in Singapore.

Mr Ang Guan Choon is a licensed appraiser and a member of Singapore Institute of Surveyors and Valuers (SISV). He has approximately 19 years of valuation experience in the property and real estate industry. He graduated with a degree of Bachelor of Property Economics from University of Technology Sydney.

Mr Ang Guan Choon has carried out site inspections and valuations of various types of properties including business parks, JTC factories, conservation shop houses, good class bungalows, hotels and development sites. He has also performed rental valuations for government bodies and corporate clients and represented clients for compulsory acquisition cases. The profile of the clients he services include all major local and foreign banks, government bodies, developers, REITS managers and private clients.

Source of Information

As part of our due diligence, we have relied upon documents supplied by the Company, including, but not limited to, the following:

- JTC statement of account
- IRAS property tax advice
- Floor plans
- Other relevant documents on the Properties

Qualifications and Assumptions

Where the information provided in the report has been supplied to the Valuer by the Company, we have assumed that the information, along with the opinions are true and accurate. Our conclusions are dependent on such information being complete and accurate in all material respects. We believe the review and valuation procedures we employed provide a reasonable basis for our opinion.

Valuation Methodology

There are three generally recognised approaches to the determination of the market value. They are the Market Comparison Method, Cost Method and Income Method.

An overview of the three approaches considered is as follows:

Market Comparison Method

The Market Comparison Method can be used in all valuations where there are adequate transactions or other information to indicate the level of value for the property. This method relies on the presence of market transactions within a reasonable period from the date of valuation to provide an indication of value. It is supported by the theory that the market value of a property bears a close relationship to the values of similar properties which have been transacted. The method is concerned with the identification and measurement of the effect that the presence or absence of some characteristics has on the price of comparable properties, and to make the appropriate adjustments to reflect the differences between them.

Cost Method

The Cost Method is based on the rationale that the value of the property comprises two components: the value of improvements and the value of land. This method involves the estimation of the value of the site as if it were vacant using the comparison method. The amount of depreciation and obsolescence is then estimated and deducted from the cost of improvements to arrive at the depreciated replacement or reproduction cost. This is then added to the land value to derive the capital value of the property.

Income Method

The Income Method estimates the present worth of the rights to future benefits to be derived from the ownership of a specific interest in a property under given market conditions. The value is derived by discounting expected cash flows to their present value at a rate of return. The discount rate adopted should reflect market and property-specific risks and should be supported by such rates for comparable properties or by data compiled, verified and analysed by the valuer.

Selected Valuation Method

We have relied on the Market Comparison Method in formulating our opinion on the market value of the Properties. Market Comparison Method is universally considered the most accepted valuation approach for valuing most forms of real estate. In adopting this approach, we have taken into cognizance transactions of comparable properties, the prevailing market condition and underlying economic factors which may be of influence to the trend of the market prices. In the analysis, each comparable is analysed on the basis of its unit rate and percentage adjustments were made to the unit rate to reflect the differences of the attributes such as land area, floor area, location and tenure between the comparables and the Properties.

Valuation of 38 Genting Lane

Details of Subject Property

Address	:	38 Genting Lane Singapore 349553
Type of Property	:	A vacant industrial land
Legal Description	:	MK24-6156V
Tenure	:	Estate in Fee Simple
Land Area	:	2,103.7 square metres / 22,644 square feet

Planning Provision

Based on Master Plan (2014), the subject property is sited on land zoned as 'Business 1'. Official Master Plan Zoning, Road and Drainage Interpretation Plans have not been applied for.

Location and Locality

Neighbourhood	:	The immediate vicinity is predominantly industrial in character comprising factory buildings.
Prominent Developments	:	Cideco Industrial Complex, MacPherson Industrial Complex, Platinum 28, Perfect One and Genting Warehouse, amongst others.
City Services	:	Available within the vicinity

APPENDIX VI – VALUATION REPORT

CKS PROPERTY CONSULTANTS PTE LTD

● Page 5

Public Transport : Available along Macpherson Road

Description of Subject Property

Land Shape : Generally trapezoidal in shape

Contour : Generally flat and at access road level

Services/Facilities : All main Public Utilities and Telecommunications services are connected.

Date of Inspection

The property was inspected on 18 July 2019.

Conclusion of Value

Based on the above considerations, we are of the opinion that the Market Value of the subject property free from all encumbrances is S\$25,500,000/- (Singapore Dollars Twenty Five Million Five Hundred Thousand Only).

