

CIRCULAR DATED 9 JUNE 2014

THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) OF ASJ HOLDINGS LIMITED AND THE ADVICE OF PARTNERS CAPITAL (SINGAPORE) PTE. LTD., THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

This Circular is issued by ASJ Holdings Limited (the “**Company**”). If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

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

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

A S J

ASJ HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199601740N)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL CASH OFFER

by

PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200207389D)

for and on behalf of

RALEC ELECTRONIC CORPORATION

(Incorporated in Taiwan, R.O.C.)
(Company Registration No. 22101050)

to acquire all the issued and paid-up ordinary shares in the capital of the Company excluding those shares held by the Company as treasury shares and other than those held directly or indirectly by Ralec Electronic Corporation

Independent Financial Adviser to the Independent Directors of the Company



**Partners
Capital**

PARTNERS CAPITAL (SINGAPORE) PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200721675G)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER (AS DEFINED HEREIN) WILL CLOSE AT 5.30 P.M. (SINGAPORE TIME) ON 7 JULY 2014, PURSUANT TO THE OFFER UNCONDITIONAL ANNOUNCEMENT (AS DEFINED HEREIN) OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR. ACCORDINGLY, SHAREHOLDERS WHO WISH TO ACCEPT THE OFFER MUST DO SO BY SUCH TIME AND DATE.

This page has been intentionally left blank.

CONTENTS

	Page
DEFINITIONS	2
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS	7
SUMMARY TIMETABLE	8
LETTER TO SHAREHOLDERS	9
1 INTRODUCTION	9
2 THE OFFER	10
3 IRREVOCABLE UNDERTAKINGS	14
4 INFORMATION ON THE OFFEROR	17
5 RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP	18
6 LISTING STATUS AND COMPULSORY ACQUISITION	19
7 ADVICE AND RECOMMENDATION	20
8 ACTION TO BE TAKEN BY THE SHAREHOLDERS	26
9 OVERSEAS SHAREHOLDERS	27
10 INFORMATION PERTAINING TO CPFIS INVESTORS	29
11 DIRECTORS' RESPONSIBILITY STATEMENT	30
12 ADDITIONAL INFORMATION	30
APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS	31
APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP	47
APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION	57
APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2013	71
APPENDIX V – VALUATION CERTIFICATE BY THE INDEPENDENT VALUER	138

DEFINITIONS

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

“Act”	:	The Companies Act, Chapter 50, of Singapore
“Articles”	:	The Articles of Association of the Company
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular dated 9 June 2014 issued by the Company to Shareholders in relation to the Offer (including, <i>inter alia</i> , the Appendices to this Circular) and any other document which may be issued by or on behalf of the Company to amend, revise, supplement or update this Circular from time to time
“Closing Date”	:	5.30 p.m. on 7 July 2014, pursuant to the Offer Unconditional Announcement or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last date and time for the lodgement of acceptances of the Offer
“Code”	:	The Singapore Code on Take-overs and Mergers
“Committed Shares”	:	Shall have the meaning ascribed to it in paragraph 4.1 of the Offer Document
“Company”	:	ASJ Holdings Limited
“CPF”	:	The Central Provident Fund of Singapore
“CPF Agent Banks”	:	Agent banks included under the CPFIS (namely, DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited)
“CPFIS”	:	CPF Investment Scheme
“CPFIS Investors”	:	Investors who have purchased Shares using their CPF account savings under the CPFIS
“Despatch Date”	:	26 May 2014, being the date on which the Offer Document was despatched to Shareholders
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“Encumbrance”	:	Shall have the meaning ascribed to it in paragraph 2.3 of this Circular

DEFINITIONS

“FAA”	:	Form of Acceptance and Authorisation which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP
“FAT”	:	Form of Acceptance and Transfer 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) 31 December of a particular year as stated
“Group”	:	The Company and its subsidiaries
“IFA”	:	Partners Capital (Singapore) Pte. Ltd., the independent financial adviser to the Independent Directors in relation to the Offer
“IFA Letter”	:	The letter dated 9 June 2014 from the IFA to the Independent Directors in relation to the Offer, as set out in Appendix I to this Circular
“Independent Auditors”	:	Ernst & Young LLP
“Independent Directors”	:	The Directors who are considered independent for the purposes of making the recommendation to the Shareholders in respect of the Offer, being Mr Seah Eng Lam, Mr Chia Soon Loi, Mr Cecil Chiam Teck Hock and Mr Geoffrey Yeoh Seng Huat
“Independent Valuer”	:	Robert Khan & Co Pte Ltd
“Irrevocable Undertakings”	:	The irrevocable undertakings granted by certain Shareholders to the Offeror to accept the Offer, as more particularly set out in paragraph 3 of this Circular
“Latest Practicable Date”	:	2 June 2014, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the Mainboard of the SGX-ST, as amended up to the Latest Practicable Date
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“Minimum Acceptance Condition”	:	Shall have the meaning ascribed to it in paragraph 2.2 of this Circular
“Minimum Acceptances Threshold”	:	Shall have the meaning ascribed to it in paragraph 2.2 of this Circular

DEFINITIONS

<i>“Offer”</i>	:	The voluntary conditional cash offer made by PPCF, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended, extended or revised from time to time by or on behalf of the Offeror
<i>“Offer Announcement”</i>	:	The announcement of the Offer on the Offer Announcement Date released by PPCF, for and on behalf of the Offeror, in relation to the Offer
<i>“Offer Announcement Date”</i>	:	7 May 2014, being the date of the Offer Announcement
<i>“Offer Unconditional Announcement”</i>	:	Shall have the meaning ascribed to it in paragraph 2.2 of this Circular
<i>“Offer Document”</i>	:	The document dated 26 May 2014 issued by PPCF, for and on behalf of the Offeror, and any other document(s) which may be issued by or on behalf of the Offeror in respect of the Offer to amend, revise, supplement, or update the document(s) from time to time
<i>“Offer Price”</i>	:	S\$0.065 in cash for each Offer Share, being the offer price in relation to the Offer
<i>“Offer Shares”</i>	:	All the Shares excluding those held by the Company as treasury shares and those held directly or indirectly by the Offeror as at the date of the Offer
<i>“Offeror”</i>	:	Ralec Electronic Corporation
<i>“Offeror Securities”</i>	:	(a) Offeror Shares, (b) securities which carry substantially the same rights as any Offeror Shares, and (c) convertible securities, warrants, options and derivatives in respect of any Offeror Shares or such securities in (b)
<i>“Offeror Shares”</i>	:	Ordinary shares in the share capital of the Offeror
<i>“Overseas Shareholders”</i>	:	Shareholders whose addresses are outside Singapore as shown in the Register or, as the case may be, in the records of CDP
<i>“PPCF”</i>	:	PrimePartners Corporate Finance Pte. Ltd.
<i>“Register”</i>	:	The register of holders of the Shares, as maintained by the Share Registrar

DEFINITIONS

<i>“Revalued Properties”</i>	:	The properties at (i) LOT 85456, Mukim of Senai, District of Kulaijaya (formerly PTD 91009, Mukim of Senai-Kulai District of Johor Bahru), State of Johor Darul Takzim, Malaysia and (ii) chip resistors manufacturing plant and machinery located at PTD 37440, Jalan Perindustrian Senai 3, Kawasan Perindustrian Senai II, 81400 Senai, Johor Darul Takzim, Malaysia in which the Company has interests and which have been revalued as at 30 April 2014 pursuant to the valuation certificate set out in Appendix V to this Circular
<i>“Rule 22.6 Period”</i>	:	Shall have the meaning ascribed to it in paragraph 2.6(d) of this Circular
<i>“Securities”</i>	:	(a) securities which carry voting rights in the Company, including but not limited to the Shares, and (b) convertible securities, warrants, options and derivatives in respect of such securities in (a)
<i>“Securities and Futures Act”</i>	:	The Securities and Futures Act, Chapter 289, of Singapore
<i>“SGXNET”</i>	:	SGX-ST’s website at www.sgx.com
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Share Registrar”</i>	:	Boardroom Corporate & Advisory Services Pte. Ltd.
<i>“Shareholders”</i>	:	Holders of issued Shares, including Depositors whose Shares are deposited with CDP or who have purchased the Shares on the SGX-ST, and “Shareholder” shall be construed accordingly
<i>“Shares”</i>	:	Issued and paid-up ordinary shares in the capital of the Company
<i>“Shut-Off Notice”</i>	:	Shall have the meaning ascribed to it in paragraph 2.6(d) of this Circular
<i>“SIC”</i>	:	The Securities Industry Council of Singapore
<i>“Substantial Shareholder”</i>	:	A person (including a corporation) who has an interest in not less than 5% of the total issued voting Shares
<i>“Undertaking Shareholders”</i>	:	The persons who have given the Irrevocable Undertakings and as identified in paragraph 4 of the Offer Document

DEFINITIONS

“S\$” and “cents”	:	Singapore dollars and cents respectively, being the lawful currency of Singapore
“Valuation Certificate”	:	The valuation certificate dated 24 May 2014 from the Independent Valuer, as set out in Appendix V to this Circular
“%”	:	Per centum or percentage

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

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

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

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

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

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

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

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

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

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

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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

SUMMARY TIMETABLE

Date of despatch of the Offer Document	:	26 May 2014
Date of despatch of Circular	:	9 June 2014
Closing Date	:	5.30 p.m. (Singapore time) on 7 July 2014, pursuant to the Offer Unconditional Announcement 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 lodgement of acceptances for the Offer.
Date of settlement of consideration for valid acceptances of the Offer	:	(a) In respect of valid acceptances which are complete in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within 10 days of such date; or (b) in respect of valid acceptances which are complete in all respects and are received after the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within 10 days of the date of such receipt.

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

LETTER TO SHAREHOLDERS

ASJ HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199601740N)

Board of Directors:

Mr Chia Soon Loi (*Chairman*)
Mr Seah Eng Lam (*Chief Executive Officer*)
Mr Chen Tie-Min (*Non-Executive Director*)
Mr Geoffrey Yeoh Seng Huat (*Lead Independent Director*)
Mr Cecil Chiam Teck Hock (*Independent Director*)

Registered Office:

514 Chai Chee Lane
#05-05/06 Bedok Industrial Estate
Singapore 469029

9 June 2014

To: The Shareholders of ASJ Holdings Limited

Dear Sir/Madam

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

1. INTRODUCTION

1.1 Offer Announcement

On 7 May 2014, PPCF announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary conditional cash offer for all the Shares excluding those held by the Company as treasury shares and those held directly or indirectly by the Offeror as at the date of the Offer.

A copy of the Offer Announcement dated 7 May 2014 is available on the SGXNET.

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

Based on paragraph 10.1 of the Offer Document, as at 19 May 2014, being the latest practicable date prior to the printing of the Offer Document, the Offeror and parties acting in concert with the Offeror, have interest (both direct and indirect) in an aggregate of 76,265,258 Shares, representing approximately 28.01% of the total number of issued Shares.

Further details on the aggregate holding of Shares by the Offeror and parties acting in concert with the Offeror can be found in paragraph 10.1 of the Offer Document.

1.3 Offer Document

Shareholders should have by now received a copy of the Offer Document despatched by the Offeror on 26 May 2014, setting out, *inter alia*, the formal offer by PPCF, for and on behalf of the Offeror, to acquire all the Offer Shares, being all the Shares excluding those held by the Company as treasury shares and those held directly or indirectly by the Offeror as at the date of the Offer, subject to the terms and conditions set out in the Offer Document.

LETTER TO SHAREHOLDERS

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

A copy of the Offer Document is available on the SGXNET.

1.4 Independent Financial Adviser

Partners Capital (Singapore) Pte. Ltd. has been appointed as the independent financial adviser to the Independent Directors in relation to the Offer.

1.5 Purpose of this Circular

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

Shareholders should read the Offer Document, this Circular and the IFA Letter carefully and consider the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors set out in this Circular before deciding whether or not to accept the Offer.

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

2. THE OFFER

Based on the information set out in the Offer Document, the Offeror is making the Offer for the Offer Shares in accordance with Section 139 of the Securities and Futures Act and the Code, and subject to the terms and conditions set out in the Offer Document, the FAA and/or the FAT (as the case may be). The principal terms and conditions of the Offer, as extracted from the Offer Document, are set out below:

2.1 Offer Price

Paragraph 2.2 of the Offer Document states that the Offer is made on the following basis:

For each Offer Share: S\$0.065 in cash

The Offeror does not intend to revise the Offer Price, except that the Offeror reserves the right to do so in a competitive situation.

2.2 Conditional Offer

Paragraph 5 of the Offer Document states that the Offer is subject to the following condition ("**Minimum Acceptance Condition**"):

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 or on behalf of the Offeror and parties acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and parties acting in concert with it holding such number of Shares carrying not less than 50% of the total number of issued Shares as at the close of

LETTER TO SHAREHOLDERS

the Offer (including any voting rights attributable to the Shares issued or to be issued pursuant to the valid exercise of any outstanding convertible securities which have been issued by the Company prior to the closing date of the Offer) ("**Minimum Acceptances Threshold**").

Other than the Minimum Acceptance Condition, the Offer is unconditional in all other respects.

As stated in paragraph 4 of the Offer Document, the aggregate number of Committed Shares held by the Undertaking Shareholders amounts to 143,443,031 Shares, representing approximately 52.68% of the Shares in issue as at 19 May 2014, being the latest practicable date prior to the printing of the Offer Document. Upon receipt of valid acceptances from the Undertaking Shareholders pursuant to the Irrevocable Undertakings, the Minimum Acceptances Threshold will be fulfilled and the Offer will be declared unconditional in all respects.

On 28 May 2014, PPCF, for and on behalf of the Offeror, announced ("**Offer Unconditional Announcement**") that the Offeror had on the same day received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise) result in the Offeror and the parties acting in concert with it holding such number of Shares carrying not less than 50% of the total number of issued Shares, and the above condition had been fulfilled as at 5.00 p.m. on the same day.

Accordingly, the Offer became unconditional as to acceptances and was thereby declared unconditional in all respects on 28 May 2014.

2.3 No Encumbrances

Paragraph 2.2 of the Offer Document states that the Offer Shares are to be acquired:

- (a) fully-paid;
- (b) free from any liens, equities, mortgages, debentures, charges, pledges, title retention, encumbrances, security interests, options, rights of pre-emption and any other third party rights and interests of any nature whatsoever ("**Encumbrance**"); 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 dividends, rights, distributions, returns of capital and any other entitlements which may be declared, paid or made by the Company on or after the Offer Announcement Date. **If any dividend, right, distribution, return of capital or other entitlement is declared, paid or made by the Company on or after the Offer Announcement Date to a Shareholder who accepts or has accepted the Offer, the Offeror reserves the right to reduce the Offer Price payable to the relevant accepting Shareholder by the amount of such dividend, right, distribution, return of capital or other entitlement.**

LETTER TO SHAREHOLDERS

2.4 Offer Shares

Paragraph 2.3 of the Offer Document states that the Offer is extended on the same terms and conditions to all new Shares unconditionally issued or to be issued pursuant to the valid exercise, prior to the close of the Offer, of any outstanding convertible securities which have been issued by the Company. For the purpose of the Offer, the expression “**Offer Shares**” shall include such Shares. As at the Latest Practicable Date, there are no outstanding convertible securities validly issued by the Company.

2.5 Warranty

Paragraph 2.4 of the Offer Document states that a Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably warrant that he sells such Offer Shares as (or, as the case may be, on behalf of) their beneficial owner(s), and that they are:

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

2.6 Duration of the Offer

(a) Closing Date

Paragraph 2.5(a) of the Offer Document states that the Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder.

The first closing date had been scheduled for 5.30 p.m. (Singapore time) on 23 June 2014, as set out in the Offer Document. On 28 May 2014, PPCF, for and on behalf of the Offeror, had announced in the Offer Unconditional Announcement that in accordance with Rule 22.6 of the Code, as the Offer has become unconditional as to acceptances, the Offer will remain open for acceptances until **5.30 p.m. (Singapore time) on 7 July 2014**, being not less than 14 days after 23 June 2014 (the first closing date stated in the Offer Document), or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

(b) Subsequent Closing Date(s)

Paragraph 2.5(b) of the Offer Document states that, pursuant to Rule 22.4 of the Code, if there is an extension of the Offer and the Offer:

- (a) is not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next closing date; or

LETTER TO SHAREHOLDERS

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

(c) No obligation to extend the offer

Paragraph 2.5(c) of the Offer Document states that the Offeror is not obliged to extend the Offer if the condition specified in paragraph 2.2 of this Circular is not fulfilled by the Closing Date or any subsequent closing date(s).

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

Paragraph 2.5(d) of the Offer Document states that, 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 ("**Rule 22.6 Period**"), in order to give Shareholders who have not accepted the Offer the opportunity to do so.

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

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

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

As at 28 May 2014 in the Offer Unconditional Announcement, the Offeror has announced that the Offer has become unconditional as to acceptances and has been declared unconditional in all respects. **Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 7 July 2014 being the date falling 14 days after 23 June 2014.**

(e) Final Day Rule

Paragraph 2.5(e) of the Offer Document states that, pursuant to Rule 22.9 of the Code, the Offer (whether revised or not) will not be capable of:

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

LETTER TO SHAREHOLDERS

provided that the Offeror may extend the Offer beyond such 60-day period with the SIC's prior approval. The SIC will normally grant such permission in circumstances including but not limited to where a competing offer has been announced.

(f) Revision

Paragraph 2.5(f) of the Offer Document states that although no revision of the Offer Price is contemplated by the Offeror (except that the Offeror reserves the right to do so in a competitive situation), pursuant to Rule 20.1 of the Code, if the Offer is revised, it will remain open for acceptance for at least 14 days from the date of posting of the written notification of the revision to Shareholders. In any case, where the terms of the Offer are revised, all Shareholders, including those who had previously accepted the Offer, will receive the benefit of the Offer (as so revised).

(g) Time for fulfilment of other conditions

Paragraph 2.5(g) of the Offer Document states that except with the consent of SIC, all conditions of the Offer must be fulfilled or the Offer must lapse within 21 days of the first Closing Date or of the date the Offer becomes or is declared unconditional as to acceptances, whichever is the later. The only condition to the Offer is set out in paragraph 2.2 of this Circular.

2.7 Further details of the Offer

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

2.8 Procedures for acceptance

The procedures for the acceptance of the Offer are set out in Appendix 2 to the Offer Document and the FAA and/or FAT.

3. IRREVOCABLE UNDERTAKINGS

3.1 The following information on the irrevocable undertakings received by the Offeror to accept the Offer has been extracted from paragraph 4 of the Offer Document and reproduced below:

*"4.1 As at the Latest Practicable Date, the Offeror has received irrevocable undertakings (each, an **"Irrevocable Undertaking"** and collectively, the **"Irrevocable Undertakings"**) from certain Shareholders (**"Undertaking Shareholders"**) to accept the Offer in respect of all the Shares legally and/or beneficially owned by each Undertaking Shareholder respectively including any other Shares or securities in the capital of the Offeree acquired after the date of the Irrevocable Undertakings (**"Committed Shares"**).*

LETTER TO SHAREHOLDERS

- 4.2 A list of the Undertaking Shareholders and the details of the number of Committed Shares held by them as at the Latest Practicable Date are as follows:

Name of Shareholder	Number of Committed Shares	Percentage of Shares as at the Latest Practicable Date ⁽¹⁾ (%)
Chen Tie-Min (陈泰铭) ⁽²⁾	73,065,258	26.83
Chia Soon Loi	30,484,892	11.20
Seah Eng Lam	16,133,881	5.93
Hung Tai Investment Holdings (寰泰有限公司)	12,556,800	4.61
Hsieh Tsuei-Lien (谢垂莲) ⁽³⁾⁽⁴⁾	11,202,200	4.11
Total	143,443,031	52.68⁽⁵⁾⁽⁶⁾

Notes:

- (1) Based on 272,286,146 Shares in issue as reflected in the electronic instant information search results from the ACRA in respect of the Offeree on the Latest Practicable Date. The figures are rounded to the nearest two decimal places.
- (2) Based on the Annual Report of the Offeree for FY2013, Mr Chen Tie-Min's indirect interest comprises 73,065,258 Shares held by Citibank Nominees Singapore Pte. Ltd. as nominees and which are beneficially held jointly by Mr Chen Tie-Min and his wife, Ms Lee Hwei-Jan.
- (3) Ms Hsieh Tsuei-Lien's indirect interest comprises 11,202,200 Shares registered in the name of Citibank Nominees Singapore Pte. Ltd. as nominees for the account of Ms Hsieh Tsuei-Lien.
- (4) Based on updated information received by the Offeror since the Offer Announcement Date, the number of Committed Shares held by Ms Hsieh Tsuei-Lien as at the Offer Announcement Date and the Latest Practicable Date is 11,202,200 Shares, instead of 12,202,200 Shares as set out in the Offer Announcement.
- (5) The discrepancy between the amounts shown and the total thereof is due to rounding. Accordingly, the figure shown as the total is not an arithmetic aggregation of the figures preceding it.
- (6) Please see note (4) above explaining the difference in percentage set out in this Offer Document as 52.68% and in the Offer Announcement as 53.05%.