Valuation of 155 Gul Circle

Details of Subject Property

Address : 155 Gul Circle
Singapore 629612

Type of Property : A single-storey purpose-built detached factory with a warehouse and workers' dormitory

Legal Description : MK7-2254V

Tenure : Leasehold 30 + 30 years commencing from 16 February 1979

Land Area : 13,600.6 square metres / 146,395 square feet

Floor Area : Approximately 7,091.42 square metres / 76,331 square feet

Land Rent : S\$22,423.20/- per month (inclusive of 7% GST)

Annual Value : S\$1,370,000 (Year 2019)

Year of Completion : Circa 2011

APPENDIX VI – VALUATION REPORT

CKS PROPERTY CONSULTANTS PTE LTD

● Page 6

Planning Provision

Based on Master Plan (2014), the subject property is sited on land zoned as 'Business 2'. Official Master Plan Zoning, Road and Drainage Interpretation Plans have not been applied for.

Location and Locality

Neighbourhood	:	The immediate vicinity is industrial in nature comprising a mixture of purpose-built factories/warehouses and standard factories constructed by JTC Corporation.
Prominent Developments	:	JTC Space @ Gul, Precise One and Fairprice Hub, amongst others.
City Services	:	Available within the vicinity
Public Transport	:	Available along Gul Circle, Benoi Road and Jalan Ahmad Ibrahim

Description of Subject Property

Construction	:	Reinforced concrete structure with brick infill walls and part reinforced concrete roof / part metal roof with insulated metal roofing sheets supported by steel trusses.
Accommodations	:	General factory and warehouse areas / workers' dormitory with changing room
Finishes	:	Floors - Homogeneous / ceramic / epoxy / cement screed generally Walls - Ceramic / plaster and paint generally Ceiling - Ceiling boards / metal roofing sheets / metal / plaster and paint generally
Fittings	:	Cassette-unit air-conditioners / ceiling fans / wall fans / fire protection system generally
Condition	:	Above average
Improvements	:	Chainlinked/brickwall fencing / metal entrance and side gates / guard house / bin centre / loading and unloading sheds / open car/lorry parking space / overhead cranes
Services/Facilities	:	All main Public Utilities and Telecommunications services are connected.

Date of Inspection

The property was inspected on 19 July 2019.

APPENDIX VI – VALUATION REPORT

CKS PROPERTY CONSULTANTS PTE LTD

● Page 7

Conclusion of Value

Based on the above considerations, we are of the opinion that the Market Value of the subject property free from all encumbrances is S\$15,000,000/- (Singapore Dollars Fifteen Million Only).

Valuation of 116 Neythal Road

Details of Subject Property

Address	:	116 Neythal Road Singapore 628603
Type of Property	:	3 blocks of 2-storey warehouse buildings, 1 block of single-storey warehouse building and a 5-storey office building
Legal Description	:	MK6-3859X
Tenure	:	Leasehold 29 years 10 months commencing from 01 March 2001
Land Area	:	29,518.1 square metres / 317,730 square feet
Floor Area	:	Approximately 33,815.7 square metres / 363,989 square feet
Land Rent	:	S\$58,696.07/- per month (inclusive of 7% GST)
Annual Value	:	S\$3,713,000 (Year 2019)
Year of Completion	:	Circa 2003

Planning Provision

Based on Master Plan (2014), the subject property is sited on land zoned as 'Business 2'. Official Master Plan Zoning, Road and Drainage Interpretation Plans have not been applied for.

Location and Locality

Neighbourhood	:	The immediate vicinity is industrial in nature comprising a mixture of purpose-built factories/warehouses and standard factories constructed by JTC Corporation.
Prominent Developments	:	Kian Teck Dormitory and PSC Building, amongst others.
City Services	:	Available within the vicinity
Public Transport	:	Available along International Road and Pioneer Road North

APPENDIX VI – VALUATION REPORT

CKS PROPERTY CONSULTANTS PTE LTD

● Page 8

Description of Subject Property

Construction	:	Reinforced concrete structure and floors, reinforced concrete walls, insulated metal roofing sheets laid over steel portal frames and metal roofs.
Accommodations	:	<u>2-storey Warehouse Building</u> General warehouse area / toilets <u>1-storey Warehouse Building</u> General warehouse area <u>5-storey Office Building</u> <u>1st Storey</u> Reception area / general office area / partitioned rooms / toilets / pantry / lift lobby <u>2nd Storey</u> Waiting area / general office area / partitioned rooms / toilets / pantry / lift lobby <u>3rd Storey</u> Waiting area / general office area / partitioned rooms / toilets / pantry / lift lobby <u>4th Storey</u> General office area / toilets / lift lobby <u>5th Storey</u> General office area / toilets / lift lobby
Finishes	:	Floors - Marble / carpet / timber strips / ceramic / cement screed generally Walls - Ceramic / glass panels / drywall partitions / plaster and paint generally Ceiling - Ceiling boards / false ceiling / downlights / metal roofing sheets / plaster and paint generally
Fittings	:	Split-unit/cassette-unit air-conditioners / wall fans / reception counter / mirror panel / cabinets / display niches / work desks / raised timber platform / high and low level cabinets with sink / fire protection system / roller shutters generally
Condition	:	Above average

APPENDIX VI – VALUATION REPORT

CKS PROPERTY CONSULTANTS PTE LTD

● Page 9

Improvements : Tarmacadam/concrete driveway / chainlinked/metal grilles atop brickwalls/metal perimeter fencing / metal entrance gates / guard house / covered car park lots / open parking spaces / loading and unloading sheds / cargo and passenger lifts / overhead cranes

Services/Facilities : All main Public Utilities and Telecommunications services are connected.

Date of Inspection

The property was inspected on 19 July 2019.

Conclusion of Value

Based on the above considerations, we are of the opinion that the Market Value of the subject property free from all encumbrances is S\$42,500,000/- (Singapore Dollars Forty Two Million Five Hundred Thousand Only).

Valuation of 365 Jalan Besar

Details of Subject Property

Address : 365 Jalan Besar
Singapore 6208995

Type of Property : A 2-storey intermediate conservation shophouse

Legal Description : TS17-97822T and TS17-98777W

Tenure : Estate in Fee Simple and Estate in Perpetuity

Land Area : 158.5 square metres / 1,706 square feet

Floor Area : Approximately 335 square metres / 3,606 square feet

Year of Completion : Prewar Built

Planning Provision

Based on Master Plan (2014), the subject property is sited on land zoned as 'Commercial'. Official Master Plan Zoning, Road and Drainage Interpretation Plans have not been applied for.

Location and Locality

Neighbourhood : The immediate vicinity comprises mainly HDB flats, private residential developments and commercial buildings

Prominent Developments : CT Hub, City Square Mall, Hoa Nam Building, City Square Residences, and Jalan Besar Stadium and Swimming Complex amongst others.

APPENDIX VI – VALUATION REPORT

CKS PROPERTY CONSULTANTS PTE LTD

● Page 10

City Services : Available within the vicinity
Public Transport : Along Jalan Besar, Serangoon Road and Lavender Street

Description of Subject Property

Construction : Reinforced concrete structure, plastered brickwalls and roof.

Accommodations : 1st storey
General trading area / partitioned room / kitchen / changing room / yard / toilets

2nd storey
General area / partitioned rooms / kitchen / toilet / common bathroom / balcony

Roof
Storage room

Finishes : Floors - Carpet / homogeneous / ceramic / cement screed generally
Walls - Ceramic / drywall partitions / wallpaper / timber boards / plaster and paint generally
Ceiling - Ceiling boards / downlights / recessed lights / timber battens / plaster and paint generally

Fittings : Cassette-unit/split-unit air-conditioners / ceiling fan / shelves / bar counter / cabinet / mirror panel / central water heater / water heater / sink support generally

Condition : Above average

Services/Facilities : All main Public Utilities and Telecommunications services are connected.

Date of Inspection

The property was inspected on 18 July 2019.

Conclusion of Value

Based on the above considerations, we are of the opinion that the Market Value of the subject property free from all encumbrances is S\$5,800,000/- (Singapore Dollars Five Million Eight Hundred Thousand Only).

APPENDIX VI – VALUATION REPORT

CKS PROPERTY CONSULTANTS PTE LTD

● Page 11

Valuation of 6 Kim Chuan Drive

Details of Subject Property

Address	:	6 Kim Chuan Drive Singapore 537082
Type of Property	:	An 8-storey multi-user general industrial building
Legal Description	:	MK23-3463V
Tenure	:	Estate in Perpetuity
Land Area	:	3,076.1 square metres / 33,111 square feet
Floor Area	:	Approximately 7,210.236 square metres / 77,610 square feet
Year of Completion	:	Circa August 2015

Planning Provision

Based on Master Plan (2014), the subject property is sited on land zoned as 'Business 2'. Official Master Plan Zoning, Road and Drainage Interpretation Plans have not been applied for.