- 4.3 As at the Latest Practicable Date, the aggregate number of Committed Shares held by the Undertaking Shareholders amounted to 143,443,031 Shares, representing approximately 52.68% of the Shares in issue as at the Latest Practicable Date¹. Upon receipt of valid acceptances from the Undertaking Shareholders pursuant to the Irrevocable Undertakings, the Minimum Acceptances Threshold (as defined in **paragraph 5** below) will be fulfilled and the Offer will be declared unconditional in all respects.

- 4.4 The Irrevocable Undertakings shall lapse and be of no further force and effect if, for whatever reason (other than as a result of a breach by the Undertaking Shareholders of any of their obligations under the Irrevocable Undertakings):

- (a) PPCF, for and on behalf of the Offeror, does not announce the Offer by 11.59 p.m. on 7 May 2014; or

¹ Based on 272,286,146 Shares in issue as reflected in the electronic instant information search results from the ACRA in respect of the Offeree on the Latest Practicable Date.

LETTER TO SHAREHOLDERS

(b) the Offer is withdrawn or lapses,

whichever is earlier. Save as aforementioned, the Irrevocable Undertakings remain in full force and effect.

4.5 Under the Irrevocable Undertakings, the Undertaking Shareholders are obliged to accept the Offer (as long as it is made and not withdrawn by the Offeror) provided that there is no other offer for the Shares at a higher price than the Offer Price.

4.6 Pursuant to the Irrevocable Undertakings, the Undertaking Shareholders are required to tender their acceptances of the Offer, when made, no later than 5.00 p.m. (Singapore time) on the date falling three (3) market days after the date on which the Offer Document is despatched to Shareholders or on such later date as shall be agreed with the Offeror in accordance with the procedures to be prescribed in the Offer Document and the relevant accompanying form(s) of acceptance and letter of acceptance (if any).

4.7 Save as disclosed in the Offer Document, neither the Offeror nor any party acting in concert with it has received any irrevocable undertaking from any holder of Offer Shares to accept or reject the Offer as at the Latest Practicable Date.”

3.2 The following information on the level of acceptances and aggregate shareholdings has been extracted from paragraph 3 of the Offer Unconditional Announcement and reproduced below.

“3.1 **Acceptances of Offer for Shares.** As at 5.00 p.m. on 28 May 2014, the Offeror has received valid acceptances (which have not been withdrawn) in respect of 134,076,839 Shares, representing approximately 49.3% of the total issued share capital of the Offeree as at the date of this Announcement. Such valid acceptances include valid acceptances received from certain Undertaking Shareholders, namely, Chen Tie-Min, Seah Eng Lam, Hung Tai Investment Holdings and Hsieh Tsuei-Lien, in respect of 112,958,139 Shares, representing approximately 41.5% of the total issued share capital of the Offeree.

3.2 **Shares held as at 7 May 2014¹ (the “Offer Announcement Date”).** Based on the information available to the Offeror, as at the Offer Announcement Date:

(a) the Offeror owned, controlled or had agreed to acquire 3,200,000 Shares, representing approximately 1.18% of the total issued share capital of the Offeree; and

(b) the Offeror and parties acting in concert with it (including the directors of the Offeror and PPCF) (each a “**Relevant Person**” and collectively, the “**Relevant Persons**”) owned, controlled or had agreed to acquire an aggregate of 76,265,258 Shares, representing approximately 28.01% of the Shares in the capital of the Offeree.

¹ Based on 272,286,146 Shares in issue as at 7 May 2014 as reflected in the electronic instant information search results from the ACRA in respect of the Offeree on 7 May 2014. The figures are rounded to the nearest two decimal places.

LETTER TO SHAREHOLDERS

3.3 Shares acquired or agreed to be acquired between the Offer Announcement Date and up to 5.00 p.m. on 28 May 2014 (other than pursuant to valid acceptances of the Offer). *Between the Offer Announcement Date and up to 5.00 p.m. on 28 May 2014, other than pursuant to valid acceptances of the Offer, the Offeror and the Relevant Persons have not acquired or agreed to acquire any Shares.*

3.4 Aggregate shareholdings (including acceptances of the Offer for Shares). *Accordingly as at 5.00 p.m. on 28 May 2014:*

- (a) the Offeror owned, controlled or had agreed to acquire 137,276,839 Shares, representing approximately 50.42% of the total issued share capital of the Offeree; and*
- (b) the Offeror and the Relevant Persons owned, controlled or had agreed to acquire an aggregate of 137,276,839 Shares, representing approximately 50.42% of the Shares in the capital of the Offeree.”*

3.3 Accordingly, on 28 May 2014, as stated in the Offer Unconditional Announcement, the Offer became unconditional as to acceptances and was declared unconditional in all respects.

4. INFORMATION ON THE OFFEROR

The following information on the Offeror has been extracted from paragraph 7 of the Offer Document and reproduced below:

“7.1 The Offeror

The Offeror was incorporated in Taiwan, R.O.C on 2 December 1994 and was listed on the Taiwan Stock Exchange on 11 September 2000. As at the Latest Practicable Date, the issued share capital of the Offeror is TWD607,688,300 comprising 60,768,830 shares (including 2,000,000 shares held by the Offeror in treasury).

7.2 The Offeror Group

The Offeror, together with its subsidiaries (“Offeror Group”) is a chip resistor and array professional manufacturer and has one (1) factory in Taiwan and one (1) factory in China. Examples of the products that the Offeror Group manufactures include thick film chip resistors, thin film chip resistors, thick film array (convex), thick film array (concave), thick film low-ohmic and thick film network.

As at the Latest Practicable Date, there are 60,768,830 shares in the issued capital of the Offeror (including 2,000,000 shares held by the Offeror in treasury), and Mr Chen Tie-Min is interested in respectively 5,900,598 shares, 2,215,542 shares, 7,456,722 shares, and 2,186,812 shares representing 9.71%, 3.64% 12.27% and 3.60% in the capital of the Offeror, held by Hsu Tai Investment Limited (旭泰新股份有限公司), Kuo Shin Investment Limited (国新投资股份有限公司), Yageo Corporation (国巨股份有限公司) and Shi Hen Enterprise Ltd (士亨与业有限公司). Each of Hsu Tai Investment Limited, Kuo Shin Investment Limited, Yageo Corporation and Shi Hen Enterprise Ltd are controlled by Mr Chen Tie-Min.”

Additional information on the Offeror can be found in Appendices 3 and 6 to the Offer Document.

LETTER TO SHAREHOLDERS

5. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

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

- "9.1 The Offeror has been seeking acquisition and synergistic opportunities to expand its business and believes that the acquisition of the Offeree is in line with such expansion plans. The Offeror further believes that it will be able to derive synergistic benefits from acquiring the Offeree by creating a manufacturing partnership between the Offeror and the Offeree as the merged group will be able to leverage on the integrated manufacturing capabilities of the Offeror and the Offeree. The acquisition will also enable the Offeror to expand its production capacity by tapping on any unutilised production capacity of the Offeree's plants. The Offeror expects to be able to expand and enhance its distribution streams for its chip resistor and array products to strategic growth regions in South East Asia, for example, Singapore, Malaysia, Indonesia and Vietnam by acquiring the Offeree.*
- 9.2 The trading volume of the Shares has been generally low, with an average trading volume of approximately 260,800 Shares, 127,508 Shares, 85,726 Shares and 97,913 Shares during the one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period respectively up to 7 May 2014, being the last full day of trading of the Shares prior to the Offer Announcement. This represents approximately 0.10%, 0.05%, 0.03% and 0.04% of the issued Shares (excluding Shares held by the Offeree as treasury shares) as at the Offer Announcement Date². Accordingly, the Offeror believes that the Offer represents an attractive cash exit opportunity for Shareholders to realise their entire investment at a premium over the historically traded market prices of the Shares prior to the Offer Announcement as stated in **paragraph 3.1** above, an option which may not otherwise be readily available due to the low trading liquidity of the Shares.*
- 9.3 As noted in **paragraph 6.4** above, depending on the outcome of the Offer, the Offeror does not intend to preserve the listing status of the Offeree. The Offeror believes that by privatising the Offeree, the Offeror may obtain more flexibility to manage the business of the Offeree Group, optimise the use of management and other resources and facilitate the implementation of any operational changes.*
- 9.4 Subject to normal business conditions, the Offeror does not intend to make changes to the management team of the Offeree. In the event that the Offeror obtains control of the Offeree, the Offeror would undertake, through participation in board meetings and the management of the Offeree, a strategic and operational review of the organisation, business and operations of the Offeree Group with a view to realising synergies and growth potential.*
- 9.5 The Offeror has no current intention to (a) make any major changes to the business of the Offeree, (b) redeploy the fixed assets of the Offeree, or (c) discontinue the employment of the employees of the Offeree Group, other than in the normal course of business.*

² Based on 272,286,146 Shares in issue as reflected in the electronic instant information search results from the ACRA in respect of the Offeree on 7 May 2014.

LETTER TO SHAREHOLDERS

- 9.6 *The Offeror intends to privatise the Offeree and to delist the Offeree from the Official List of the SGX-ST should the option arise, as the Offeror believes that the privatisation and delisting of the Offeree would allow the Offeree to save on the additional expenses relating to the maintenance of the Offeree's listing status and focus its resources on its business operations. If the Offeree is delisted, the Offeree will be able to dispense with costs associated with complying with listing and other regulatory requirements as well as human resources that have to be committed for such compliance. This will enable the Offeree to focus its resources on its business operations.*
- 9.7 *Nonetheless, the Offeror reserves the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror regards to be in the interests of the Offeree."*

6. LISTING STATUS AND COMPULSORY ACQUISITION

The full text of the Offeror's intentions relating to the listing status of the Company and the compulsory acquisition pursuant to Section 215(1) of the Act has been extracted from paragraph 6 of the Offer Document and reproduced below:

"6.1 Listing Status

Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert with it to above 90% of the total number of issued Shares (excluding any Shares held by the Offeree as treasury 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 (excluding any Shares held by the Offeree as treasury shares) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held by the Offeree as treasury shares), thus causing the percentage of the total number of issued Shares (excluding any Shares held by the Offeree as treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the Closing Date.

Under Rule 724(1) of the Listing Manual, if the percentage of the Shares held in public hands falls below 10%, the Offeree 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 Offeree 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 Offeree may be delisted.

In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724(1), Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror does not intend to undertake or support any action for any such listing suspension by the SGX-ST to be lifted. It is the intention of the Offeror to privatise the Offeree and to delist the Offeree from the Official List of the SGX-ST, should the option be available to the Offeror.

LETTER TO SHAREHOLDERS

6.2 **Compulsory Acquisition under Section 215(1) of the Companies Act**

*Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held by the Offeree as treasury shares), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer ("**Non-Assenting Shareholders**") at a price equal to the Offer Price ("**Compulsory Acquisition**"). In such an event, the Offeror intends to exercise its rights of Compulsory Acquisition.*

6.3 **Non-Assenting Shareholders' Rights under Section 215(3) of the Companies Act**

Non-Assenting 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 or otherwise, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding any Shares held by the Offeree as treasury shares) as at the close of the Offer. Non-Assenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

6.4 **Offeror's Intentions**

The Offeror intends to make the Offeree its wholly-owned subsidiary and does not intend to preserve the listing status of the Offeree. Accordingly, the Offeror, if entitled, intends to exercise its rights of Compulsory Acquisition and does not intend to take steps for the lifting of any trading suspension of the Shares by the SGX-ST in the event that, inter alia, less than 10% of the Shares (excluding any Shares held by the Offeree as treasury shares) are held in public hands. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Offeree from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual."

7. **ADVICE AND RECOMMENDATION**

7.1 **General**

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

7.2 **Independence of Directors**

The following information on Mr Chen Tie-Min, a Non-Executive Director of the Company, has been extracted from paragraph 7 of the Offer Document:

"As at the Latest Practicable Date, there are 60,768,830 shares in the issued capital of the Offeror (including 2,000,000 shares held by the Offeror in treasury), and Mr Chen Tie-Min is interested in respectively 5,900,598 shares, 2,215,542 shares, 7,456,722 shares, and 2,186,812 shares representing 9.71%, 3.64% 12.27% and 3.60% in the capital of the Offeror, held by Hsu Tai Investment Limited (旭泰新股份有限公司), Kuo Shin Investment Limited (国新

LETTER TO SHAREHOLDERS

投资股份有限公司), Yageo Corporation (国巨股份有限公司) and Shi Hen Enterprise Ltd (士亨与业有限公司). Each of Hsu Tai Investment Limited, Kuo Shin Investment Limited, Yageo Corporation and Shi Hen Enterprise Ltd are controlled by Mr Chen Tie-Min.”

The following information on Mr Chen Tie-Min has been extracted from Note 2 of the appendix to the Offer Announcement:

“Mr Lin Tzong-Yeong has been appointed to the board of directors of the Offeror as nominee director of Shi Hen Enterprise Ltd. Mr Chen Tie-Min and Mr Lin Tzong-Yeong are therefore presumed to be acting in concert with the Offeror.”

SIC had, in its letter dated 27 May 2014 ruled that Mr Chen is exempted from making recommendations to the Shareholders on the Offer. Notwithstanding such exemption, SIC had stated in such letter that Mr Chen must, nonetheless, still assume responsibility for the accuracy of the facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

7.3 Advice of the IFA to the Independent Directors

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

“In arriving at our advice in respect of the Offer, we have taken into account, inter alia, the following key considerations summarised below. This summary should be read in conjunction with, and in the context of, the full text of this letter.

- (a) *Historical trading performance of the Shares;*
- (b) *Relative Share price performance vis-à-vis the performance of the market index;*
- (c) *Analysis of selected valuation statistics of broadly comparable companies to the Group;*
- (d) *Comparison with successful privatisation/delisting of companies listed on the SGX-ST;*
- (e) *NTA and RNTA of the Group; and*
- (f) *Other relevant considerations.*

Having carefully considered the information available as at the Latest Practicable Date and based on our assessment of the financial terms of the Offer, we are of the opinion that, on balance, the financial terms of the Offer are fair and reasonable.

Accordingly, we advise the Independent Directors to recommend:

- (i) ***Shareholders who take a short-term view of their investment in the Shares and/or are not confident of the longer term prospects of the Group should ACCEPT the Offer or sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting related expenses).***

LETTER TO SHAREHOLDERS

- (ii) ***Shareholders who are prepared to take a longer-term view of their investment in the Shares and/or are confident of the prospects of the Group, and believe that they will be able to realise greater value from continuing to own their Shares may wish to retain all or part of their shareholdings in the Company.***

In rendering our advice, we have not considered the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

The Independent Directors should note that trading of the Shares is subject to, inter alia, the performance and prospects of the Group, prevailing market conditions, economic outlook and stock market conditions and sentiments. Accordingly, our opinion does not and cannot take into account future trading activities, patterns or price levels that may be established beyond the Latest Practicable Date.

The Independent Directors should advise the Shareholders that the opinion and advice of Partners Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer."

7.4 Recommendation of the Independent Directors

The Independent Directors, having carefully considered the terms of the Offer and the advice given by the IFA to the Independent Directors in the IFA Letter, **CONCUR** with the advice of the IFA in respect of the Offer. Accordingly, the Independent Directors recommend as follows:

- (a) Shareholders who take a short-term view of their investment in the Shares and/or are not confident of the longer term prospects of the Group should **ACCEPT** the Offer or sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting related expenses).
- (b) Shareholders who are prepared to take a longer-term view of their investment in the Shares and/or are confident of the prospects of the Group, and believe that they will be able to realise greater value from continuing to own their Shares may wish to retain all or part of their shareholdings in the Company.

As stated in paragraph 3 of this Circular, the Directors, Mr Chen Tie-Min, Mr Chia Soon Loi and Mr Seah Eng Lam, have each given the Irrevocable Undertakings to accept the Offer in respect of the Shares legally and/or beneficially owned by them.

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

LETTER TO SHAREHOLDERS

Further, in rendering the above recommendation, the Independent Directors have not had regard to the general or specific investment objectives, financial situations, tax status or position, risk profiles or unique needs and constraints or other particular circumstances of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser.

7.5 Matters to highlight

The Independent Directors wish to draw the attention of the Shareholders to the following factors taken into account by the IFA in arriving at their advice to the Independent Directors, which have been extracted from paragraph 8 of the IFA Letter and reproduced below:

“8. OTHER CONSIDERATIONS IN RELATION TO THE OFFER

8.1 Rationale for the Offer

The full text of the rationale for the Offer is set out in section 5 of the Circular and we would recommend Independent Directors to advise Shareholders to read this section carefully.

We note that:

- (a) The Offeror has been seeking acquisition and synergistic opportunities to expand its business and believes that the acquisition of the Offeree is in line with such expansion plans;*
- (b) The Offeror believes that the Offer represents an attractive cash exit opportunity for Shareholders to realise their entire investment at a premium over the historically traded market prices of the Shares prior to the Offer Announcement, an option which may not otherwise be readily available due to the low trading liquidity of the Shares; and*
- (c) The Offeror believes that by privatising the Offeree, the Offeror may obtain more flexibility to manage the business of the Offeree Group, optimise the use of management and other resources and facilitate the implementation of any operational changes.*

8.2 Financial performance and outlook of the Group

We set out below a summary of selected key financial statistics of the Group as extracted from the audited consolidated profit and loss statements/balance sheets for FY2009 to FY2013. The following summary should be read together with the annual reports of the Group for FY2009 to FY2013 respectively.

LETTER TO SHAREHOLDERS

(a) Summary of profit and loss statements

S\$'000	FY2009	FY2010	FY2011	FY2012	FY2013
Revenue	41,824	61,808	43,493	40,205	46,801
Net Profit/(Net Loss)	1,073	1,457	(3,417)	(4,675)	(1,772)
Net profit margin (%)	2.6	2.4	Net Loss	Net Loss	Net Loss

Source: Company annual reports

Based on the table above, we note that the net profit margin of the Group (on a full year basis) declined from 2.6% in FY2009 to 2.4% in FY2010 and the Group subsequently recorded a net loss in each financial year for FY2011 to FY2013.

(b) Summary of balance sheets

S\$'000	As at 31 Dec 2009	As at 31 Dec 2010	As at 31 Dec 2011	As at 31 Dec 2012	As at 31 Dec 2013
Net current assets	13,645	14,944	13,121	10,077	9,837
Shareholders' equity	29,091	32,226	28,427	24,056	22,476
Loan and borrowings	2,466	10,956	10,664	8,906	8,275
Cash and bank balances	7,240	6,018	6,043	4,007	4,624

Source: Company annual reports

Based on the table above, we note that the net current assets, shareholders' equity, and cash and bank balances of the Group are currently at their lowest level respectively.

8.3 Watch-list

We note that the Company was placed on the watch-list of the SGX-ST (the "Watch-list") on 5 March 2014. Should the Company be unable to meet the requirements of Rule 1314 of the Listing Manual, the SGX-ST may either remove the Company from its Official List, or suspend trading of the Shares with a view to removing the Company from its Official List.

8.4 Future plans for the Company

We note from section 9 of the Offer Document that the Offeror has set out its intentions in relation to the Company, pertinent parts of which is reproduced in italics below:

"Subject to normal business conditions, the Offeror does not intend to make changes to the management team of the Offeree. In the event that the Offeror obtains control of the Offeree, the Offeror would undertake, through participation in board meetings and the management of the Offeree, a strategic and operational review of the organisation, business and operations of the Offeree Group with a view to realising synergies and growth potential."

LETTER TO SHAREHOLDERS

The Offeror has no current intention to (a) make any major changes to the business of the Offeree, (b) redeploy the fixed assets of the Offeree, or (c) discontinue the employment of the employees of the Offeree Group, other than in the normal course of business.

The Offeror intends to privatise the Offeree and to delist the Offeree from the Official List of the SGX-ST should the option arise.”

8.5 Condition to the Offer

The Offer is conditional upon the Minimum Acceptance Condition. Save for the Minimum Acceptance Condition, the Offer is unconditional in all other respects.

On 28 May 2014, PPCF announced, for an on behalf of the Offeror, that the Offer has become unconditional in all respects and that the closing date of the Offer has been extended to 5.30 p.m. on 7 July 2014, or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

8.6 Alternative Takeover Offer

As at the Latest Practicable Date, there is no publicly available evidence of an alternative takeover offer for the Shares.

8.7 Listing Status and Compulsory Acquisition for Shareholders

The Offeror has stated that it intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. The Offeror has also stated that when entitled, it intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take steps to lift any trading suspension of the Shares imposed by the SGX-ST in the event that, inter alia, less than 10% of the Shares (excluding treasury shares) are held in public hands.

In the event the Offeror is entitled to exercise its right of compulsory acquisition, the Offeror has stated that it will acquire all the Shares from the Non-Assenting Shareholders on the same terms as those offered under the Offer. The compulsory acquisition will eventually lead to the privatisation and delisting of the Company.

It should be noted that Shareholders would have a corresponding right, under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price by serving notice requiring the Offeror to do so, in the event that the Shares acquired by the Offeror pursuant to the Offer, together with any other Shares held by the Offeror, its related corporations and nominees, comprise 90% or more of the total issued Shares. Shareholders who decide to exercise their rights under Section 215(3) of the Companies Act are advised to seek independent legal advice.

In addition, Rules 724 and 1105 of the Listing Manual state that where (i) the public float of the Company falls below 10%; or (ii) the Offeror and its respective parties acting in concert with it own more than 90% of the Company as a result of the Offer, the SGX-ST will suspend trading of the Shares. Rule 725 of the Listing Manual states that the Company may be delisted if the Company fails to restore its public float after a period of 3 months, or such longer period as the SGX-ST may agree, from the date the Company's public float falls to below 10%.

LETTER TO SHAREHOLDERS

As at the Latest Practicable Date, there is at present no certainty that (i) the Offeror would be in a position to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act; or (ii) that Shareholders would be in a position to require the Offeror to acquire their Shares under Section 215(3) of the Companies Act.”

The Company was placed on the SGX-ST's watch list on 5 March 2014 as the Group had recorded pre-tax losses for the preceding three financial years and its average daily market capitalization was less than \$40 million over the preceding 120 market days on which trading was not suspended or halted. The Company will have to satisfy the requirements under Rule 1314 of the Listing Manual within 24 months from 5 March 2014, failing which the SGX-ST would delist the Company or suspend trading of the Company's shares with a view to delisting the Company.

Rule 1314 of the Listing Manual states that an issuer on the watch-list may apply to the SGX-ST for its removal from the watch-list if it satisfies any one of the following requirements:

- (i) the issuer records consolidated pre-tax profit for the most recently completed financial year (based on the latest full-year consolidated audited accounts, excluding exceptional or non-recurrent income and extraordinary items) and has an average daily market capitalisation of \$40 million or more over the last 120 market days on which trading was not suspended or halted for a full market day; or
- (ii) the issuer satisfies Rule 210(3) of the Listing Manual and either one of the following requirements:
 - (a) cumulative consolidated pre-tax profit of at least \$7.5 million for the last three years, and a minimum pre-tax profit of \$1 million for each of those three years; or
 - (b) cumulative consolidated pre-tax profit of at least \$10 million for the last one or two years. Rule 210(3)(a) of the Listing Manual applies to the last one year or last two years as the case may be.

As stated in the Offer Unconditional Announcement, the Offer has been declared unconditional in all respects.

As at 5.00p.m. on 2 June 2014, the Offeror had received valid acceptances, such that the Offeror owned, controlled or had agreed to acquire 177,208,357 Shares, representing approximately 65.08% of the total issued share capital of the Company.

8. ACTION TO BE TAKEN BY THE SHAREHOLDERS

8.1 Shareholders who wish to accept the Offer

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

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

LETTER TO SHAREHOLDERS

8.2 Shareholders who do not wish to accept the Offer

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

9. OVERSEAS SHAREHOLDERS

9.1 Availability of the Offer to Overseas Shareholders

Overseas Shareholders should refer to paragraph 12 of the Offer Document, which is reproduced below:

“12.1 Overseas Shareholders

*The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the Register or, as the case may be, in the records of CDP (each an “**Overseas Shareholder**”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about, and observe, any applicable requirements in their own jurisdictions. Where there are potential restrictions on sending this Offer Document, the FAA and/or the FAT to any overseas jurisdiction, each of the Offeror and PPCF reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer is made to all Shareholders holding Offer Shares, including those to whom this Offer Document, the FAA and/or the FAT have not been, or will not be, sent.*

*Copies of this Offer Document and any 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.

12.2 Overseas Jurisdiction

It is the responsibility of any Overseas Shareholder who wishes to (a) request for this Offer Document, the FAA and/or the FAT 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 other necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction in connection therewith (including the provision to him of such documents). Such Overseas Shareholder shall be liable for the payment of any such taxes, imposts, duties or other requisite payments payable and the Offeror and any other

LETTER TO SHAREHOLDERS

person acting on its behalf (including PPCF, CDP and the Receiving Agent) shall be fully indemnified and held harmless by such Overseas Shareholder for any taxes, imposts, duties or requisite payments that may be required to be paid. In (a) requesting for this Offer Document, the FAA and/or the FAT or (b) accepting the Offer, each Overseas Shareholder represents and warrants to the Offeror and PPCF 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 and legal requirements.

Any Overseas Shareholder who is in doubt about his position should consult his professional adviser in the relevant jurisdiction.

12.3 Offer Document

The Offer is made solely on the basis of this Offer Document, the FAA and the FAT, which contain the full terms and conditions of the Offer, including details on how the Offer may be accepted. This Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any securities, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable laws. The release, publication or distribution of this Offer Document in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Offer Document is released, published or distributed should inform themselves about, and observe, such restrictions.

12.4 Copies of the Offer Document, the FAA and the FAT

Where there are potential restrictions on sending this Offer Document, the FAA and/or the FAT to Shareholders in any overseas jurisdiction, each of the Offeror and PPCF reserves the right not to send this Offer Document, the FAA and/or the FAT to such overseas jurisdiction. Subject to compliance with applicable laws, any affected Overseas Shareholder may, nonetheless, attend in person and obtain copies of this Offer Document, the FAA and/or the FAT, as the case may be, and any related documents, during normal business hours and up to the Closing Date, from (a) Ralec Electronic Corporation c/o CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588, or as the case may be, (b) Ralec Electronic Corporation c/o Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. Copies of this Offer Document, the FAA and the FAT may also be downloaded from the SGX-ST website at <http://www.sgx.com>.

Alternatively, an Overseas Shareholder may, subject to compliance with applicable laws, write in to Ralec Electronic Corporation c/o Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 to request for this Offer Document, the FAA and/or the FAT and any related document(s) to be sent to an address in Singapore by ordinary post at his own risk, provided always that the last date for despatch in respect of such request shall be a date falling three (3) Market Days prior to the Closing Date. It is the responsibility of any Overseas Shareholder who wishes to request for this Offer Document, the FAA and/or the FAT and any related documents to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with other necessary formalities or legal requirements. In requesting for this Offer Document, the

LETTER TO SHAREHOLDERS

FAA and/or the FAT and any related documents the Overseas Shareholder represents and warrants to the Offeror and PPCF 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.

Each of the Offeror and PPCF reserves the right not to treat an acceptance or purported acceptance of the Offer in or from any overseas jurisdiction and/or in respect of an Overseas Shareholder as valid. Overseas Shareholders accepting the Offer should note that if they have, in the FAT, provided addresses in overseas jurisdictions for the receipt of remittances of payment by the Offeror, such acceptances may be rejected.

12.5 Notice

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

9.2 Copies of Circular

This Circular may not be sent to any Overseas Shareholder due to potential restrictions on sending such documents to the relevant overseas jurisdictions. Any affected Overseas Shareholder may, nonetheless, obtain copies of this Circular during normal business hours and up to the Closing Date, from the office of the Share Registrar, being Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, or make a request to the Share Registrar for this Circular to be sent to an address in Singapore by ordinary post at his own risk. The last date for despatch in respect of such request shall be the date falling three Market Days prior to the Closing Date.

10. INFORMATION PERTAINING TO CPFIS INVESTORS

CPFIS Investors should refer to paragraph 13 of the Offer Document, which is reproduced below.

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

CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks accordingly by the deadline stated in the letter from their respective CPF Agent Banks. Subject to the Offer becoming or being declared to be unconditional as to acceptances in accordance with its terms, CPFIS Investors who accept the Offer will receive the payment of the Offer Price for their Offer Shares in their CPF investment accounts."

LETTER TO SHAREHOLDERS

11. DIRECTORS' RESPONSIBILITY STATEMENT

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

The recommendation of the Independent Directors to Shareholders at paragraph 7.4 of this Circular is the sole responsibility of the Independent Directors.

In respect of the IFA Letter and the Valuation Certificates, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.

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

12. ADDITIONAL INFORMATION

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

Yours faithfully

For and on behalf of the Board of Directors of
ASJ HOLDINGS LIMITED

Seah Eng Lam
Chief Executive Officer

9 June 2014

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

9 June 2014

To: The Independent Directors
ASJ Holdings Limited
514 Chai Chee Lane
#05-05/06, Bedok Industrial Estate
Singapore 469029

Dear Sirs

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

1. INTRODUCTION

On 7 May 2014, PPCF announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary conditional cash offer for all the Shares excluding those held by the Company as treasury shares and those held directly or indirectly by the Offeror as at the date of the Offer.

Partners Capital (Singapore) Pte Ltd ("**Partners Capital**") has been appointed as the independent financial adviser to advise the directors of the Company who are regarded as independent for the purpose of the Offer (the "**Independent Directors**").

This letter sets out, *inter alia*, our evaluation of the financial terms of the Offer and our advice thereon. It will form part of the Circular issued by the Company, containing, *inter alia*, details of the Offer and the recommendations of the Independent Directors in respect of the Offer. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

2. TERMS OF REFERENCE

We have been appointed as the IFA to advise the Independent Directors in respect of their recommendations to the Shareholders in relation to the Offer

We have confined our evaluation to the financial terms of the Offer and our terms of reference do not require us to evaluate or comment on the commercial risks and/or commercial merits of the Offer or the future prospects of the Company or the Group and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Directors and the management ("**Management**") of the Company, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this letter.

We have not been requested, and we do not express any opinion on the relative merits of the Offer as compared to any other alternative transaction. We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares or any assets of the Group.

In the course of our evaluation of the financial terms of the Offer, we have held discussions with the Company and have examined publicly available information collated by us as well as information, both written and verbal, provided to us by the Directors, Management and the Company's professional advisers. We have relied upon and assumed the accuracy of information provided and have not independently verified such information, whether written or verbal, and accordingly we cannot and do not warrant or make any representation (whether expressed or implied) in respect of, and do not accept any responsibility for, the accuracy,

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

completeness or adequacy of such information, representation or assurance. However, we have made such reasonable enquiries and exercised our judgment as we deemed necessary on such information and have found no reason to doubt the accuracy or reliability of the information.

We have relied upon the assurances of the Directors (including those who may have delegated supervision of the Circular) that they have taken all reasonable care to ensure that the facts stated and opinions expressed in the Circular are true, complete and accurate in all material aspects. The Directors have confirmed to us, that to the best of their knowledge and belief, all material information relating to the Group and the Offer have been disclosed to us, that such information is true, complete and accurate in all material respects and that there are no other material facts and circumstances the omission of which would make any statement in the Circular inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group and we have not been furnished with any such evaluation or appraisal except for the independent valuations commissioned by the Group to determine the market value of certain assets of the Group. With respect to such valuation reports, we are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on these valuation reports for such asset appraisal and we have not made any independent verification of the contents thereof. A copy of the Valuation Certificate is set out in Appendix V of the Circular.

Our opinion as set out in this letter is based upon prevailing market, economic, industry, monetary, regulatory and other conditions, as well as the information available to us as at the Latest Practicable Date. Such conditions may change significantly over a short period of time. Accordingly, we do not express any opinion on the future financial performance and/or financial position of the Company or the Group and we assume no responsibility to update, revise or reaffirm our opinion in the light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcement relevant to their consideration of the Offer, which may be released or published by or on behalf of the Company and/or the Offeror after the Latest Practicable Date.

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

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

Our opinion in respect of the Offer should be considered in the context of the entirety of this letter and the Circular.

3. THE OFFER

The Offer Price is S\$0.065 in cash for each Offer Share.

The Offer will be conditional upon the Minimum Acceptance Condition. Save for the Minimum Acceptance Condition, the Offer is unconditional in all other respects.

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

On 28 May 2014, PPCF announced, for an on behalf of the Offeror, that the Offer has become unconditional in all respects and that the closing date of the Offer has been extended to 5.30 p.m. on 7 July 2014, or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Further details of the Offer are set out in section 2 of the Circular. Shareholders are advised to refer to this section for more details on the Offer.

4. INFORMATION ON THE OFFEROR

Information on the Offeror is set out in section 4 of the Circular.

5. IRREVOCABLE UNDERTAKINGS

Details of the arrangements pursuant to the Irrevocable Undertakings can be found in section 3 of the Circular.

6. OFFEROR'S RATIONALE AND INTENTIONS

The full text of the rationale for the Offer and the Offeror's intention for the Company is set out in section 5 of the Circular.

7. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In assessing the financial terms of the Offer, we have considered the following:

- (i) Historical trading performance of the Shares;
- (ii) Relative Share price performance vis-à-vis the performance of the market index;
- (iii) Analysis of selected valuation statistics of broadly comparable companies to the Group;
- (iv) Comparison with successful privatisation/delisting of companies listed on the SGX-ST;
- (v) Net tangible assets ("**NTA**") and Revalued NTA ("**RNTA**") of the Group; and
- (vi) Dividend record of the Company.

These factors are discussed in greater detail in the following sections.

In our analysis, we have used the following information:

- (a) published financial information of the Group and the comparable companies up to the Latest Practicable Date;
- (b) the historical trading prices and volumes of the Shares and other securities and index mentioned in this section which have been extracted from Bloomberg; and
- (c) announcements and circulars to shareholders in relation to the respective successful privatisation/delisting transactions.

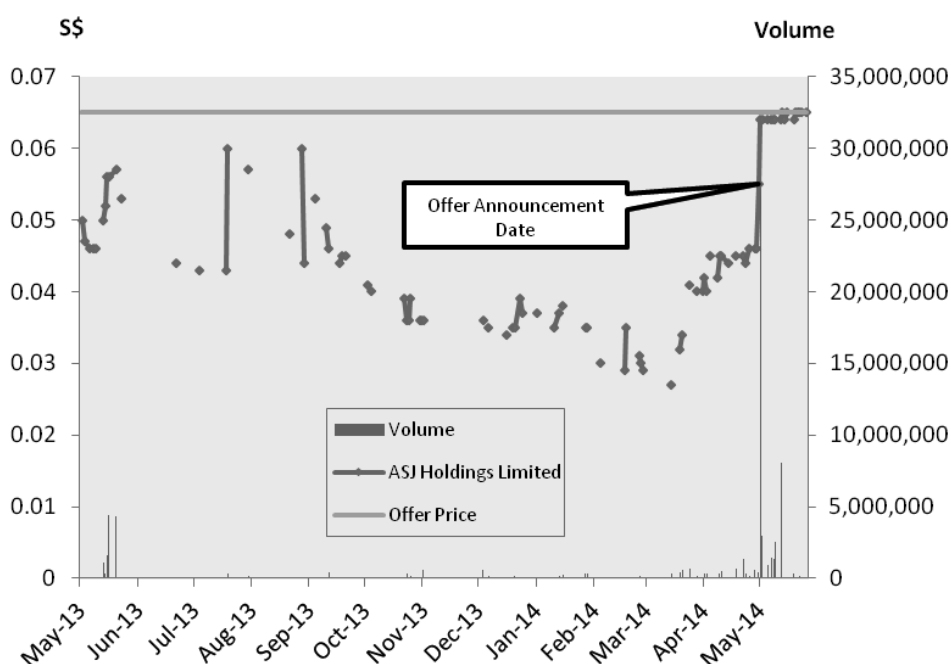
We make no representations or warranties, express or implied, as to the accuracy or completeness of such information. Certain of the figures and computations as set out in this letter have been subject to rounding where necessary.

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

7.1 Historical trading performance of the Shares

(a) Share price performance and volume

We set out below the Company's Share price and volume chart based on the daily last transacted price of the Shares and daily volume traded for the 1 year prior to the Offer Announcement Date and ending on the Latest Practicable Date.



Source: Bloomberg

Note:

Broken points on the Share price line indicate days on which there was no trading in the Shares.

(b) Volume-weighted average price per Share

The volume-weighted average price per Share ("VWAP") at various periods over a duration of 1 year prior to the Offer Announcement Date and thereafter are set out below:

	VWAP (S\$)	Premium / (Discount) of Offer Price over VWAP (%)	Highest Price (S\$)	Lowest Price (S\$)	Average Daily Trading Volume (‘000)	Average Daily Trading Volume as a percentage of Free Float ⁽¹⁾ (%)
<u>Periods prior to Offer Announcement Date</u>						
Last 1 year	0.048	35.8	0.073	0.027	98	0.05
Last 6 months	0.040	62.0	0.055	0.027	86	0.04

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

Last 3 months	0.042	55.4	0.055	0.027	128	0.07
Last 1 month	0.045	43.7	0.055	0.040	261	0.13
Last traded Market Day prior to Offer Announcement Date	0.055 ⁽²⁾	18.2	0.055	0.048	400	0.20

<u>After Announcement Date</u>	<u>Offer</u>
--	--------------

Between Offer Announcement Date and the Latest Practicable Date	0.066	(1.2)	0.070	0.064	3,132	1.60
As at Latest Practicable Date	0.064	1.0	0.065	0.064	3	0.002

Source: Bloomberg

Notes:

- (1) The “**Free Float**” refers to the 196,020,888 Shares other than the Shares in which the Offeror and Mr Chen Tie-Min have interests in, as at the Offer Announcement Date.
- (2) Closing Share price on Offer Announcement Date.

We note the following:

- (i) Over the past 1-year period prior to the Offer Announcement Date, the Shares have traded from a low of S\$0.027 to a high of S\$0.073 per Share. The Offer Price represents a premium of approximately 140.7% and a discount of approximately 11.0% to the lowest and highest transacted price respectively;
- (ii) The Offer Price represents a premium of approximately 35.8%, 62.0%, 55.4%, 43.7% and 18.2% to the corresponding VWAP of the Shares for the 1-year period, 6-month period, 3-month period, 1-month period and the closing Share price on the last traded Market Day prior to the Offer Announcement Date respectively;
- (iii) The Shares have not closed below the Offer Price since the Offer Announcement Date;
- (iv) Between the Offer Announcement Date and the Latest Practicable Date, the Shares have traded from a low of S\$0.064 per Share to a high of S\$0.07 per Share. The Offer Price is equal to the closing price of Shares as at the Latest Practicable Date; and
- (v) The Shares have been thinly traded during the 1-year period prior to the Offer Announcement Date with an average daily trading volume of approximately 98,000 Shares, representing 0.05% of the Free Float.

Shareholders should note that the past trading performance of the Shares should not be relied upon as a guide of its future trading performance.

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

7.2 Relative Share price performance *vis-à-vis* the performance of the market index

In assessing the relative performance of the Shares *vis-à-vis* the equity market in Singapore, we have compared the price movements of the Shares against those of the FTSE Straits Times Index (“FSSTI”), for the 1-year period prior to the Offer Announcement Date and ending on the Latest Practicable Date.



Source: Bloomberg

Note:

Broken points on the Share price line indicate days on which there was no trading in the Shares.

Based on the chart above, we note that the Shares have underperformed the FSSTI between October 2013 to April 2014 before outperforming the FSSTI for the 1-month period prior to the Offer Announcement Date and up to the Latest Practicable Date.

The movements in the closing prices of the Shares and the FSSTI between the Market Day immediately prior to the Offer Announcement Date and the Latest Practicable Date are as follows:

	Market Day prior to Offer Announcement Date	Latest Practicable Date	Percentage Change (%)
ASJ Holdings Limited (S\$)	0.055	0.065	18.2
FSSTI	3236.43	3302.24	2.0

Source: Bloomberg

Based on the table above, the Share price has increased by approximately 18.2% from the Market Day prior to the Offer Announcement Date up to the Latest Practicable Date. Over the same period, FSSTI has increased by approximately 2.0%.

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

Since the Offer Announcement Date and up to the Latest Practicable Date, the Company had made the following significant announcements:

- a. 21 May 2014 announcement on the appointment of independent financial adviser in relation to the Offer;
- b. 26 May 2014 announcement on the despatch of the Offer Document;
- c. 28 May 2014 announcement in relation to the Offer being declared unconditional in all respects, update on level of acceptances and extension of closing date of the Offer; and
- d. 2 June 2014 announcements on the changes in shareholdings of certain directors of the Company and the update on level of acceptances in relation to the Offer.