Location and Locality

Neighbourhood	:	The immediate vicinity comprises mainly industrial developments.
Prominent Developments	:	Kong Siang Group Building, Pixel Red, Luxasia Building and DHL Air Express Centre, amongst others.
City Services	:	Available within the vicinity
Public Transport	:	Available along Hougang Avenue 3 and Upper Paya Lebar Road

Description of Subject Property

Construction	:	The building is constructed of reinforced concrete structure and floors, plastered brickwalls and reinforced concrete flat roof.
Accommodations	:	<u>1st storey</u> Lift lobbies / reception area / mailbox area / production area / cold room / toilets <u>2nd storey</u> Lift lobbies / general office area

APPENDIX VI – VALUATION REPORT

CKS PROPERTY CONSULTANTS PTE LTD

● Page 12

3rd storey

Lift lobbies / storage area / partitioned rooms / toilets

4th storey

Lift lobbies / storage area / toilets

5th storey

Lift lobbies / storage area / partitioned rooms / toilets

6th storey

Lift lobbies / storage area / toilets

7th storey

Lift lobbies / storage area / toilets

8th storey

Lift lobbies / waiting area / general office area / showroom area / partitioned rooms / pantry / toilet

Finishes	:	Floor - Marble / carpet / homogeneous / pebble washed / vinyl / epoxy / cement screed generally
		Walls - Marble / timber panels / glass panels / metal / homogeneous / drywall partitions / plaster and paint generally
		Ceiling - Ceiling board / false ceiling / downlights / recessed lights / metal / plaster and paint generally
Fittings	:	Cassette-unit/split-unit air-conditioners / wall fans / air-curtains / counter top / cabinets / shelves / wall divider / high and low cabinets with sink / letter boxes / fire protection system / vanity tops / roller shutter generally
Condition	:	Above average
Improvements	:	1 fire lift / 1 evacuation lift / 2 cargo lifts / 2 staircases / guardhouse / bin centre / loading/unloading bay / surface carpark / covered carpark / metal grilles on brickwall fencing / remote-controlled metal entrance gate/side gate
Services/Facilities	:	All main Public Utilities and Telecommunications services are connected.

Date of Inspection

The property was inspected on 19 July 2019.

APPENDIX VI – VALUATION REPORT

CKS PROPERTY CONSULTANTS PTE LTD

● Page 13

Conclusion of Value

Based on the above considerations, we are of the opinion that the Market Value of the subject property free from all encumbrances is S\$43,500,000/- (Singapore Dollars Forty Three Million Five Hundred Thousand Only).

Valuation of Hoa Nam Building #05-04/05/06/07

Details of Subject Property

Address : 27 Foch Road
#05-04/05/06/07 Hoa Nam Building
Singapore 209264

Type of Property : Four office units located on the 5th storey of an 18-storey block within a commercial-cum-residential development.

Legal Description :

<u>Unit No.</u>	<u>Legal Description</u>	<u>Strata Floor Area</u>
#05-04	TS17-U3910T	32 square metres / 344 square feet
#05-05	TS17-U3909K	32 square metres / 344 square feet
#05-06	TS17-U3908A	32 square metres / 344 square feet
#05-07	TS17-U3907T	32 square metres / 344 square feet

Tenure : Estate in Fee Simple

Year of Completion : Circa 1980s

Planning Provision

Based on Master Plan (2014), the subject property is sited on land zoned as 'Commercial and Residential'. Official Master Plan Zoning, Road and Drainage Interpretation Plans have not been applied for.

Location and Locality

Neighbourhood : The immediate vicinity comprises mainly HDB flats, private residential developments and commercial buildings.

Prominent Developments : ICA Building, City Square Mall, Kerrisdale, City Square Residences, and Jalan Besar Stadium and Swimming Complex amongst others.

City Services : Available within the vicinity

Public Transport : Available along Jalan Besar, Serangoon Road and Lavender Street

APPENDIX VI – VALUATION REPORT

CKS PROPERTY CONSULTANTS PTE LTD

● Page 14

Description of Subject Property

Description	:	Hoa Nam Building comprises shop and office units located from the 1st to 6th storeys and residential units on the 7th storey to 18th storeys.
Construction	:	The building is constructed of reinforced concrete/post-tensioned slab, beam, column, wall and non-suspended reinforced concrete slab, floors, and reinforced concrete/metal roof with appropriate insulation and waterproofing.
Improvements	:	Passenger lifts / carparking facilities
Accommodations	:	<u>#05-04</u> General office area <u>#05-05</u> General office area / partitioned rooms <u>#05-06</u> General office area / partitioned room <u>#05-07</u> General office area / partitioned rooms
Finishes	:	Floors - Carpet / laminated timber generally Walls - Drywall partitions / glass panels / plaster and paint generally Ceiling - Ceiling boards / recessed lights generally
Fittings	:	Centralized air-conditioning system / split-unit/window-unit air-conditioners generally
Condition	:	Above average
Services/Facilities	:	All main Public Utilities and Telecommunications services are connected.