We note that the Shares closed at S\$0.055 on the last traded Market Day immediately prior to the Offer Announcement Date. On 8 May 2014, being the Market Day after the Offer Announcement Date, the Share price closed at S\$0.064 with an intra-day high of S\$0.07 and intra-day low of S\$0.064 with a total trading volume of 32,104,000 Shares. Subsequently, the Shares have traded within a range of S\$0.064 to S\$0.07 between the Offer Announcement Date and up to the Latest Practicable Date.

Based on the above observations, it appears highly likely that the market price of the Shares as at the Latest Practicable Date is supported by the Offer and may not be maintained at such levels after the close of the Offer.

7.3 Analysis of selected valuation statistics of broadly comparable companies to the Group

In the evaluation of the Offer Price, we have considered the range of selected valuation statistics of comparable companies listed in Asia that are broadly comparable to the Group (“**Selected Comparable Companies**”).

Shareholders may wish to note that there may not be any company listed that is directly comparable to the Group in terms of, *inter alia*, market capitalisation, size, diversity of business activities, asset base, geographical spread, customer base, brand loyalty, track record, financial performance, future prospects, operating and financial leverage, liquidity, risk profile, quality of earnings and accounting and such other relevant criteria.

In addition, we also wish to highlight that there may be significant differences between valuations that investors may accord to shares trading on the SGXST and other stock exchanges. Such cross border valuation statistics are subjected to differing macroeconomic variables and hence may not be directly comparable to the Group.

As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the Selected Comparable Companies. Therefore, any comparison made serves only as an illustrative guide for the Shareholders. The list of Selected Comparable Companies is by no means exhaustive.

Details of the Selected Comparable Companies are set out below:

Company	Stock Exchange	Business Description
Europic Group Limited	Singapore	Europic Group Limited manufactures and sells film capacitors used in electronic products and also distributes components like multi-layer ceramic capacitors, tantalum capacitors, mini-box capacitors, resistors, fuses and ferrites.

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

Feei Cherng Enterprise Co., Ltd.	Taiwan	Feei Cherng Enterprise Company Ltd. manufactures and markets active and passive electrical components including capacitors, inductor, semiconductors and modules. It also manufactures transformers, resistors, crystal oscillators and filters.
Ralec Electronic Corporation	Taiwan	Ralec Electronic Corporation manufactures and markets chip resistors and chip arrays.

In our assessment of the Offer Price, we have considered three main valuation measures namely, the price to historical earnings (“P/E”) ratio, the enterprise value (“EV”) to historical earnings before net interest, tax, depreciation and amortisation (“EBITDA”) (“EV/EBITDA”) ratio and the price to net tangible asset value (“P/NTA”) ratio implied by the Offer Price compared with the Selected Comparable Companies.

The ratios of the Selected Comparable Companies based on their last transacted prices as at the Latest Practicable Date are set out below. Shareholders should note that comparisons between the Group and the Selected Comparable Companies below are affected by differences in their financial periods, accounting policies and valuation composition of the businesses and our analysis has not been adjusted for such differences.

Company	Market Capitalisation (\$m) ⁽¹⁾	P/E (x) ⁽²⁾	EV/EBITDA (x) ⁽²⁾	P/NTA (x) ⁽²⁾
Europtronic Group Limited	32.6	Nm ⁽³⁾	Nm ⁽³⁾	0.9
Feei Cherng Enterprise Co., Ltd.	37.9 ⁽⁴⁾	Nm ⁽³⁾	Nm ⁽³⁾	0.6
Ralec Electronic Corporation	151.1 ⁽⁴⁾	13.1	27.3	1.3
High		13.1	27.3	1.3
Mean		13.1	27.3	0.9
Median		13.1	27.3	0.9
Low		13.1	27.3	0.6
ASJ Holdings Limited (based on Offer Price)	17.7	Nm⁽³⁾⁽⁵⁾	19.1⁽⁵⁾	0.7⁽⁵⁾⁽⁶⁾

Sources: Bloomberg, company annual reports and results announcements

Notes:

- (1) Market Capitalisation is calculated based on total number of issued shares for the Selected Comparable Companies and their respective share prices as at the Latest Practicable Date.
- (2) Based on the results of the respective Selected Comparable Companies for the most recent completed financial year.
- (3) Nm = not meaningful because of net losses.
- (4) Exchange rate: S\$1:TWD23.9064 as at the Latest Practicable Date used in the computation of the market capitalisation.
- (5) Based on the audited financial statements of the Group for the financial year ended 31 December 2013.
- (6) Based on the RNTA of the Group.

Based on the above analysis, we note the following:

- (i) It would not be meaningful to assess the P/E ratio of ASJ Holdings Limited based on financial year ended 31 December 2013 as implied by the Offer Price as the Group was in a net loss position;

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

- (ii) The EV/EBITDA ratio of approximately 19.1 times as implied by the Offer Price is below the range of EV/EBITDA ratios of the Selected Comparable Companies; and
- (iii) The P/RNTA ratio of approximately 0.7 times as implied by the Offer Price is within the range of P/NTA ratios of the Selected Comparable Companies.

7.4 Comparison with successful privatisation/delisting of companies listed on the SGX-ST

We note that it is the intention of the Offeror to privatise and delist the Company from the Official List of the SGX-ST. In assessing the reasonableness of the Offer Price, we have compared the financial terms of the Offer with those of selected recent successful privatisation/delisting of companies listed on the SGX-ST announced and completed in the last one year prior to the Offer Announcement Date and up to the Latest Practicable Date, which were carried out either by way of voluntary delisting offers under Rule 1307 of the Listing Manual, offers being made by way of scheme of arrangement under section 210 of the Companies Act or general takeover offers under the Code, where the intention of the offeror was to delist the target company from the Official List of the SGX-ST (“**Successful Privatisation Transactions**”).

This analysis serves as a general indication of the relevant premium/discount that the offerors have paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations.

We wish to highlight that the list of companies set out under the list of Successful Privatisation Transactions may not be directly comparable to the Group in terms of size, market capitalisation, business activities, asset base, geographical spread, track record, accounting policy, future prospects and other relevant criteria. Each of the Successful Privatisation Transactions must be judged on its own commercial and financial merits. The premium that any offeror is prepared to pay depends on various factors such as the potential synergy that the offeror can gain from its investment in the target company, the presence of competing bids for the target company, prevailing market conditions, attractiveness and profile of the target company's underlying business and assets, size of consideration, existing level of control in the target company, general economic and business risks. Therefore, any comparison of the Offer with the Successful Privatisation Transactions is for illustration purposes only. Conclusions drawn from the comparisons made may not necessarily reflect any perceived market valuation of the Group.

Details of the Successful Privatisation Transactions are set out below.

Company	Date announced	Premium over / (Discount to) last transacted price prior to announcement (%)	Premium over / (Discount to) 1 month VWAP prior to announcement (%)	Premium over / (Discount to) 3 month VWAP prior to announcement (%)	P/NTA (times)
Pan Pacific Hotels Group Limited	10 May 13	9.0	8.2	6.1	1.7
Tsit Wing International Holdings Limited	11 Jun 13	36.7	36.7	36.2	1.1
Guthrie GTS Limited	21 Jun 13	21.4	21.9	19.7	0.8
Food Junction Holdings Limited	24 Jun 13	40.1	37.8	37.1	1.4
Armstrong Industrial Corporation Limited	5 Jul 13	5.9	14.0	17.0	2.0

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

Viz Branz Limited	5 Jul 13	15.0	17.9	17.4	2.4
Pertama Holdings Limited	8 Jul 13	25.0	33.4	20.7	1.5
Berger International Limited	21 Aug 13	78.6	67.8	86.6	1.7
Superior Multi-Packaging Limited	6 Sep 13	0.0	0.5	10.8	1.0
Consciencefood Holdings Limited	28 Sep 13	23.5	23.3	18.0	0.9
Devotion Energy Group Limited	7 Oct 13	23.4	24.2	25.0	0.8
SuperBowl Holdings Limited	7 Oct 13	15.4	34.9	41.0	0.6
Medi-Flex Limited	11 Oct 13	15.4	21.0	27.1	3.2
People's Food Holdings Limited	19 Oct 13	2.6	4.2	10.0	1.2
WBL Corporation Limited	19 Nov 13	27.5	26.2	24.3	1.4
Singapore Land Limited	24 Feb 14	11.2	16.9	13.9	0.7
Chemoil Energy Limited	25 Feb 14	29.0	31.1	32.5	1.1
Asia Power Corporation Limited	24 Mar 14	0.0	1.2	1.4	0.6
High		78.6	67.8	86.6	3.2
Mean		21.1	23.4	24.7	1.3
Median		18.4	22.6	20.2	1.2
Low		0.0	0.5	1.4	0.6
ASJ Holdings Limited (implied by Offer Price)	7 May 14	18.2	43.7	55.4	0.7⁽¹⁾

Sources: Bloomberg, announcements and circulars to shareholders in relation to the respective transactions.

Note:

(1) Based on the RNTA of the Group.

We note the following:

- (i) The premium of approximately 18.2% as implied by the Offer Price to the last transacted price of the Shares prior to the Offer Announcement Date is within the corresponding range but below the mean and median in the Successful Privatisation Transactions;
- (ii) The premium of approximately 43.7% as implied by the Offer Price over the 1-month VWAP of the Shares prior to the Offer Announcement Date is within the corresponding range and above the mean and median in the Successful Privatisation Transactions;
- (iii) The premium of approximately 55.4% as implied by the Offer Price over the 3-month VWAP of the Shares prior to the Offer Announcement Date is within the

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

corresponding range and above the mean and median in the Successful Privatisation Transactions; and

- (iv) The P/RNTA ratio of approximately 0.7 times as implied by the Offer Price is within the corresponding range but below the mean and median in the Successful Privatisation Transactions.

7.5 NTA and Revalued NTA of the Group

Based on the audited consolidated balance sheet of the Group as at 31 December 2013, we note that the Group had cash and cash equivalents of S\$4.6 million and loans and borrowings of S\$8.3 million. The NTA as at 31 December 2013 was approximately S\$19.5 million or S\$0.072 per Share. The Offer Price represents a discount of approximately 9.4% to the audited NTA per Share of S\$0.072 as at 31 December 2013.

The Company has appointed Robert Khan & Co Pte Ltd to conduct, in connection with the Offer, independent valuations of certain of the Group's properties, plants and equipment ("**Valuation Reports**"). A copy of the Valuation Certificate is set out in Appendix V of the Circular.

Save for the valuations on the certain properties, plants and equipment, the Management have confirmed that to the best of their knowledge and belief, (i) they are not aware of any circumstances which may cause the NTA of the Group as at the Latest Practicable Date to be materially different from that recorded in the audited balance sheet of the Group as at 31 December 2013; (ii) there have been no material disposals or acquisitions of assets by the Group since 31 December 2013 and up to the Latest Practicable Date; and (iii) there are no contingent liabilities or bad or doubtful debts which are likely to have a material impact on the audited NTA of the Group as at 31 December 2013.

For illustrative purposes, the table below sets out the computation of the Group's RNTA as at 31 December 2013, taking into account the revaluation surplus of the selected properties, plants and equipment based on their respective market value in the Valuation Reports as compared to their net book value as at 31 December 2013.

Market value is defined as the estimated amount for which an asset 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.

When market value is established on the premise of continued use, it is assumed that the buyer and seller would be contemplating retention of the property at its present location as part of the current operations. An estimate of market value arrived at on the premise of continued use does not represent the amount that might be realised from piecemeal disposition of the assets in the open market or from an alternative use of the assets.

	Market Value (S\$ million)
Audited NTA as at 31 December 2013	19.54
Add: Net revaluation surplus on selected properties, plants and equipment	5.48
Less: Tax effect on revaluation surplus	0.14
RNTA of the Group	24.88
RNTA per Share (S\$)	0.091

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

The Offer Price represents a discount of approximately 28.9% to the RNTA per Share as at 31 December 2013.

The computation set out in this section is for illustrative purposes only and does not imply that the assets can be disposed off at the value indicated above nor does it imply that after payment of all liabilities and obligations, the amount indicated for the RNTA per Share is realisable or distributable to the Shareholders as it is dependent on, amongst others, the prevailing regulations, market and economic conditions.

7.6 Dividend record of the Company

For the purpose of assessing the Offer Price, we have considered the dividend track record of the Company against the potential returns which a Shareholder may potentially obtain by reinvesting the proceeds from the Offer in S\$ fixed deposits in Singapore banks.

We wish to highlight that the Company has not paid any dividend in the last 5 financial years.

Deposits with local commercial banks

For illustration purposes only, Shareholders who accept the Offer and choose to reinvest their Offer proceeds in a 12-month S\$ fixed deposit account with a local commercial bank can expect to receive gross taxable interest income of 0.25% per annum for deposits of up to S\$50,000 with OCBC, DBS and UOB (Source: Official website of the respective banks) as at the Latest Practicable Date.

As there was no dividend payout by the Company for FY2013, Shareholders would have increased their investment income if they had monetised their investment in the Shares and deposited the Offer proceeds as fixed deposits with the local commercial banks.

There is no assurance that the historical dividend practice of the Company will continue in the future and/or will be maintained at the same level. The analysis above only serves as an illustrative guide to Shareholders and is not an indication of the Company's future dividend policy. The actual dividend yield would depend on each Shareholder's cost of investment in the Shares.

Shareholders should also note that an equity investment provides a fundamentally different risk-return profile compared to that of a fixed deposit account with a local commercial bank.

8. OTHER CONSIDERATIONS IN RELATION TO THE OFFER

8.1 Rationale for the Offer

The full text of the rationale for the Offer is set out in section 5 of the Circular and we would recommend Independent Directors to advise Shareholders to read this section carefully.

We note that:

- (a) The Offeror has been seeking acquisition and synergistic opportunities to expand its business and believes that the acquisition of the Offeree is in line with such expansion plans;
- (b) The Offeror believes that the Offer represents an attractive cash exit opportunity for Shareholders to realise their entire investment at a premium over the historically traded market prices of the Shares prior to the Offer Announcement, an option which may not otherwise be readily available due to the low trading liquidity of the Shares; and

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

- (c) The Offeror believes that by privatising the Offeree, the Offeror may obtain more flexibility to manage the business of the Offeree Group, optimise the use of management and other resources and facilitate the implementation of any operational changes.

8.2 Financial performance and outlook of the Group

We set out below a summary of selected key financial statistics of the Group as extracted from the audited consolidated profit and loss statements / balance sheets for FY2009 to FY2013. The following summary should be read together with the annual reports of the Group for FY2009 to FY2013 respectively.

(a) Summary of profit and loss statements

S\$'000	FY2009	FY2010	FY2011	FY2012	FY2013
Revenue	41,824	61,808	43,493	40,205	46,801
Net Profit / (Net Loss)	1,073	1,457	(3,417)	(4,675)	(1,772)
Net profit margin (%)	2.6	2.4	Net Loss	Net Loss	Net Loss

Source: Company annual reports

Based on the table above, we note that the net profit margin of the Group (on a full year basis) declined from 2.6% in FY2009 to 2.4% in FY2010 and the Group subsequently recorded a net loss in each financial year for FY2011 to FY2013.

(b) Summary of balance sheets

S\$'000	As at 31 Dec 2009	As at 31 Dec 2010	As at 31 Dec 2011	As at 31 Dec 2012	As at 31 Dec 2013
Net current assets	13,645	14,944	13,121	10,077	9,837
Shareholders' equity	29,091	32,226	28,427	24,056	22,476
Loan and borrowings	2,466	10,956	10,664	8,906	8,275
Cash and bank balances	7,240	6,018	6,043	4,007	4,624

Source: Company annual reports

Based on the table above, we note that the net current assets, shareholders' equity, and cash and bank balances of the Group are currently at their lowest level respectively.

8.3 Watch-list

We note that the Company was placed on the watch-list of the SGX-ST (the "**Watch-list**") on 5 March 2014. Should the Company be unable to meet the requirements of Rule 1314 of the Listing Manual, the SGX-ST may either remove the Company from its Official List, or suspend trading of the Shares with a view to removing the Company from its Official List.

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

8.4 Future plans for the Company

We note from section 9 of the Offer Document that the Offeror has set out its intentions in relation to the Company, pertinent parts of which is reproduced in italics below:

“Subject to normal business conditions, the Offeror does not intend to make changes to the management team of the Offeree. In the event that the Offeror obtains control of the Offeree, the Offeror would undertake, through participation in board meetings and the management of the Offeree, a strategic and operational review of the organisation, business and operations of the Offeree Group with a view to realising synergies and growth potential.

The Offeror has no current intention to (a) make any major changes to the business of the Offeree, (b) redeploy the fixed assets of the Offeree, or (c) discontinue the employment of the employees of the Offeree Group, other than in the normal course of business.

The Offeror intends to privatise the Offeree and to delist the Offeree from the Official List of the SGX-ST should the option arise.”

8.5 Condition to the Offer

The Offer is conditional upon the Minimum Acceptance Condition. Save for the Minimum Acceptance Condition, the Offer is unconditional in all other respects.

On 28 May 2014, PPCF announced, for and on behalf of the Offeror, that the Offer has become unconditional in all respects and that the closing date of the Offer has been extended to 5.30 p.m. on 7 July 2014, or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

8.6 Alternative Takeover Offer

As at the Latest Practicable Date, there is no publicly available evidence of an alternative takeover offer for the Shares.

8.7 Listing Status and Compulsory Acquisition for Shareholders

The Offeror has stated that it intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. The Offeror has also stated that when entitled, it intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take steps to lift any trading suspension of the Shares imposed by the SGX-ST in the event that, *inter alia*, less than 10% of the Shares (excluding treasury shares) are held in public hands.

In the event the Offeror is entitled to exercise its right of compulsory acquisition, the Offeror has stated that it will acquire all the Shares from the Non-Assenting Shareholders on the same terms as those offered under the Offer. The compulsory acquisition will eventually lead to the privatisation and delisting of the Company.

It should be noted that Shareholders would have a corresponding right, under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price by serving notice requiring the Offeror to do so, in the event that the Shares acquired by the Offeror pursuant to the Offer, together with any other Shares held by the Offeror, its related corporations and nominees, comprise 90% or more of the total issued Shares. Shareholders who decide to exercise their rights under Section 215(3) of the Companies Act are advised to seek independent legal advice.

In addition, Rules 724 and 1105 of the Listing Manual state that where (i) the public float of the Company falls below 10%; or (ii) the Offeror and its respective parties acting in concert

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

with it own more than 90% of the Company as a result of the Offer, the SGX-ST will suspend trading of the Shares. Rule 725 of the Listing Manual states that the Company may be delisted if the Company fails to restore its public float after a period of 3 months, or such longer period as the SGX-ST may agree, from the date the Company's public float falls to below 10%.

As at the Latest Practicable Date, there is at present no certainty that (i) the Offeror would be in a position to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act; or (ii) that Shareholders would be in a position to require the Offeror to acquire their Shares under Section 215(3) of the Companies Act.

9. CONCLUSION AND RECOMMENDATION

In arriving at our advice in respect of the Offer, we have taken into account, *inter alia*, the following key considerations summarised below. This summary should be read in conjunction with, and in the context of, the full text of this letter.

- (a) Historical trading performance of the Shares;
- (b) Relative Share price performance vis-à-vis the performance of the market index;
- (c) Analysis of selected valuation statistics of broadly comparable companies to the Group;
- (d) Comparison with successful privatisation/delisting of companies listed on the SGX-ST;
- (e) NTA and RNTA of the Group; and
- (f) Other relevant considerations.

Having carefully considered the information available as at the Latest Practicable Date and based on our assessment of the financial terms of the Offer, we are of the opinion that, on balance, the financial terms of the Offer are fair and reasonable.

Accordingly, we advise the Independent Directors to recommend:

- (i) **Shareholders who take a short-term view of their investment in the Shares and/or are not confident of the longer term prospects of the Group should ACCEPT the Offer or sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting related expenses).**
- (ii) **Shareholders who are prepared to take a longer-term view of their investment in the Shares and/or are confident of the prospects of the Group, and believe that they will be able to realise greater value from continuing to own their Shares may wish to retain all or part of their shareholdings in the Company.**

In rendering our advice, we have not considered the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

The Independent Directors should note that trading of the Shares is subject to, *inter alia*, the performance and prospects of the Group, prevailing market conditions, economic outlook and stock market conditions and sentiments. Accordingly, our opinion does not and cannot take

APPENDIX I – LETTER FROM PARTNERS CAPITAL (SINGAPORE) PTE. LTD. TO THE INDEPENDENT DIRECTORS

into account future trading activities, patterns or price levels that may be established beyond the Latest Practicable Date.

The Independent Directors should advise the Shareholders that the opinion and advice of Partners Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

This letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the Offer, but any recommendation to the Shareholders remains the responsibility of the Independent Directors.

This letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and there is no implication with regard to any other matter. 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 of Singapore and any re-enactment thereof shall not apply.

Yours faithfully
For and on behalf of
Partners Capital (Singapore) Pte Ltd

CLEMENT LEOW
PARTNER
HEAD OF CORPORATE FINANCE

CHAN TZUN
DIRECTOR
CORPORATE FINANCE

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

1. DIRECTORS

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

Name	Address	Designation in the Company
Mr Chia Soon Loi	11 Nathan Road #11-01 Regency Park Singapore 248732	Chairman
Mr Seah Eng Lam	59 Pasir Ris Avenue Pasir Ris Beach Park Singapore 519723	Chief Executive Officer
Mr Chen Tie-Min	3F, 233-1, Baoqiao Road Xindian District New Taipei City 23145 Taiwan Republic of China	Non-Executive Director
Mr Geoffrey Yeoh Seng Huat	28 Greenleaf Place Ban Guan Park Singapore 279432	Lead Independent Director
Mr Cecil Chiam Teck Hock	133 Clarence Lane #09-08 Singapore 140133	Independent Director

2. PRINCIPAL ACTIVITIES

The Company was incorporated in Singapore on 13 March 1996 and was listed on the SGX Sesdaq on 31 January 1997 and on Mainboard of the SGX-ST on 15 July 2002.

As at the Latest Practicable Date, the Company's principal activities are the provision of management services and that of an investment holding company and the Group's principal activities are the manufacture and sale of resistors (the "**Resistors Segment**") and the distribution of electronic and non-electronic components (the "**Electronic Distribution Segment**").

The Group is headquartered in Singapore, and it has a manufacturing base in Malaysia. Through an extensive international network, the presence of the Group spans across Asia, Europe and the United States of America.

The Group's Resistors Segment is currently undertaken by the Company's wholly owned subsidiaries in Singapore (ASJ Pte. Ltd.) and Malaysia (ASJ Components (M) Sdn. Bhd.). The Group's Electronic Distribution Segment is undertaken by the Company's wholly owned subsidiary in Singapore (CRL Components (S) Pte. Ltd.). The Company also has a wholly owned subsidiary in Hong Kong (ASJ (Hong Kong) Limited) and the principal activities of ASJ (Hong Kong) Limited are the provision of warehousing and logistic services and commission agent.

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

The Group manufactures and distributes quality resistors and other essential electronic components to a diverse base of customers in the telecommunications, consumer electronics, computer and automotive industries. Complementing its manufacturing operations, the Group also distributes a comprehensive range of other electronic components.

3. SHARE CAPITAL

3.1 Issued share capital of the Company

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

As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S\$28,274,211.484 comprising 272,286,146 Shares. There are no treasury shares in the share capital of the Company. The Shares are quoted and listed on the Official List of the Mainboard of the SGX-ST.

3.2 Rights of Shareholders in respect of Capital, Dividends and Voting

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

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

As at the Latest Practicable Date, there has been no issue of new Shares by the Company since 31 December 2013, being the end of the last financial year.

3.4 Convertible instruments

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

4. SUMMARY OF FINANCIAL INFORMATION

4.1 Financial Information of the Group

A summary of the audited consolidated income statements of the Group for FY2011, FY2012 and FY2013 are set out below.

The following summary should be read together with the annual reports, the audited consolidated financial statements of the Group for FY2011, FY2012 and FY2013 and the related notes thereto. Copies of the above are available for inspection at the registered address of the Company at 514 Chai Chee Lane #05-05/06 Bedok Industrial Estate, Singapore 469029 during normal business hours for the period during which the Offer remains open for acceptance. The audited consolidated financial statements of the Group for FY2013 together with the independent auditors' report are also set out in Appendix IV to this Circular.

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

Consolidated Income Statements			
(S\$'000)	FY2013	FY2012	FY2011
Revenue	46,801	40,205	43,493
Cost of sales	(41,789)	(37,936)	(39,456)
Gross Profit	5,012	2,269	4,037
Other items of income			
Interest income	1	1	1
Other income	405	630	429
Other items of expense			
Selling expenses	(4,200)	(4,860)	(4,929)
General and administrative expenses	(2,150)	(2,170)	(2,061)
Finance costs	(153)	(191)	(224)
Cost of sales	(754)	(32)	(535)
Loss before tax	(1,839)	(4,353)	(3,282)
Income tax credit/(expense)	67	(322)	(135)
Loss for the year	(1,772)	(4,675)	(3,417)
Loss for the year attributable to:			
Owners of the Company	(1,772)	(4,675)	(3,417)
Loss per share (cents per share) Basic	(0.65)	(1.73)	(1.41)
Diluted	(0.65)	(1.73)	(1.41)

A summary of the unaudited consolidated balance sheet of the Group as at 30 June 2013 and the audited consolidated balance sheet of the Group as at 31 December 2013 is set out below.

The following summary should be read together with the annual report for FY2013, the audited consolidated financial statements of the Group for FY2013 and the related notes thereto. Copies of the above are available for inspection at the registered address of the Company at 514 Chai Chee Lane #05-05/06 Bedok Industrial Estate, Singapore 469029 during normal business hours for the period during which the Offer remains open for acceptance. The audited consolidated financial statements of the Group for FY2013 together with the independent auditors' report are also set out in Appendix IV to this Circular.

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

Balance Sheet (S\$'000)	As at 31 December 2013	As at 30 June 2013
Non-current assets		
Property, plant and equipment	10,545	11,656
Intangible assets	2,931	3,062
Deferred income tax assets	64	28
	13,540	14,746
Current assets		
Inventories	10,171	9,487
Trade and other receivables	5,449	8,500
Prepaid operating expenses	244	337
Tax recoverable	2	53
Due from related parties (trade)	5,179	3,345
Cash and cash equivalents	4,624	3,319
	25,669	25,041
Total assets	39,209	39,787
Current liabilities		
Trade and other payables	7,056	6,319
Due to related parties (trade)	1,219	1,514
Loans and borrowings	7,465	7,322
Provision for income tax	61	74
Forward currency contracts	31	46
	15,832	15,275
Net current assets/(liabilities)	9,837	9,766
Non-current liabilities		
Deferred tax liabilities	91	113
Loans and borrowings	810	1,337
	901	1,450
Total liabilities	16,733	16,725
Net assets	22,476	23,062
Equity attributable to owners of the Company		
Share capital	28,274	28,274
Reserves	(5,798)	(5,212)
Total equity	22,476	23,062

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

4.2 Material changes in financial position

Save as disclosed in this Circular, the Offer Document and publicly available information on the Company (including but not limited to the audited consolidated financial statements of the Group for FY2013 annexed as Appendix IV to this Circular), there are no known material changes in the financial position of the Company as at the Latest Practicable Date since 31 December 2013, being the date to which the last published audited financial statements of the Company were made up.

4.3 Significant accounting policies

The significant accounting policies of the Group, which are disclosed in notes 2 and 3 of the audited consolidated income statement of the Group for FY2013, are reproduced in Appendix IV to this Circular.

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

4.4 Changes in accounting policies

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

5. DISCLOSURE OF INTERESTS

5.1 Interests of the Group in the Offeror Securities

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

5.2 Dealings in the Offeror Securities by the Group

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

5.3 Interests of the Directors in the Offeror Securities

Save as disclosed below in respect of Mr Chen Tie-Min, a Non-Executive Director of the Company, as at the Latest Practicable Date, none of the Directors has any direct or deemed interest in any of the Offeror Securities.

The following information on Mr Chen Tie-Min, a Non-Executive Director of the Company, has been extracted from paragraph 7 of the Offer Document:

“As at the Latest Practicable Date, there are 60,768,830 shares in the issued capital of the Offeror (including 2,000,000 shares held by the Offeror in treasury), and Mr Chen Tie-Min is interested in respectively 5,900,598 shares, 2,215,542 shares, 7,456,722 shares, and

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

2,186,812 shares representing 9.71%, 3.64% 12.27% and 3.60% in the capital of the Offeror, held by Hsu Tai Investment Limited (旭泰新股份有限公司), Kuo Shin Investment Limited (国新投资股份有限公司), Yageo Corporation (国巨股份有限公司) and Shi Hen Enterprise Ltd (士亨与业有限公司). Each of Hsu Tai Investment Limited, Kuo Shin Investment Limited, Yageo Corporation and Shi Hen Enterprise Ltd are controlled by Mr Chen Tie-Min.”

5.4 Dealings in the Offeror Securities by the Directors

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

5.5 Interests of the Directors in the Securities

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

Directors	Direct Interest		Deemed Interest	
	No. of Shares held	Shareholding (%)	No. of Shares held	Shareholding (%)
Mr Chia Soon Loi ⁽¹⁾	30,484,892	11.20	0	0
Mr Chen Tie-Min ⁽²⁾	0	0	73,065,258	26.83
Mr Seah Eng Lam ⁽³⁾	16,133,881	5.93	0	0

Notes:

- (1) As at the Latest Practicable Date, Mr Chia Soon Loi had accepted the Offer pursuant to the Irrevocable Undertaking given by him to the Offeror and as the Offer had been declared unconditional, he is deemed to no longer have any interest in any Shares.
- (2) Mr Chen Tie-Min's indirect interest comprises 73,065,258 shares held by Citibank Nominees Singapore Pte Ltd as nominees and which are beneficially held jointly by Mr Chen Tie-Min and his wife, Ms Lee Hwei-Jan. As at the Latest Practicable Date, Mr Chen Tie-Min had procured the acceptance of the Offer pursuant to the Irrevocable Undertaking given by him to the Offeror and as the Offer had been declared unconditional, he is deemed to no longer have any interest in any Shares.
- (3) As at the Latest Practicable Date, Mr Seah Eng Lam had accepted the Offer pursuant to the Irrevocable Undertaking given by him to the Offeror and as the Offer had been declared unconditional, he is deemed to no longer have any interest in any Shares.

5.6 Dealings in the Securities by the Directors

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

Name	Date of Transaction	Type and Consideration of Transaction
Mr Chia Soon Loi	7 May 2014	Signed a deed of undertaking in respect of his Irrevocable Undertaking given to the Offeror for his 30,484,892 Shares at S\$0.065 per Share
	28 May 2014	Accepted the Offer pursuant to his Irrevocable Undertaking for his 30,484,892 Shares at S\$0.065 per Share

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

Name	Date of Transaction	Type and Consideration of Transaction
Mr Seah Eng Lam	7 May 2014	Signed a deed of undertaking in respect of his Irrevocable Undertaking given to the Offeror for his 16,133,881 Shares at S\$0.065 per Share
	30 May 2014	Accepted the Offer pursuant to his Irrevocable Undertaking for his 16,133,881 Shares at S\$0.065 per Share
Mr Chen Tie-Min	7 May 2014	Signed a deed of undertaking in respect of his Irrevocable Undertaking given to the Offeror for his 73,065,258 Shares at S\$0.065 per Share
	26 May 2014	Procured nominees to accept the Offer pursuant to his Irrevocable Undertaking for his 73,065,258 Shares at S\$0.065 per Share

5.7 Interests of the IFA in the Shares

As at the Latest Practicable Date, the IFA does not own or control any of the Securities and there is no fund whose investment is managed by the IFA on a discretionary basis.

5.8 Dealings in the Securities by the IFA

As at the Latest Practicable Date, the IFA has not dealt for value in any of the Securities during the period commencing six months prior to the Offer Announcement Date and ending on the Latest Practicable Date and there is no fund whose investment is managed by the IFA on a discretionary basis.

5.9 Directors' Intentions

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

- (a) Mr Chia Soon Loi holds 30,484,892 Shares, which represents approximately 11.20% of the total number of issued Shares as at the Latest Practicable Date. Pursuant to the Irrevocable Undertaking given by Mr Chia, Mr Chia has informed the Company that he has accepted the Offer, in respect of all the Shares he held directly or indirectly in the Company;
- (b) Mr Seah Eng Lam holds 16,133,881 Shares, which represents approximately 5.93% of the total number of issued Shares as at the Latest Practicable Date. Pursuant to the Irrevocable Undertaking given by Mr Seah, Mr Seah has informed the Company that he has accepted the Offer, in respect of all the Shares he held directly or indirectly in the Company; and
- (c) Mr Chen Tie-Min is deemed interested in 73,065,258 Shares, which represents approximately 26.83% of the total number of issued Shares as at the Latest Practicable

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

Date. Pursuant to the Irrevocable Undertaking given by Mr Chen, Mr Chen has informed the Company that he has accepted the Offer, in respect of all the Shares he held directly or indirectly in the Company.

Save for Mr Chia Soon Loi, Mr Chen Tie-Min and Mr Seah Eng Lam, none of the Directors has any direct or deemed interest in the Shares.

5.10 Directors' service contracts

As at the Latest Practicable Date:

- (a) there are no service contracts between any Director or proposed Director with the Company or any of its subsidiaries which have more than 12 months to run and which cannot be terminated by the employing company within the next 12 months without paying any compensation; and
- (b) there are no such contracts entered into or amended during the period between the start of the 6 months preceding the Offer Announcement Date and the Latest Practicable Date.

5.11 Arrangements affecting Directors

As at the Latest Practicable Date:

- (a) it is not proposed that any payment or other benefit shall be made or given to any Director, or any director of any other corporation which is, by virtue of Section 6 of the Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) save for the making of the Offer by the Offeror and the Irrevocable Undertakings given by Mr Chen Tie-Min, Mr Chia Soon Loi and Mr Seah Eng Lam, 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) save for (i) Mr Chen Tie-Min, a Non-Executive Director of the Company, who is interested in the Offeror Securities, (ii) the making of the Offer by the Offeror and (iii) the Irrevocable Undertakings given by Mr Chen Tie-Min, Mr Chia Soon Loi and Mr Seah Eng Lam, none of the Directors has any material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

6. MATERIAL CONTRACTS WITH INTERESTED PERSONS

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

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

- (a) a director, chief executive officer, or Substantial Shareholder of the Company;

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

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

7. MATERIAL LITIGATION

As at the Latest Practicable Date:

- (a) neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole; and
- (b) the Directors are not aware of any litigation, claim or proceedings pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole.

8. VALUATION OF REVALUED PROPERTIES

The Company has commissioned independent valuations of the Revalued Properties. The Valuation Certificate (which include the basis of the respective valuations) is set out in Appendix V to this Circular. Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation. Based on information provided to the Company by the Independent Valuer, the potential tax liabilities that may be incurred by the Group on the hypothetical disposal of the Revalued Properties is estimated at approximately S\$142,149. The aforesaid tax liabilities will not crystallise if the Group does not dispose of its interests in the Revalued Properties. As at the Last Practicable Date, the Company has no immediate plans to dispose of its interests in the Revalued Properties, and as such, the aforesaid tax liabilities are not likely to crystallise.

9. GENERAL INFORMATION

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

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

- (b) The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, its advice to the Independent Directors set out in paragraph 7.3 of this Circular, the IFA letter, and all references thereto, in the form and context in which they appear in this Circular.
- (c) The Independent Valuer has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the Valuation Certificate and all references thereto, in the form and context in which they appear in this Circular.
- (d) The Independent Auditors have given and have not withdrawn their written consent to the issue of this Circular with the inclusion of their name, the reproduction of the independent auditors' report in relation to the audited consolidated financial statements of the Group for FY2013 (as set out in Appendix IV to this Circular) and all references thereto, in the form and context in which they appear in this Circular.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 514 Chai Chee Lane #05-05/06 Bedok Industrial Estate, Singapore 469029 during normal business hours for the period during which the Offer remains open for acceptance:

- (a) the Memorandum and the Articles of Association of the Company;
- (b) the annual reports of the Company for FY2011, FY2012 and FY2013;
- (c) the IFA Letter;
- (d) the valuation certificate from the Independent Valuer; and
- (e) the letters of consent referred to in paragraph 9 above.

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

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

(A) RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL

ISSUE OF SHARES

4. *Subject to the Statutes, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Article 8, and to any special rights attached to any shares for the time being issued, the Directors may allot 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 be issued with such preferential, deferred qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, provided always that:-*
 - (a) *no shares shall be issued to transfer a controlling interest in the Company without the prior approval of the members in a General Meeting;*
 - (b) *no shares shall be issued at a discount except in accordance with the Statutes and the Listing Manual of the Singapore Exchange Securities Trading Limited;*
 - (c) *(subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Article 8(A) with such adaptations as are necessary shall apply; and*
 - (d) *any other issue of shares, the aggregate of which would exceed the limits referred to in Article 8(B), shall be subject to the approval of the Company in General Meeting.*
5. (A) *In the event of preference shares being issued the total nominal value of issued preference shares shall not at any time exceed the total nominal value of the issued ordinary shares and 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 the capital or winding-up or sanctioning a sale of the undertaking or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.*
 - (B) *The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.*

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

VARIATION OF RIGHTS

6. (A) *Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes, preference capital other than redeemable preference capital may be repaid and the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, 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 in nominal value 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 in nominal value of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. 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

7. *The Company may from time to time by Ordinary Resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.*
8. (A) *Subject to any direction to the contrary that may be given by the Company in General Meeting, all new shares shall before issue be offered to such persons 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 amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of, those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio*

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

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 8(A).

(B) Notwithstanding Article 8(A) above, the Company in General Meeting may give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified within such authority, (the “Authority”) to:–

- (a) (i) issue shares in the capital of the Company (referred to in this Article as “Mandate Shares”)’ whether by way of rights, bonus or otherwise;*
- (ii) (make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase Mandate Shares (collectively, “Instruments”) including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Mandate Shares;*
- (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalization issues; and*
- (b) notwithstanding such Authority conferred may have ceased to be in force, issue Mandate Shares in pursuance of any Instrument made or granted by the Directors while the Authority was in force,*

provided that:–

- (A) the aggregate number of Mandate Shares to be issued pursuant to the Authority (including Mandate Shares to be issued in pursuance of Instruments made or granted pursuant to the Authority) does not exceed 50 per cent (or such other limit as may be prescribed by the Singapore Exchange Securities Trading Limited and its successors and assigns) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of Mandate Shares to be issued other than on a pro rata basis to members of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to the Authority) does not exceed 20 per cent (or such other limit as may be prescribed by the Singapore Exchange Securities Trading Limited and its successors and assigns) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (B) below);*
- (B) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited and its successors and assigns) for the purposes of determining the aggregate number of Mandate Shares that may be issued under sub-paragraph (A) above the percentage of issued share capital shall be based on the issued share capital of the Company at the time that the Authority is passed, after adjusting for:–*
 - (i) new shares arising upon the conversion or exercise of any convertible securities;*

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

- (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time that the passing of the resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited; and*
 - (iii) any subsequent consolidation or subdivision of shares;*
 - (C) in exercising the Authority, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance is waived by the Singapore Exchange Securities Trading Limited and its successors and assigns) and these Articles;*
 - (D) unless previously revoked or varied by the Company in General Meeting, such Authority to issue shares does not continue beyond the conclusion of the Annual General Meeting of the Company next following the passing of the resolution conferring the Authority or the date by which the Annual General Meeting is required to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest);*
 - (E) except so far as otherwise provided by the conditions of issue or by these Articles, all new shares shall be subject to the provisions of the Statutes and of these Articles with reference to allotments, payments of calls, lien, transfer, transmission, forfeiture and otherwise.*
 - (C) Except so far as otherwise provided by the conditions of issue or by these presents, all new shares shall be subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.*
9. The Company may by Ordinary Resolution:–
- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;*
 - (b) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled;*
 - (c) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (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 sub-division, 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;*
 - (d) subject to the provisions of the Statutes, convert any class of shares into any other class of shares.*

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

10. (A) *The Company may reduce its share capital or any capital redemption reserve fund, share premium account or other undistributable reserve in any manner and with and subject to any incident authorised and consent required by law.*
- (B) *Subject to and in accordance with the provisions of the Act and to any other applicable rules, regulations (including the Listing Manual of the Singapore Exchange Securities Trading Limited) and legislation, the Company may authorize the Directors in General Meeting to purchase or otherwise acquire ordinary shares issued by it on such terms as the Company may think fit and in the manner prescribed by the Act.*

SHARES

11. *Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise 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 respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder thereof or (as the case may be) person whose name is entered in the Depository Register in respect of that share.*
12. *Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination, as the Directors may determine) and subject to the provisions of the Statutes the Company may issue preference shares which are, or at the option of the Company are liable, to be redeemed.*
13. *Subject to the provisions of these presents and of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of the Company in General Meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.*
14. *The Company may exercise the powers of paying commissions conferred by the Statutes to the full extent thereby permitted provided that the rate or amount of the commissions paid or agreed to be paid shall be disclosed in the manner required by the Statutes. Such commissions may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.*
15. *Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within 10 market days of the closing date (or such other period as may be approved by any Stock Exchange upon which the shares in the Company may be listed) of any such application. “Market day” shall have the meaning ascribed to it in Article 18. The Directors may, at any time after the allotment of any share but*

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

before any person has been entered in the Register of Members as the holder or (as the case may be) before that share is entered against the name of a Depositor in the Depository Register, 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.