Date of Inspection

The property was inspected on 18 July 2019.

Conclusion of Value

Based on the above considerations, we are of the opinion that the Market Value of the subject property free from all encumbrances is S\$2,640,000/- (Singapore Dollars Two Million Six Hundred Forty Thousand Only).

APPENDIX VI – VALUATION REPORT

CKS PROPERTY CONSULTANTS PTE LTD

● Page 15

Valuation Conclusions – Properties

Subject to the assumptions and limiting conditions of this report, we are of the opinion that the Market Value of the Properties in its existing state as of Valuation Date and assuming free from any encumbrances is **S\$134,940,000** with breakdown as follows:

Asset	Market Value
38 Genting Lane	S\$ 25,500,000
155 Gul Circle	S\$ 15,000,000
116 Neythal Road	S\$ 42,500,000
365 Jalan Besar	S\$ 5,800,000
6 Kim Chuan Drive	S\$ 43,500,000
Hoa Nam Building #05-04/05/06/07	S\$ 2,640,000
Total	S\$134,940,000

Disclaimer

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. The Valuer has no present or prospective interest in the Properties and has no personal interest or bias with respect to the property owner(s) or party(s) involved. The Valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

Ang Guan Choon, Licensed Appraiser
Appraiser's Licence No : AD041-2009651E
B. Property Economics
For and On Behalf of CKS Property Consultants Pte Ltd

LIMITING CONDITIONS

This valuation report is subject to the following limiting conditions:-

- 1] Our valuation is prepared in accordance with the international definition of "Market Value", namely:

"Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion".

In adopting this definition of Market Value, we are of the opinion that it is consistent with the international definition of Market Value as advocated by the Royal Institute of Chartered Surveyors (RICS) and the Singapore Institute of Surveyors and Valuers (SISV).

No allowances are made for any expenses or taxation which might arise in the event of a disposal. All property is considered as if free and clear of all mortgages, encumbrances, and other outstanding premiums, charges and liabilities.

Our valuation further assumes that all development charges and maintenance/service/conservancy charges, if any, whether outstanding or payable as at the date of valuation, have already been fully paid.
- 2] Our responsibility in connection with this valuation report is limited to our client or person to whom this report is addressed and to that client only. We disclaim all responsibility and accept no liability to any other person(s) or party should this report be used by any such person(s) or party or for any purposes.
- 3] Neither the whole nor any part of this valuation report or any reference to it may be included in any document, circular, statement, correspondence nor published in any way without our prior written approval of the form and context in which it may appear.
- 4] Where it is stated in this report that information has been supplied to us by another party, this information is believed to be reliable and accurate and we disclaim all responsibility if this information should later prove not to be so.
- 5] The values assessed in this report for the subject property and any allocation of values between parts of the property applies strictly on the terms of and for the purpose of this valuation. The values assessed should not be used in conjunction with any other assessment as they may prove inappropriate if so used.
- 6] No structural survey has been made and no guarantee is given that the building is free from rot, termite, pest infestation or other hidden defects. We have also not made any tests on the building services (e.g. air-conditioning, fire-fighting systems, lifts, escalators, plumbing and lighting etc) and these services are presumed to be in good working order.
- 7] Our valuation assumes that the title(s) is(are) in good order and marketable, free from any liens, mortgages, encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title(s), searches, legal requisitions, legal validity of title or any charges, claims, liabilities registered against the title(s).
- 8] Any plans that are included in this report are meant for identification purposes and to assist the client in visualizing the subject property. The plans should not be treated as certified true copies of areas or other particulars contained therein. We have not made any cadastral survey of the property and assumed no responsibility in connection in such matters.
- 9] We have not made any requisition for the Road Line Plan or for drainage proposal. We have also not made any application for information/document in respect of Building Control Records. Such requisitions/applications will not be made unless specifically instructed by our client.
- 10] As matters concerning compulsory acquisitions by the Government are confidential, we are unable to provide information relating to Government acquisitions unless the subject property has already been gazetted for acquisition.
- 11] Our valuation presumes that the subject property, as currently used, is in compliance with the existing land use zoning and is not in contravention of any planning rules or regulations.
- 12] We shall not be required to give testimony before a tribunal such as the Valuation Review Board or to appear as an expert witness in Court by reason of this valuation report or with reference to the subject property unless specific arrangements have been made thereof and we be properly reimbursed.