STOCK

46. *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 of any denomination.*
47. *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 previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units (not being greater than the nominal amount of the shares from which the stock arose) as the Directors may from time to time determine.*
48. *The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by an amount of stock 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 OF SHAREHOLDERS IN RESPECT OF DIVIDENDS

DIVIDENDS

121. *The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.*
122. *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.*
123. *Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article no amount paid on a share in advance of calls shall be treated as paid on the share.*

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

124. *No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.*
125. *No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.*
126. (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.*
127. *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.*
128. *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.*
129. *Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. Notwithstanding the foregoing provisions of this Article and the provisions of Article 131, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment.*

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

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

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

(C) RIGHTS OF SHAREHOLDERS IN RESPECT OF VOTING

GENERAL MEETINGS

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

50. *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.*

NOTICE OF GENERAL MEETINGS

51. *Any 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 an Annual General Meeting and any other Extraordinary General Meeting by fourteen days' notice 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. in nominal value of the shares giving that right;*

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

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.

52. (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 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.*
53. *Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:–*
- (a) *declaring dividends;*
- (b) *receiving and adopting the accounts, the reports of the Directors and Auditors and other documents required to be attached or annexed to the accounts;*
- (c) *appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;*
- (d) *re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);*
- (e) *fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and*
- (f) *fixing the remuneration of the Directors proposed to be paid under Article 79.*
54. *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

55. *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*

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

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.

56. *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 or more members present in person or by proxy.*
57. *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. At the adjourned meeting anyone or more members present in person or by proxy shall be a quorum.*
58. *The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more or sine die, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.*
59. *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.*
60. *If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.*
61. *At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:–*
- (a) the chairman of the meeting; or*
 - (b) not less than two members present in person or by proxy and entitled to vote; or*
 - (c) a member present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or*

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

- (d) *a member present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid on all the shares conferring that right;*

Provided always that no poll shall be demanded on the choice of a chairman or on a question of adjournment.

62. *A demand for a poll may be withdrawn only with the approval of the meeting. 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.*
63. *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.*
64. *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

65. *Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company each member entitled to vote may vote in person or by proxy. On a show of hands every member who is present in person and each proxy shall have one vote and on a poll, every member who is present in person or by proxy shall have one vote for every share which he holds or represents. 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 entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository to the Company.*
66. *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.*

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

67. *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.*
68. *No member shall, unless the Directors otherwise determine, 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.*
69. *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.*
70. *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.*
71. (A) *A member may appoint not more than two proxies to attend and vote at the same General Meeting provided that if the member is a Depositor, the Company shall be entitled and bound:–*
- (a) *to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository to the Company; and*
 - (b) *to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.*
- (B) *The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.*

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

- (C) *In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.*
- (D) *A proxy need not be a member of the Company.*
72. (A) *An instrument appointing a proxy 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 shall be signed by the appointor or his attorney; and*
- (b) *in the case of 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 signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument may be treated as invalid.*
73. *An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office) not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates; Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.*
74. *An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.*
75. *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.*

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

CORPORATIONS ACTING BY REPRESENTATIVES

76. *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 IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2013

ASJ Holdings Limited and Subsidiaries

Independent Auditor's Report For the financial year ended 31 December 2013

Independent Auditor's Report to the Members of ASJ Holdings Limited

Report on the financial statements

We have audited the accompanying financial statements of ASJ Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 71, which comprise the balance sheets of the Group and the Company as at 31 December 2013, the statements of changes in equity of the Group and the Company, and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

ASJ Holdings Limited and Subsidiaries

**Independent Auditor's Report
For the financial year ended 31 December 2013**

Independent Auditor's Report to the Members of ASJ Holdings Limited

Opinion

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

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
25 March 2014

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

ASJ Holdings Limited and Subsidiaries

Consolidated Income Statement For the financial year ended 31 December 2013

	Note	2013 \$'000	2012 \$'000
Revenue	4	46,801	40,205
Cost of sales		<u>(41,789)</u>	<u>(37,936)</u>
Gross profit		5,012	2,269
Other items of income			
Interest income		1	1
Other income	5	405	630
Other items of expense			
Selling expenses		(4,200)	(4,860)
General and administrative expenses		(2,150)	(2,170)
Finance costs		(153)	(191)
Other expenses	6	<u>(754)</u>	<u>(32)</u>
Loss before tax	7	(1,839)	(4,353)
Income tax credit/(expense)	8	<u>67</u>	<u>(322)</u>
Loss for the year		<u><u>(1,772)</u></u>	<u><u>(4,675)</u></u>
Loss for the year attributable to:			
Owners of the Company		<u><u>(1,772)</u></u>	<u><u>(4,675)</u></u>
Loss per share (cents per share):			
Basic	9	<u><u>(0.65)</u></u>	<u><u>(1.73)</u></u>
Diluted	9	<u><u>(0.65)</u></u>	<u><u>(1.73)</u></u>

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

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

ASJ Holdings Limited and Subsidiaries

Consolidated Statement of Comprehensive Income For the financial year ended 31 December 2013

	2013	2012
	\$'000	\$'000
Loss for the year	<u>(1,772)</u>	<u>(4,675)</u>
Other comprehensive income:		
Items that may be reclassified subsequently to profit of loss		
Currency translation differences	<u>192</u>	<u>(874)</u>
Other comprehensive income for the year, net of tax	<u>192</u>	<u>(874)</u>
Total comprehensive income for the year and attributable to owners of the parent	<u><u>(1,580)</u></u>	<u><u>(5,549)</u></u>
Total comprehensive income for the year and attributable to:		
Owners of the Company	<u><u>(1,580)</u></u>	<u><u>(5,549)</u></u>

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

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

ASJ Holdings Limited and Subsidiaries

Balance Sheets As at 31 December 2013

		Group		Company	
	Note	2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	10	10,545	12,723	–	–
Intangible assets	11	2,931	3,192	–	–
Investment in subsidiaries	12	–	–	15,672	15,672
Loans to subsidiaries	13	–	–	2,766	2,710
Deferred tax assets	14	64	27	–	–
		<u>13,540</u>	<u>15,942</u>	<u>18,438</u>	<u>18,382</u>
Current assets					
Inventories	15	10,171	10,400	–	–
Trade and other receivables	13	5,449	6,674	26	33
Prepaid operating expenses		244	181	6	6
Tax recoverable		2	52	–	–
Due from related parties (trade)	16	5,179	2,110	–	–
Cash and cash equivalents	17	4,624	4,007	101	148
		<u>25,669</u>	<u>23,424</u>	<u>133</u>	<u>187</u>
Total assets		<u>39,209</u>	<u>39,366</u>	<u>18,571</u>	<u>18,569</u>
Current liabilities					
Trade and other payables	18	7,056	5,139	358	376
Due to subsidiaries, net	18	–	–	919	535
Due to related parties (trade)	16	1,219	1,070	–	–
Loans and borrowings	19	7,465	7,079	–	–
Provision for income tax		61	50	17	10
Forward currency contracts	25	31	9	–	–
		<u>15,832</u>	<u>13,347</u>	<u>1,294</u>	<u>921</u>
Net current assets/(liabilities)		<u>9,837</u>	<u>10,077</u>	<u>(1,161)</u>	<u>(734)</u>
Non-current liabilities					
Deferred tax liabilities	14	91	136	–	–
Loans and borrowings	19	810	1,827	–	–
		<u>901</u>	<u>1,963</u>	<u>–</u>	<u>–</u>
Total liabilities		<u>16,733</u>	<u>15,310</u>	<u>1,294</u>	<u>921</u>
Net assets		<u>22,476</u>	<u>24,056</u>	<u>17,277</u>	<u>17,648</u>
Equity attributable to owners of the Company					
Share capital	20	28,274	28,274	28,274	28,274
Reserves	21	(5,798)	(4,218)	(10,997)	(10,626)
Total equity		<u>22,476</u>	<u>24,056</u>	<u>17,277</u>	<u>17,648</u>

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

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2013**

ASJ Holdings Limited and Subsidiaries
Statements of Changes in Equity
For the financial year ended 31 December 2013

	Note	Attributable to owners of the Company				
		Share capital \$'000	Share option reserve \$'000	Foreign currency translation reserve \$'000	(Accumulated losses)/ revenue reserve \$'000	Total reserves \$'000
Group						
Balance at 1 January 2012		27,096	192	(3,278)	4,417	1,331
						28,427
Loss for the year		–	–	–	(4,675)	(4,675)
Other comprehensive income for the year, net of tax		–	–	(874)	–	(874)
Total comprehensive income for the year		–	–	(874)	(4,675)	(5,549)
Issuance of ordinary shares	20	1,178	–	–	–	–
						1,178
Balance at 31 December 2012 and 1 January 2013		28,274	192	(4,152)	(258)	(4,218)
						24,056
Loss for the year		–	–	–	(1,772)	(1,772)
Other comprehensive income for the year, net of tax		–	–	192	–	192
Total comprehensive income for the year		–	–	192	(1,772)	(1,580)
Balance at 31 December 2013		28,274	192	(3,960)	(2,030)	(5,798)
						22,476

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

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

ASJ Holdings Limited and Subsidiaries

Statements of Changes in Equity For the financial year ended 31 December 2013

	Note	Share capital	Share option reserve	Accumulated losses	Total reserves	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000
Company						
Balance at 1 January 2012		27,096	192	(3,785)	(3,593)	23,503
Issuance of ordinary shares	20	1,178	–	–	–	1,178
Loss for the year, representing total comprehensive income for the year		–	–	(7,033)	(7,033)	(7,033)
Balance at 31 December 2012 and 1 January 2013		28,274	192	(10,818)	(10,626)	17,648
Loss for the year, representing total comprehensive income for the year		–	–	(371)	(371)	(371)
Balance at 31 December 2013		28,274	192	(11,189)	(10,997)	17,277

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

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

ASJ Holdings Limited and Subsidiaries

Consolidated Cash Flow Statement For the financial year ended 31 December 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities:			
Loss before income tax		(1,839)	(4,353)
Adjustments for:			
Interest income		(1)	(1)
Finance costs		153	191
Depreciation of property, plant and equipment	10	2,695	2,810
Loss on disposal of property, plant and equipment	6	5	23
Impairment loss on property, plant and equipment	6	–	9
Amortisation of intangible assets	11	261	261
Allowance for doubtful debts	13	–	24
Allowance for inventory obsolescence and shrinkage	15	336	514
Net fair value loss on forward currency contracts		22	–*
Net exchange adjustments		278	60
Operating cash flows before changes in working capital		1,910	(462)
(Increase)/decrease in inventories		(363)	374
Decrease/(increase) in trade and other receivables		1,356	(811)
Increase in amount due from related parties		(2,958)	(822)
Increase in trade and other payables		2,023	1,247
Increase in amount due to related parties		115	96
Cash flows from/(used in) operations		2,083	(378)
Interest received		1	1
Interest paid		(153)	(190)
Income taxes refunded, net		45	257
Net cash flows generated from/(used in) operating activities		1,976	(310)
Cash flows from investing activities:			
Purchase of property, plant and equipment		(997)	(1,401)
Proceeds from disposal of property, plant and equipment		137	187
Net cash flows used in investing activities		(860)	(1,214)
Cash flows from financing activities:			
Net proceeds from the issue of ordinary shares		–	1,178
Proceeds from loans and borrowings		18,382	18,152
Repayment of loans and borrowings		(18,992)	(19,526)
Net cash flows used in financing activities		(610)	(196)
Net increase/(decrease) in cash and cash equivalents		506	(1,720)
Cash and cash equivalents at beginning of financial year		4,007	6,043
Effects of exchange rate changes on cash and cash equivalents		111	(316)
Cash and cash equivalents at end of year	17	4,624	4,007

* Denotes amounts less than \$1,000

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

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

1. Corporate information

ASJ Holdings Limited (the "Company") is a limited liability company incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 514 Chai Chee Lane, #05-05/06 Bedok Industrial Estate, Singapore 469029.

The principal activities of the Company are the provision of management services and that of an investment holding company. The principal activities of its subsidiaries are the manufacture and sale of resistors and the distribution of electronic and non-electronic components and disclosed in Note 12 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollars (SGD or \$) and all values are rounded to the nearest thousand (\$'000) as indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

Accordingly to the transition provisions of FRS 113 *Fair Value Measurement*, FRS 113 has been applied prospectively by the Group on 1 January 2013.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Revised FRS 27 <i>Separate Financial Statements</i>	1 January 2014
Revised FRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2014
FRS 110 <i>Consolidated Financial Statements</i>	1 January 2014
FRS 111 <i>Joint Arrangements</i>	1 January 2014
FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2014
Amendments to FRS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to FRS 36 <i>Recoverable Amount Disclosures for Non-financial Assets</i>	1 January 2014
Amendments to FRS 39 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
Amendments to the transition guidance of FRS 110 <i>Consolidated Financial Statements</i> , FRS 111 <i>Joint Arrangements</i> and FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2014
Amendments to FRS 110, FRS 112 and FRS 27: <i>Investment Entities</i>	1 January 2014

The directors expect that the adoption of the standards above will have no material impact to the financial statements in the period of initial application.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.4 ***Basis of consolidation***

Business combinations from 1 January 2010

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

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

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.8. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.4 ***Basis of consolidation (cont'd)***

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interest are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquires are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.5 ***Transactions with non-controlling interests***

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

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

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.6 *Foreign currency*

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

(a) *Transactions and balances*

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

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

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.17. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the end of the reporting period. The Group does not have a policy of periodic revaluation of its freehold land and buildings.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

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

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

Factory building – freehold	– 30 years
Facilities improvement	– 3 to 6 years
Plant and machinery	– 2 to 9 years
Office and other equipment	– 3 to 6 years

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.7 *Property, plant and equipment (cont'd)*

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

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

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

2.8 *Intangible assets*

(a) *Goodwill*

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.8 *Intangible assets (cont'd)*

(b) *Other intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Customer relationship

Customer relationship was acquired in a business combination. Customer relationship is amortised on a straight line basis over its finite useful life of 8 years.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.9 *Impairment of non-financial assets*

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of four years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.11 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) Financial assets at fair value through profit or loss

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

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.11 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement (cont'd)

(ii) Loans and receivables

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

Derecognition

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

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) *Financial liabilities*

Initial recognition and measurement

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

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

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.11 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) Financial liabilities at amortised cost

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.12 *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

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

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

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

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

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

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.13 **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash in bank and short term deposits and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.14 **Inventories**

Trading inventories are stated at the lower of cost (determined on a weighted average basis) and net realisable value.

Manufactured inventories are stated at the lower of cost (determined on a weighted average basis) and net realisable value. Cost for raw materials and consumable inventories include direct materials, and in the case of work-in-progress and finished goods, cost comprises direct materials, direct labour and attributable manufacturing overheads.

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

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

2.15 **Provisions**

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

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

2.16 **Government grants**

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to the profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2013

2.17 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18 *Employee benefits*

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

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

(c) *Termination benefit*

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.19 **Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

As lessee

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

2.20 **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Revenue is recognised using the effective interest method.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.21 **Taxes**

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

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

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

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

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.21 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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

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

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(c) *Sales tax*

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.22 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 *Share capital and share issuance expenses*

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

2.24 *Contingencies*

A contingent liability is:

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

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

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

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

2.25 *Related parties*

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. **Significant accounting estimates and judgements**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

3.1 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables, tax recoverable, deferred tax assets and deferred tax liabilities at the end of the reporting period was \$61,000 (2012: \$50,000), \$2,000 (2012: \$52,000), \$64,000 (2012: \$27,000) and \$91,000 (2012: \$136,000) respectively. The carrying amount of the Company's income tax payable at the end of the reporting period was \$17,000 (2012: \$10,000).

(b) *Determination of functional currency*

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3.2 *Key sources of estimation uncertainty*

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

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2013

3.2 **Key sources of estimation uncertainty (cont'd)**

(a) *Fair value of financial instruments*

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. The valuation of financial instruments is described in more detail in Note 26.

(b) *Useful lives of plant and machinery*

The cost of plant and machinery for the manufacture of electronic components is depreciated on a straight-line basis over the plant and machinery's useful lives. Management estimates the useful lives of these plant and machinery to be within 2 to 9 years. These are common life expectancies applied in the electronics industry. The carrying amount of the Group's plant and machinery at 31 December 2013 was \$5.7 million (2012: \$7.5 million). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(c) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 13 to the financial statements.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

4. Revenue

	Group	
	2013	2012
	\$'000	\$'000
Sale of goods	46,801	40,205

5. Other income

	Group	
	2013	2012
	\$'000	\$'000
Foreign exchange gain, net	–	305
Government grants	2	16
Sale of scrap items	312	309
Others	91	–
	<u>405</u>	<u>630</u>

During the previous financial year, the Singapore Finance Minister announced the introduction of Corporate Income Tax ("CIT") Rebate and Small and Medium Enterprise ("SME") Cash Grant. Under this scheme, the Group will receive a 20% CIT Rebate of up to \$10,000 or a SME Cash Grant of up to \$5,000, whichever is the higher amount. The Group received \$Nil (2012: \$15,000) during the year.

The Government introduced a Special Employment Credit ("SEC") as part of the 2011 Budget Initiatives to support employers of older workers. This once-off SEC is given to employers employing Singaporean employees aged above 55 and earning up to \$1,700 a month. The SEC will run for three years and applies to eligible employees who are on the Company's payroll anytime from January 2011 to December 2013. During the financial year, the Group received grant income of \$1,739 (2012: \$1,000) under the Scheme.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

6. Other expenses

	Group	
	2013	2012
	\$'000	\$'000
Foreign exchange loss, net	(749)	–
Impairment loss on property, plant and equipment	–	(9)
Loss on disposal of property, plant and equipment	(5)	(23)
	(754)	(32)
	(754)	(32)

7. Loss before tax

Loss before tax is stated after charging:

		Group	
	Note	2013	2012
		\$'000	\$'000
Audit fees paid/payable to:			
- auditors of the Company		114	115
- other auditors		15	15
Non-audit service fees paid/payable to:			
- auditors of the Company		–	2
Employee benefits expense	22	8,680	7,992
Inventories recognised as an expense in cost of sales	15	40,116	35,833
Operating lease expenses		213	276
Allowance for doubtful debts	13	–	24
Allowance for inventory obsolescence and shrinkage	15	336	514
Amortisation of intangible assets	11	261	261
Depreciation of property, plant and equipment	10	2,695	2,810
Finance cost – interest expense on loan and borrowings		153	191
Loss on fair value changes on forward currency contracts	25	22	– *
		22	– *
		22	– *

* Denotes amounts less than \$1,000

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

8. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group	
	2013	2012
	\$'000	\$'000
<i>Current income tax</i>		
- Current income taxation	62	55
- Over provision in respect of previous years	(47)	(128)
	15	(73)
<i>Deferred income tax</i>		
- Origination and reversal of temporary differences	(88)	385
- Under provision in respect of previous years	6	10
	(82)	395
Total income tax (credit)/expense recognised in profit or loss	(67)	322

Relationship between tax expense and accounting loss

A reconciliation between the tax (credit)/expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 is as follows:

Loss before tax	(1,839)	(4,353)
Singapore statutory tax rate 17%	(313)	(740)
Adjustments:		
Differences in income tax rates of other countries	(87)	(89)
Non-deductible expenses	227	424
Income not subject to taxation	(11)	(66)
Effect of partial tax exemption and tax relief	(38)	(123)
Deferred tax assets not recognised	186	1,028
Over provision in respect of previous years, net	(41)	(118)
Others	10	6
Total income tax (credit)/expense recognised in profit or loss	(67)	322

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

9. Loss per share

Basic loss per share amounts are calculated by dividing loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share are calculated by dividing loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

	Group	
	2013	2012
	\$'000	\$'000
Loss for the year attributable to owners of the Company	<u>(1,772)</u>	<u>(4,675)</u>
	Number of shares (in thousands)	
Weighted average number of ordinary shares for the calculation of basic earnings per share	<u>272,286</u>	<u>270,503</u>
	Cents	Cents
Loss per share		
- Basic	<u>(0.65)</u>	<u>(1.73)</u>
- Diluted	<u>(0.65)</u>	<u>(1.73)</u>

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2013**

ASJ Holdings Limited and Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2013**

10. Property, plant and equipment								
	Freehold land \$'000	Factory building \$'000	Facilities improvement \$'000	Plant and machinery \$'000	Office and other equipment \$'000	Total \$'000		
Group								
Cost:								
At 1 January 2012	988	3,809	1,679	41,208	2,842	50,526		
Exchange adjustments	(25)	(97)	(54)	(633)	(154)	(963)		
Additions	–	–	214	494	800	1,508		
Disposals	–	–	(94)	(901)	(529)	(1,524)		
At 31 December 2012 and 1 January 2013	963	3,712	1,745	40,168	2,959	49,547		
Exchange adjustments	(34)	(132)	(37)	(824)	42	(985)		
Additions	–	–	141	542	324	1,007		
Disposals	–	–	(10)	(717)	(248)	(975)		
At 31 December 2013	929	3,580	1,839	39,169	3,077	48,594		
Accumulated depreciation:								
At 1 January 2012	–	934	1,135	31,582	2,248	35,899		
Exchange adjustments	–	(26)	(40)	(397)	(117)	(580)		
Charge for the financial year	–	126	215	2,157	312	2,810		
Impairment loss	–	–	–	9	–	9		
Disposals	–	–	(71)	(727)	(516)	(1,314)		
At 31 December 2012 and 1 January 2013	–	1,034	1,239	32,624	1,927	36,824		
Exchange adjustments	–	(41)	(23)	(609)	36	(637)		
Charge for the financial year	–	123	183	1,976	413	2,695		
Disposals	–	–	(4)	(593)	(236)	(833)		
At 31 December 2013	–	1,116	1,395	33,398	2,140	38,049		
Net carrying amount:								
At 31 December 2013	929	2,464	444	5,771	937	10,545		
At 31 December 2012	963	2,678	506	7,544	1,032	12,723		

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

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

Assets pledged as security

At the end of the reporting period, the Group's plant and machinery with a carrying amount of \$3,636,000 (2012: \$4,491,000) are pledged to secure the Group's bank loans and borrowings (Note 19).

Valuation of freehold land, buildings, facilities and major machinery

The Group's accounting policy is set out in Note 2.7. During the financial year, the Group engaged Robert Khan & Co, an independent valuer to determine the fair value of the freehold land, buildings, facilities and major machinery in order to provide an indication of the fair values of these assets for management reference. Fair value for freehold land, buildings and facilities is determined by reference to market based evidence. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property, plant and equipment. Fair value for machinery is determined based on estimation of current market value, adjusted for replacement costs of improvements, allowance for physical deterioration and all relevant forms of obsolescence and optimisation. The date of the valuation was 31 December 2013.

Based on the valuation, the fair values of the freehold land, buildings, facilities and machinery valued are as follows:

	Group			
	2013	Net carrying amount *	2012	Net carrying amount *
	Fair value \$'000	\$'000	Fair value \$'000	\$'000
Freehold land, buildings and facilities at 31 December	<u>5,658</u>	<u>3,795</u>	<u>5,634</u>	<u>4,136</u>
Machinery at 31 December	<u>8,731</u>	<u>4,893</u>	<u>10,486</u>	<u>6,728</u>

* Represents 87% (2012: 85%) of total property, plant and equipment

Impairment of assets

During the financial year, the Group carried out a review of the recoverable amount of certain production equipment of the manufacturing segment which were no longer in use, and an impairment loss of \$Nil (2012: \$9,000), representing the write-down of these equipment was recognised in "Other expenses" (Note 6) line item of profit or loss for the financial year ended 31 December 2013.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

11. Intangible assets

	Goodwill \$'000	Customer relationship \$'000	Total \$'000
Group			
Cost:			
As at 1 January 2012, 31 December 2012 and 31 December 2013	2,409	2,088	4,497
Accumulated amortisation:			
As at 1 January 2012	–	1,044	1,044
Amortisation for the year	–	261	261
At 31 December 2012 and 1 January 2013	–	1,305	1,305
Amortisation for the year	–	261	261
At 31 December 2013	–	1,566	1,566
Net carrying amount:			
At 31 December 2013	2,409	522	2,931
At 31 December 2012	2,409	783	3,192

Customer relationship

Customer relationship relates to long-term working relationships with major customers identified in a business acquisition. The amortisation period for customer relationship is 8 years with a remaining amortisation period of 2 years (2012: 3 years).

Amortisation expense

The amortisation of customer relationship is included in 'Selling expenses' in the income statement.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

11. Intangible assets (cont'd)

Impairment testing of goodwill

Goodwill arising from a business combination has been allocated to the Group's distribution segment, which is an individual cash generating unit ("CGU") for impairment testing.

The recoverable amount of the CGU has been determined based on value in use calculations using cash flow projects from financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolated cash flows beyond the five-year period are as follows:

	Distribution segment	
	2013	2012
Terminal growth rate	1%	1%
Gross margin	18%	19%
Discount rate	11%	11%

The calculations of value in use for the CGU are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on values targeted to be achieved by the Group in the forecasted financial years.

Terminal growth rates – The terminal growth rates used does not exceed the long-term average growth rate of the industry and country in which the CGU operates.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Market share assumptions – Management expects the Group's share of the electronics market to be stable over the budget period, and do not expect the long-term average growth rate to exceed the industry growth rate.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

12. Investment in subsidiaries

	Company	
	2013	2012
	\$'000	\$'000
Unquoted equity shares, at cost	22,308	22,308
Less: Impairment losses	(6,636)	(6,636)
	<u>15,672</u>	<u>15,672</u>
Movement in impairment account:		
At 1 January	6,636	–
Impairment for the year	<u>–</u>	<u>6,636</u>
At 31 December	<u>6,636</u>	<u>6,636</u>

Details of the subsidiary are as follows:

Details of the subsidiary are as follows:					
Name of subsidiary		Principal activities	Country of incorporation/ business	Proportion (%) of ownership interest	
				2013	2012
				%	%
<i>Held by the Company</i>					
*	ASJ Pte Ltd	Sale of resistors	Singapore	100	100
**	ASJ Components (M) Sdn. Bhd.	Manufacture and sale of resistors	Malaysia	100	100
☞	ASJ (Hong Kong) Limited	Provision of warehousing and logistics services and commission agent	Hong Kong	100	100
#	ASJ (ShenZhen) Pte Ltd	Dormant	Singapore	100	100
*	CRL Components (S) Pte Ltd	Import and export of electronics and electrical components and related products	Singapore	100	100
<i>Held through CRL Components (S) Pte Ltd</i>					
☞	CRL Components (M) Sdn. Bhd.	Dormant	Malaysia	100	100

* Audited by Ernst & Young LLP, Singapore.

** Audited by Ernst & Young, Malaysia.

☞ Not material to the Group and not required to be disclosed according to SGX Listing Rule 717.

Struck off on 10 February 2014

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

13. Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Trade and other receivables (current):				
Trade receivables	5,079	6,340	–	–
Less: Allowance for impairment	(24)	(24)	–	–
Trade receivables, net	5,055	6,316	–	–
Advance to employees	8	18	–	–
Other receivables	386	340	26	33
	5,449	6,674	26	33
Loans to subsidiaries (non-current)	–	–	2,766	2,710
Due from related parties (trade) (Note 16)	5,179	2,110	–	–
	<u>10,628</u>	<u>8,784</u>	<u>2,792</u>	<u>2,743</u>
Total trade and other receivables	10,628	8,784	2,792	2,743
Add: Cash and cash equivalents (Note 17)	4,624	4,007	101	148
Total loans and receivables	<u>15,252</u>	<u>12,791</u>	<u>2,893</u>	<u>2,891</u>

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables not denominated in the functional currency of the respective subsidiary companies for the Group at the end of the reporting period are as follows:

	Group	
	2013	2012
	\$'000	\$'000
Denominated in:		
Hong Kong Dollars	–	265
Euro	<u>800</u>	<u>564</u>

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

13. Trade and other receivables (cont'd)

Loans to subsidiaries

Loans to subsidiaries are unsecured, non-interest bearing and are not expected to be repaid within the next 12 months.

Loans to subsidiaries denominated in foreign currency at the end of the reporting period is as follows:

	Company	
	2013	2012
	\$'000	\$'000
United States Dollars	<u>1,666</u>	<u>1,610</u>

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$1,181,000 (2012: \$1,972,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2013	2012
	\$'000	\$'000
Trade receivables past due:		
Lesser than 30 days	985	1,326
30 to 60 days	187	462
61 to 90 days	9	100
91 to 120 days	–	4
More than 120 days	–	80
	<u>1,181</u>	<u>1,972</u>

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

13. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	2013	2012
	\$'000	\$'000
Trade receivables – nominal amounts	24	24
Less: Allowance for impairment	(24)	(24)
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
Movement in allowance accounts:		
At 1 January	24	–
Charge for the year	–	24
	<u>–</u>	<u>24</u>
At 31 December	<u>24</u>	<u>24</u>

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

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

14. Deferred tax assets/liabilities

Deferred tax as at 31 December 2013 and 2012 relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets:				
Unutilised losses	167	143	(24)	102
Unutilised allowances	626	969	343	325
Provisions	220	88	(132)	61
Gross deferred tax assets	<u>1,013</u>	<u>1,200</u>	<u>187</u>	<u>488</u>
Deferred tax liabilities:				
Excess of net book value over tax written-down value of property, plant and equipment	951	1,176	(225)	(48)
Fair value adjustments on acquisition of subsidiary	89	133	(44)	(45)
Gross deferred tax liabilities	<u>1,040</u>	<u>1,309</u>	<u>(269)</u>	<u>(93)</u>
Deferred tax liabilities, net	<u>(27)</u>	<u>(109)</u>		
Deferred tax (credit)/expense			<u>(82)</u>	<u>395</u>
Analysis of deferred income tax:				
- Assets	64	27		
- Liabilities	(91)	(136)		
	<u>(27)</u>	<u>(109)</u>		

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. At the end of the reporting period, the Group has unutilised tax losses of approximately \$3,322,000 (2012: \$2,915,000), unutilised capital allowances of approximately \$6,756,000 (2012: \$7,508,000), unutilised investment tax allowances of approximately \$3,950,000 (2012: \$4,096,000) and unutilised reinvestment allowances of approximately \$8,408,000 (2012: \$8,176,000) which are available for offset against future taxable profits. Of these, approximately \$3,322,000 (2012: \$2,915,000) of unutilised losses, \$3,283,000 (2012: \$2,801,000) of unutilised capital allowances, \$3,950,000 (2012: \$4,096,000) of unutilised investment tax allowances and \$8,408,000 (2012: \$8,176,000) of unutilised reinvestment allowances were not recognised as deferred tax assets due to uncertainty of their recoverability.

The use of these tax losses and investment tax allowance is subject to the agreement of the relevant tax authorities and compliance with relevant provisions of the tax legislation of the respective countries in which the Company and its subsidiaries operate. The tax losses and investment tax allowances have no expiry dates.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

15. Inventories

		Group	
	Note	2013 \$'000	2012 \$'000
Balance sheet:			
Raw materials		1,802	1,370
Work-in-progress		564	393
Finished goods		7,096	7,666
Consumable materials		709	971
Total inventories at lower of cost and net realisable value		<u>10,171</u>	<u>10,400</u>
Income statement:			
Inventories recognised as an expense in cost of sales	7	40,116	35,833
Inclusive of the following charge:			
Allowance for inventory obsolescence and shrinkage	7	<u>336</u>	<u>514</u>

16. Due from/(to) related parties (trade)

The amounts due from/(to) related parties are non-interest bearing and are normally settled on 60 to 90 day terms.

17. Cash and cash equivalents

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash and bank balances	<u>4,624</u>	<u>4,007</u>	<u>101</u>	<u>148</u>

Cash and cash equivalents denominated in foreign currencies at the end of the reporting period are as follows:-

	Group	
	2013 \$'000	2012 \$'000
United States Dollars	147	147
Euro	132	7
Japanese Yen	81	13
Hong Kong Dollars	55	242
Renminbi	<u>3</u>	<u>23</u>

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

17. Cash and cash equivalents (cont'd)

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2013	2012
	\$'000	\$'000
Cash and bank balances	4,624	4,007

18. Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Trade payables	5,943	4,321	78	82
Accruals	1,113	818	280	294
	7,056	5,139	358	376
Due to related parties (trade) (Note 16)	1,219	1,070	–	–
Due from subsidiaries	–	–	(727)	(1,061)
Due to subsidiaries	–	–	1,646	1,596
Due to subsidiaries, net	–	–	919	535
	8,275	6,209	1,277	911
Add: Loans and borrowings (Note 19)	8,275	8,906	–	–
Total financial liabilities carried at amortised cost	16,550	15,115	1,277	911

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

18. Trade and other payables (cont'd)

Due to subsidiaries, net

Amounts due to subsidiaries, net are unsecured, non-interest bearing, and expected to be repaid within the next 12 months.

Amounts due to subsidiaries, net denominated in foreign currency at the end of the reporting period is as follows:

	Company	
	2013	2012
	\$'000	\$'000
United States Dollars	<u>1,436</u>	<u>1,388</u>

Trade payables not denominated in the functional currency of the respective subsidiary companies at the end of the reporting period are as follows:

	Group	
	2013	2012
	\$'000	\$'000
United States Dollars	3,049	2,123
Japanese Yen	138	60
Malaysia Ringgit	66	69
Euro	56	46
Hong Kong Dollars	<u>4</u>	<u>4</u>

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

19. Loans and borrowings

		Group	
	Maturity	2013 \$'000	2012 \$'000
Current:			
United States Dollars floating rate bank loan, secured	2014	2,895	2,198
Malaysian Ringgit floating rate bank loan, unsecured	2014	65	90
Bills payable to banks	2014	4,505	4,791
		<u>7,465</u>	<u>7,079</u>
Non-current:			
United States Dollars floating rate bank loan, secured	2015	810	1,760
Malaysian Ringgit floating rate bank loan, unsecured	2014	–	67
		<u>810</u>	<u>1,827</u>
Total loans and borrowings		<u>8,275</u>	<u>8,906</u>

United States Dollars floating rate bank loan

These loans are secured by a specific debenture over the plant and machinery financed under the bank loans (Note 10) and corporate guarantees provided by the Company (Note 27(a)). The bank loans bear interest at rates ranging from 1.63% to 2.15% (2012: 1.74% to 2.15%) per annum and are repayable from 2014 to 2015.

Malaysian Ringgit floating rate bank loan

The bank loans are unsecured, bear interest at rates ranging from 4.88% to 5.53% (2012: 4.54% to 5.53%) per annum, and are repayable in 2014.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2013

20. Share capital

	Group and Company			
	2013		2012	
	No. of ordinary shares		No. of ordinary shares	
	'000	\$'000	'000	\$'000
Issued and fully paid:				
At beginning of financial year	272,286	28,274	242,840	27,096
Exercise of warrants	—	—	29,446	1,178
At end of financial year	<u>272,286</u>	<u>28,274</u>	<u>272,286</u>	<u>28,274</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

Rights cum Warrants Issue

On 24 November 2009, the Company undertook a renounceable non-underwritten rights issue (the "Rights Issue") of 48,497,408 new ordinary shares (the "Rights Shares") at the issue price of \$0.04 for each Rights Share, on the basis of one Rights Share for every four existing ordinary shares in the capital of the Company. Subscribers of these Rights Shares are also entitled to 1 free detachable warrant (the "Warrants") for every 1 Rights Share acquired.

The Rights Shares with Warrant rank *pari passu* in all respects with the existing issued shares, save for any dividends, rights, allotments, or other distributions, the record date for which falls before the date of issue of the Rights Shares.

The approval-in-principle from SGX-ST for the proposal was obtained on 12 January 2010, and subscription of these Rights Shares with Warrant commenced on 28 January 2010 and completed on 5 February 2010. During 2012, 29,445,954 warrants were exercised and 18,698,304 warrants have expired and lapsed on 21 February 2012.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2013

21. Reserves

	Note	Group		Company	
		2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
Share option reserve	(a)	192	192	192	192
Foreign currency translation reserve	(b)	(3,960)	(4,152)	–	–
Accumulated losses		(2,030)	(258)	(11,189)	(10,818)
		<u>(5,798)</u>	<u>(4,218)</u>	<u>(10,997)</u>	<u>(10,626)</u>

(a) *Share option reserve*

Share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options.

All options under the Company's Executives' Share Option Scheme had lapsed as at 31 December 2008.

(b) *Foreign currency translation reserve*

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

	Group	
	2013	2012
	\$'000	\$'000
At beginning of financial year	(4,152)	(3,278)
Net effect of exchange differences arising from translation of financial statements of foreign operations	192	(874)
At end of financial year	<u>(3,960)</u>	<u>(4,152)</u>

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

22. Employee benefits expense

	Group	
	2013	2012
	\$'000	\$'000
Employee benefits expense (including directors):		
Salaries, bonuses and others	8,095	7,403
Defined contribution plans	420	424
	<u>8,515</u>	<u>7,827</u>
Directors' fee	165	165
	<u>8,680</u>	<u>7,992</u>

23. Related party transactions

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant transactions between the Group and its related companies and related parties on rates and terms agreed during the financial year:

	Group	
	2013	2012
	\$'000	\$'000
Sale of finished goods to related parties	14,321	5,294
Purchase of goods from related parties	(6,798)	(6,028)
Purchase of property, plant and equipment from related parties	—	(103)
	<u>—</u>	<u>(103)</u>

Purchases from and sales to related parties were made with entities with a common director as the Company or which a director of the Company has significant influence over.

The following were significant transactions between the Company and its related companies and related parties on rates and terms agreed during the financial year:

	Company	
	2013	2012
	\$'000	\$'000
Rendering of management services and recharge of finance and administrative fees to subsidiaries	937	1,041
	<u>937</u>	<u>1,041</u>

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

23. Related party transactions (cont'd)

(b) *Compensation of key management personnel*

The remuneration of directors and other members of key management of the Group during the financial year are as follows:

	Group	
	2013	2012
	\$'000	\$'000
Short-term employee benefits	761	971
Defined contribution plan	60	60
Directors' fee	165	165
	<u> </u>	<u> </u>
Total compensation paid to key management personnel	<u>986</u>	<u>1,196</u>
Comprise amounts paid to:		
Directors of Company		
- fee	165	165
- remuneration	225	217
Other senior management staff	596	814
	<u>986</u>	<u>1,196</u>

24. Commitments and contingencies

(a) *Capital commitments*

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements is as follows:

	Group	
	2013	2012
	\$'000	\$'000
Capital expenditure for plant and machinery:		
Committed and contracted	<u>484</u>	<u>91</u>

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

24. Commitments and contingencies (cont'd)

(b) *Operating lease commitments*

As at 31 December 2013, the Group has operating lease commitments in respect of certain leasehold land, buildings and equipment. These leases have remaining non-cancellable lease terms of 1 to 5 years (2012: 1 to 3 years).

Future minimum rentals payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2013 \$'000	2012 \$'000
Within one year	377	302
Within 2 to 5 years	315	160
	<u>692</u>	<u>462</u>

25. Forward currency contracts

	2013			2012		
	Contract/ Notional Amount \$'000	Assets \$'000	Liabilities \$'000	Contract/ Notional Amount \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts	2,489	–	(31)	1,642	–	(9)
Total financial liabilities at fair value through profit or loss			<u>(31)</u>			<u>(9)</u>

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in Euro and USD for which firm commitments existed at the end of the reporting period, extending to June 2014 (2012: June 2013).

The Group and the Company did not adopt hedge accounting under FRS 39 – Financial Instruments: Recognition and Measurement. The fair value changes for forward currency contracts recognised as an expense in profit or loss amounted to \$21,792 (2012: expense of \$196) (Note 7).

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2013

26. Fair value of financial instruments

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

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

	Quoted prices in active markets for identical instruments (Level 1) \$'000	Group Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Group				
2013				
Financial liability:				
Forward currency contracts (Note 25)	—	(31)	—	(31)
2012				
Financial liability:				
Forward currency contracts (Note 25)	—	(9)	—	(9)

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and
- Level 3 - Unobservable inputs for the asset or liability.

Determination of fair value

Forward currency contracts (Note 25): Forward currency contracts are valued using widely accepted pricing models, with market observable inputs including foreign exchange spot and forward rate.

There have been no transfers between Level 1, Level 2 and Level 3 during the financial years ended 2013 and 2012.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2013

26. Fair value of financial instruments (cont'd)

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

Loans and borrowings (non-current)

The carrying amounts of these financial liabilities are reasonable approximation of fair values, as they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period.

Current trade and other receivables and payables, cash and cash equivalents, current loans and borrowings, amount due from/to subsidiaries and amount due to/from related parties

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, due to their short-term nature.

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

Loans to subsidiaries

The loans to subsidiaries have no fixed terms of repayment and are not expected to be repaid within the next twelve months. Accordingly, the fair value is not determinable as the timing of the future cash flows cannot be estimated reliably.

27. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Financial Controller. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2013

27. Financial risk management objectives and policies (cont'd)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For cash and cash equivalents, the Group and the Company minimise credit risk by dealing exclusively with reputable banks and financial institutions.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets and a nominal amount of \$17,342,000 (2012: \$15,871,000) relating to corporate guarantees provided by the Company to banks for credit facilities granted to subsidiaries.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period are as follows:

	2013		2012	
	\$'000	% of total	\$'000	% of total
Group				
By country:				
Singapore	786	8	1,286	15
People's Republic of China	5,490	54	3,792	45
Malaysia	1,182	11	1,076	13
Europe	840	8	677	8
Thailand	893	9	734	9
Other countries	1,043	10	861	10
	<u>10,234</u>	<u>100</u>	<u>8,426</u>	<u>100</u>

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2013

27. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Credit risk concentration profile (cont'd)

Group	2013		2012	
	\$'000	% of total	\$'000	% of total
By industry sectors:				
Sub-contractor	2,210	22	1,659	26
Telecommunication	249	2	470	7
Distributor	5,082	50	3,393	34
Peripherals	5	—	226	3
Consumer	405	4	480	8
Industrial	1,854	18	1,637	13
Others	429	4	561	9
	<u>10,234</u>	<u>100</u>	<u>8,426</u>	<u>100</u>

At the end of the reporting period, approximately:

- 48% (2012: 34%) of the Group's trade receivables were due from 5 (2012: 5) major customers and
- 51% (2012: 24%) of the Group's trade and other receivables were due from related parties while almost all of the Company's receivables were balances with its subsidiaries.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 (Trade and other receivables).

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2013

27. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group adopts prudent liquidity risk management by maintaining sufficient liquid financial assets and stand-by credit facilities with three different banks. At the end of the reporting period, approximately 90% (2012: 79%) of the Group's loans and borrowings (Note 19) will mature in less than one year based on the carrying amount reflected in the financial statements.

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

	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
Group			
At 31 December 2013			
Financial assets			
Trade and other receivables	5,449	–	5,449
Due from related parties (trade)	5,179	–	5,179
Cash and cash equivalents	4,624	–	4,624
Total undiscounted financial assets	15,252	–	15,252
Financial liabilities			
Trade and other payables	7,056	–	7,056
Due to related parties (trade)	1,219	–	1,219
Loans and borrowings	7,493	818	8,311
Forward currency contracts	31	–	31
Total undiscounted financial liabilities	15,799	818	16,617
Total net undiscounted financial liabilities	(547)	(818)	(1,365)

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2013

27. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
Group			
At 31 December 2012			
Financial assets			
Trade and other receivables	6,674	–	6,674
Due from related parties (trade)	2,110	–	2,110
Cash and cash equivalents	4,007	–	4,007
Total undiscounted financial assets	12,791	–	12,791
Financial liabilities			
Trade and other payables	5,139	–	5,139
Due to related parties (trade)	1,070	–	1,070
Loans and borrowings	7,139	1,870	9,009
Forward currency contracts	9	–	9
Total undiscounted financial liabilities	13,357	1,870	15,227
Total net undiscounted financial liabilities	(566)	(1,870)	(2,436)

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2013

27. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	1 year or less
	\$'000
Company	
At 31 December 2013	
Financial assets	
Trade and other receivables	26
Cash and cash equivalents	101
Total undiscounted financial assets	<u>127</u>
Financial liabilities	
Trade and other payables	358
Due to subsidiaries	919
Total undiscounted financial liabilities	<u>1,277</u>
Total net undiscounted financial liabilities	<u>(1,150)</u>
At 31 December 2012	
Financial assets	
Trade and other receivables	33
Cash and cash equivalents	148
Total undiscounted financial assets	<u>181</u>
Financial liabilities	
Trade and other payables	376
Due to subsidiaries	535
Total undiscounted financial liabilities	<u>911</u>
Total net undiscounted financial liabilities	<u>(730)</u>

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2013

27. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

At 31 December 2013	1 year or less \$'000	2 to 5 years \$'000	Total \$'000
Company			
Financial guarantees	12,884	4,458	17,342

At 31 December 2012	1 year or less \$'000	2 to 5 years \$'000	Total \$'000
Company			
Financial guarantees	8,969	6,902	15,871

(c) *Interest rate risk*

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

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2013

27. Financial risk management objectives and policies (cont'd)

(c) *Interest rate risk (cont'd)*

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity to a reasonably possible change in interest rates on the term loan against the Group's profit net of tax (through the impact of interest expense). The sensitivity analysis is performed based on the Group's exposure to the bank loan undertaken as at 31 December (Note 19), which represents the Group's most significant exposure to interest rate risk. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	Group (Increase)/decrease in loss before tax	
	2013	2012
	\$'000	\$'000
Increase/decrease in basis points		
+50	(21)	(24)
+100	(42)	(49)
-25	11	12
-75	<u>32</u>	<u>36</u>

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, USD, Malaysian Ringgit (Ringgit) and Renminbi (RMB). The foreign currencies in which these transactions are denominated are mainly Euro (EUR), Japanese Yen (YEN) and Hong Kong Dollars (HKD). Approximately 18% (2012: 23%) of the Group's sales are denominated in foreign currencies whilst almost 65% (2012: 65%) of costs are denominated in the respective functional currencies of the Group entities.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are disclosed in Note 17.

The Group's exposure to foreign currencies is primarily managed by natural hedges of matching assets and liabilities denominated in foreign currencies. The Group closely monitors and ensures that the remaining net foreign exchange exposure is maintained at an acceptable level by buying or selling foreign currencies at spot rates to address short term imbalances.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2013

27. Financial risk management objectives and policies (cont'd)

(d) *Foreign currency risk (cont'd)*

The Group is also exposed to currency translation risk arising from its net investments in foreign and local operations where functional currencies of the operations are not in SGD. The Group's net investments in these operations are not hedged as their currency positions are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, EUR, HKD and Yen exchange rates (against the respective functional currencies of the entities in the Group), with all other variables held constant, of the Group's profit before tax.

		Group (Increase)/decrease in loss before tax	
		2013	2012
		\$'000	\$'000
USD/SGD	- strengthened 4.2% (2012: 6.1%)	(132)	(126)
	- weakened 4.2% (2012: 5.7%)	132	119
EUR/SGD	- strengthened 6.3% (2012: 10.2%)	58	54
	- weakened 0.9% (2012: 9.3%)	(8)	(49)
HKD/SGD	- strengthened 4.11% (2012: 5.9%)	15	105
	- weakened 4.11% (2012: 5.6%)	(15)	(99)
YEN/SGD	- strengthened 15.2% (2012: 11.9%)	(10)	(6)
	- weakened 13.2% (2012: 10.6%)	9	5

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

28. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 60% on a long-term basis. The Group includes within net debt, loans and borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital pertains to equity attributable to the owners of the Company.

		Group	
	Note	2013 \$'000	2012 \$'000
Trade and other payables	18	7,056	5,139
Due to related parties	18	1,219	1,070
Loans and borrowings	19	8,275	8,906
Less: Cash and cash equivalents	17	(4,624)	(4,007)
Net debt		<u>11,926</u>	<u>11,108</u>
Equity attributable to the owners of the Company		<u>22,476</u>	<u>24,056</u>
Capital and net debt		<u><u>34,402</u></u>	<u><u>35,164</u></u>
Gearing ratio		<u><u>35%</u></u>	<u><u>32%</u></u>

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2013

29. Segment information

Reporting format

For management purposes, the Group is organised into business units based on their products and services, and has three reportable segments as followed:

(a) Manufacturing segment

This segment comprises of manufacture and sale of resistors.

(b) Distribution segment

This segment is that of distribution of electronic and non-electronic components.

(c) Corporate and others segment

This segment relates to general Group-level corporate services.

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

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

Basis of allocation and accounting for transactions

Segmental results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax and deferred tax assets and liabilities, loans and borrowings and related expenses.

Transactions between business segments are conducted at agreed terms. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

29. Segment information (cont'd)

	Manufacturing		Distribution		Corporate and others		Elimination		Notes	Per consolidated financial statements	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000		2013 \$'000	2012 \$'000
Revenue:											
Sales of goods to external customers	31,910	26,771	14,891	13,434	–	–	–	–		46,801	40,205
Inter-segment	1,514	1,123	–	–	–	–	(1,514)	(1,123)	A	–	–
Total revenue	33,424	27,894	14,891	13,434	–	–	(1,514)	(1,123)		46,801	40,205
Results:											
Segment results	(699)	(4,418)	115	309	(354)	(359)	–	–	B	(938)	(4,468)
Unallocated expenses										(901)	115
Loss before income tax										(1,839)	(4,353)
Income tax										67	(322)
Loss after income tax										(1,772)	(4,675)
Assets and liabilities:											
Segment assets	34,538	33,086	6,617	6,120	3,592	4,580	(5,604)	(4,499)	C	39,143	39,287
Unallocated assets										66	79
Total assets										39,209	39,366
Segment liabilities	23,831	20,950	(688)	(732)	(953)	(589)	(5,610)	(4,505)		16,580	15,124
Unallocated liabilities										153	186
Total liabilities										16,733	15,310
Other segment information:											
Addition to non-current assets	996	1,506	11	2	–	–	–	–	D	1,007	1,508
Depreciation	2,683	2,794	12	16	–	–	–	–		2,695	2,810
Impairment of non-financial assets	–	9	–	–	–	–	–	–		–	9
Amortisation of intangible assets	–	–	261	261	–	–	–	–		261	261
Allowance for inventory obsolescence and shrinkage	266	423	70	91	–	–	–	–		336	514

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

29. Segment information (cont'd)

Notes: Nature of adjustments and elimination to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues are eliminated on consolidation.

B The following items are (deducted from)/added to segment to arrive at "loss before income tax" presented in the consolidated statement of comprehensive income:

	2013	2012
	\$'000	\$'000
Foreign exchange (loss)/gain, net	(749)	305
Interest income	1	1
Interest expense	(153)	(191)
	<u>(901)</u>	<u>115</u>

C The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

Tax recoverable	2	52
Deferred tax assets	64	27
	<u>66</u>	<u>79</u>

D Additions to non-current assets consist of additions to property, plant and equipment.

Geographical segments

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

	Revenue		Non-current assets	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Singapore	6,188	5,939	3,527	3,916
Malaysia	5,843	5,678	9,949	11,999
China/Hong Kong	23,893	17,119	–	–
United States of America	187	234	–	–
Europe	4,444	3,949	–	–
Thailand	5,309	6,221	–	–
Others	937	1,065	–	–
	<u>46,801</u>	<u>40,205</u>	<u>13,476</u>	<u>15,915</u>

Non-current assets information presented above consist of property, plant and equipment, intangible assets as presented in the consolidated balance sheet.

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

ASJ Holdings Limited and Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2013

29. Segment information (cont'd)

Information about major customers

Revenue from 2 (2012: 1) major customer amounted to \$14,321,000 (2012: \$3,824,000) arising from sales by manufacturing segment.

30. Event occurring after the reporting period

On 10 February 2014, the Company struck off a wholly-owned subsidiary Company in Singapore, ASJ (Shenzhen) Pte Ltd as it had cease to carry on business on 31 December 2011 and there are no plans to resume its operations.

31. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 25 March 2014.

APPENDIX V – VALUATION CERTIFICATE BY THE INDEPENDENT VALUER



VALUATION CERTIFICATE ON THE PROPERTY VALUATION OF LOT 85456, MUKIM OF SENAI, DISTRICT OF KULAIJAYA (FORMERLY PTD 91009, MUKIM OF SENAI-KULAI, DISTRICT OF JOHOR BARU), STATE OF JOHOR DARUL TAKZIM, MALAYSIA AND VALUATION OF CHIP RESISTORS MANUFACTURING PLANT & MACHINERY LOCATED AT PTD 37440, JALAN PERINDUSTRIAN SENAI 3, KAWASAN PERINDUSTRIAN SENAI II, 81400 SENAI, JOHOR DARUL TAKZIM, MALAYSIA

- Chartered Surveyors
- Valuers of
 - Plant & Machinery
 - Real Estate
 - Businesses
 - Fine Arts
- Auctioneers & Agents
- Facilities & Project Managers
- Capital Allowance Claims Consultants



VALUATION CERTIFICATE

Our Ref: PV/6420-2/ASJ/1405/RK/EM/YKS/SKT/LKH
P&M/3086-2/1405/RK/SKT/SA

Date : 24 May 2014

ASJ Holdings Limited
514 Chai Chee Lane
#05-05/06 Bedok Industrial Estate
Singapore 469026

Dear Sir

RE: VALUATION CERTIFICATE ON THE PROPERTY VALUATION OF LOT 85456, MUKIM OF SENAI, DISTRICT OF KULAIJAYA (FORMERLY PTD 91009, MUKIM OF SENAI-KULAI, DISTRICT OF JOHOR BARU), STATE OF JOHOR DARUL TAKZIM, MALAYSIA ("SUBJECT PROPERTY") AND VALUATION OF CHIP RESISTORS MANUFACTURING PLANT & MACHINERY ("ASSETS") LOCATED AT PTD 37440, JALAN PERINDUSTRIAN SENAI 3, KAWASAN PERINDUSTRIAN SENAI II, 81400 SENAI, JOHOR DARUL TAKZIM, MALAYSIA

This Valuation Certificate has been prepared for the purpose of inclusion into ASJ Holdings Limited shareholders' circular.

2/...

Robert Khan & Co Pte Ltd 简有为国际商业资产及机械咨询公司 Registration No. 199305890G

261 Waterloo Street, #04-24, Waterloo Centre, Singapore 180261

Tel: +65 6333 5668 Fax: +65 6333 5670 E-mail: info@robertkhanco.com Website: www.robertkhanco.com

Australia • China • Hong Kong • India • Indonesia • Malaysia • Myanmar • Philippines • South Africa • South Korea • Taiwan • United Kingdom • USA

INTERNATIONAL BUSINESS ASSETS CONSULTANTS

APPENDIX V – VALUATION CERTIFICATE BY THE INDEPENDENT VALUER



PV/6420-2/ASJ/1405/RK/EM/YKS/SKT/LKH
P&M/3086-2/1405/RK/SKT/SA
24 May 2014
Page 2

In accordance with your instructions, we have re-inspected the abovementioned property on 22 May 2014 and assessed the Market Value of the Subject Property and the Market Value in Continued Use of the Assets as at 30 April 2014.

The term “Market Value” is defined as the estimated amount for which an asset 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.

We have valued the Market Value of the subject land using the Direct Comparison approach. The Direct Comparison is based on the substitution principle whereby a prudent purchaser is assumed to pay no more for a particular property than it would cost to buy an equally desirable substitute property in the market.

Due to the nature of the buildings and structures of the subject property, there are no market sales comparables readily available. As such, we have valued the property interests (excluding the land) using the Depreciated Replacement Cost approach (DRC).

Depreciated Replacement Cost is considered an acceptable method used in financing reporting to arrive at a surrogate for the *Market Value* of *specialised and limited market properties*, for which market evidence is unavailable. DRC is based on an estimate of the current *Market Value - In Continued Use*, plus the current gross replacement (or reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

3/...

APPENDIX V – VALUATION CERTIFICATE BY THE INDEPENDENT VALUER



PV/6420-2/ASJ/1405/RK/EM/YKS/SKT/LKH
P&M/3086-2/1405/RK/SKT/SA
24 May 2014
Page 3

When Market Value is established on the premise of continued use, it is assumed that the buyer and seller would be contemplating retention of the property at its present location as part of the current operations. An estimate of Market Value arrived at on the premise of continued use does **not** represent the amount that might be realised from piecemeal disposition of the assets in the open market or from an alternative use of the assets.

We understand that the purpose of the valuation is in connection with ASJ Holdings Limited's shareholder circular relating to a voluntary conditional cash offer announced on 7 May 2014 for the issued shares in the capital of ASJ Holdings Limited.

We have relied to a considerable extent on information contained in our valuation reports and those given by you for the assets. We have not verified the information and assumed no responsibilities.

4/...

APPENDIX V – VALUATION CERTIFICATE BY THE INDEPENDENT VALUER



PV/6420-2/ASJ/1405/RK/EM/YKS/SKT/LKH
P&M/3086-2/1405/RK/SKT/SA
24 May 2014
Page 4

Our valuation certificate is as attached. This valuation certificate is to be read in conjunction with our full valuation reports (Ref: PV/6420/ASJ/1301/RK/EM/YKS/SKT/LKH and P&M/3086/1301/RK/SKT/LKH/SA) dated 28 January 2013, which is available for examination at our office.

Yours faithfully
on behalf of **ROBERT KHAN & CO PTE LTD**

A handwritten signature in black ink, appearing to read 'Robert Khan & Co Pte Ltd', written over a horizontal line.

PV/6420-2/ASJ/1405/RK/EM/YKS/SKT/LKH
P&M/3086-2/1405/RK/SKT/SA

*International Business Assets Consultants **since 1997***

INTERNATIONAL BUSINESS ASSETS CONSULTANTS

APPENDIX V – VALUATION CERTIFICATE BY THE INDEPENDENT VALUER



VALUATION CERTIFICATE

<u>Subject Property</u>	<u>Description and tenure</u>	<u>Market Value as at 30 April 2014</u>
A plot of industrial land erected with a 2-storey production factory and a 1½-storey warehouse building.	The Subject Property is situated at PTD 37440, Jalan Perindustrian Senai 3, Kawasan Perindustrian Senai II, 81400 Senai, Johor. It sits on a freehold land, Lot 85456, Mukim of Senai, District of Kulaijaya, State of Johor Darul Takzim (Formerly PTD 91009, Mukim of Senai-Kulai, District of Johor Baru, State of Johor Darul Takzim), categorised for Industrial use. The titled land area is 8,973 square meters (96,584 square feet approximately), and ASJ Components (Malaysia) Sdn Bhd is the registered owner (title no. GRN 429867 (Formerly H.S.(D) 428336). <u>Method of Valuation</u> We have valued the Market Value of the subject land using the Direct Comparison approach. The Direct Comparison is based on the substitution principle whereby a prudent purchaser is assumed to pay no more for a particular property than it would cost to buy an equally desirable substitute property in the market. Due to the nature of the buildings and structures of the subject property, there are no market sales comparables readily available. As such, we have valued the property interests (excluding the land) using the Depreciated Replacement Cost approach (DRC). Depreciated Replacement Cost is considered an acceptable method used in financing reporting to arrive at a surrogate for the Market Value of <i>specialised and limited market properties</i>, for which market evidence is unavailable. DRC is based on an estimate of the current Market Value - <i>In Continued Use</i>, plus the current gross replacement (or reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.	Market Value: RM15,576,000 (Ringgit Malaysia Fifteen Million Five Hundred and Seventy Six Thousand Only)

APPENDIX V – VALUATION CERTIFICATE BY THE INDEPENDENT VALUER



VALUATION CERTIFICATE

<u>Assets</u>	<u>Description</u>		<u>Market Value in Continued Use as at 30 April 2014</u>
Chip resistors manufacturing plant & machinery situated within the premises of Ptd 37440 Jln Perindustrian Senai 3, Kaw Perindustrian Senai Fasa II, 81400 Senai, Johor D.T. Malaysia	No. Description Chip Resistors Manufacturing Plant & Machinery 1) Printing Department 2) Firing Furnace Department 3) Laser Trimming Department 4) Stacking Department 5) Sputtering Department 6) Singulating Department 7) Plating Department 8) Taping Department	Market Value – In Continued Use (RM) 2,803,000 1,354,000 3,014,000 662,000 1,744,000 743,600 1,537,700 8,904,000	Market Value In Continued Use: RM20,762,300 (Ringgit Malaysia Twenty Million Seven Hundred Sixty Two Thousand and Three Hundred Only)
	TOTAL	20,762,300	

Method of Valuation

In arriving at the valuation of the assets, we have adopted the Depreciated Replacement Cost approach.

The Depreciated Replacement Cost is considered an acceptable method used in financing reporting to arrive at a surrogate for the *Market Value of specialised and limited market properties*, for which market evidence is unavailable. DRC is based on an estimate of the current *Market Value - In Continued Use*, plus the current gross replacement (or reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

This page has been intentionally left blank.

This page has been intentionally left blank.

