

CIRCULAR DATED 3 JULY 2017

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

This Circular is issued by Changtian Plastic & Chemical 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 the transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer 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, opinions expressed or advice given in this Circular.



CHANGTIAN PLASTIC & CHEMICAL LIMITED

(Incorporated in Bermuda)
(Company Registration No. 39836)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY UNCONDITIONAL CASH OFFER

by

RHT CAPITAL PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 201109968H)

for and on behalf of

UNITED TECH INDUSTRIES LIMITED 聯科實業有限公司

(Incorporated in the British Virgin Islands)
(BVI Company No. 1937050)

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

Independent Financial Adviser to the Independent Directors

ASIAN CORPORATE ADVISORS PTE. LTD.

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

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 17 JULY 2017 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN).

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DEFINITIONS

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

GENERAL

“Bermuda Companies Act”	:	The Companies Act 1981 of Bermuda, as amended, supplemented or modified from time to time
“Board”	:	The Board of Directors of the Company
“Business Day”	:	A day (other than Saturday, Sunday or a public holiday) on which commercial banks are open for business in Singapore
“Bye-Laws”	:	The bye-laws of the Company
“Circular”	:	This circular to Shareholders issued by the Company in relation to the Offer setting out, <i>inter alia</i> , the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer
“Closing Date”	:	5.30 p.m. (Singapore time) on 17 July 2017 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances of the Offer
“Code”	:	The Singapore Code on Take-overs and Mergers, as amended, supplemented or modified from time to time
“Commencement Date”	:	19 June 2017, being the date of despatch of the Offer Document
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
“Company”	:	Changtian Plastic & Chemical Limited
“Company Securities”	:	(i) Shares; (ii) securities which carry voting rights in the Company; or (iii) convertible securities, warrants, options or Derivatives in respect of the Shares or securities which carry voting rights in the Company
“Derivative”	:	Includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities, in this case, the Shares
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“Distributions”	:	Shall have the meaning ascribed to it in paragraph 2.3(c) of this Circular
“Encumbrances”	:	Shall have the meaning ascribed to it in paragraph 2.3(b) of this Circular
“Equipment and Machinery Valuation Report”	:	The valuation report of the machinery and equipment of the Group issued by the Independent Valuer dated 19 June 2017, a summary of which is set out in Appendix E to this Circular

DEFINITIONS

“Equipment and Machinery Summary Report”	:	The summary valuation report of the machinery and equipment of the Group issued by the Independent Valuer dated 19 June 2017, as set out in Appendix E to this Circular
“FAA”	:	Form of Acceptance and Authorisation for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP
“FAT”	:	Form of Acceptance and Transfer for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP
“FY”	:	Financial year ended or ending, as the case may be, 31 December
“IFA Letter”	:	The letter dated 3 July 2017 from the IFA to the Independent Directors in respect of the Offer as set out in Appendix A to this Circular
“Last Trading Day”	:	24 May 2017, being the last Market Day on which the Shares were traded on the SGX-ST prior to the Offer Announcement Date
“Latest Practicable Date”	:	19 June 2017, being the latest practicable date prior to the printing of this Circular. Where extracts of the Offer Document reproduced herein make reference to ‘Latest Practicable Date’, such references shall mean the Latest Practicable Date as set out in the Offer Document, being 12 June 2017
“Listing Manual”	:	The Listing Manual of the SGX-ST
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“Offer”	:	The voluntary unconditional cash offer by RHT Capital, for and on behalf of the Offeror, to acquire all the Offer Shares other than those already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it, on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT
“Offer Announcement”	:	The announcement released by RHT Capital on the Offer Announcement Date, for and on behalf of the Offeror, in relation to the Offer
“Offer Announcement Date”	:	29 May 2017, being the date of the Offer Announcement
“Offer Document”	:	The offer document dated 19 June 2017 issued by RHT Capital, for and on behalf of the Offeror, in respect of the Offer
“Offer Price”	:	S\$1.30 in cash for each Offer Share
“Offer Shares”	:	The Shares other than those Shares already owned, controlled or agreed to be acquired, directly or indirectly, by the Offeror and parties acting in concert with it, as at the Offer Announcement Date

DEFINITIONS

“Offeror Securities”	: (i) Offeror Shares;
	(ii) securities which carry substantially the same rights as any Offeror Shares; or
	(iii) convertible securities, warrants, options or derivatives in respect of any Offeror Shares or such securities in (ii)
“Offeror Shares”	: Ordinary shares in the capital of the Offeror
“Property Valuation Report”	: The valuation report on the property interests of the Group issued by the Independent Valuer dated 19 June 2017, as set out in Appendix D of this Circular
“SFA”	: Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time
“Singapore”	: The Republic of Singapore
“Shares”	: Issued and paid up ordinary shares of par value S\$0.50 each in the capital of the Company
“Shareholders”	: Holders of Shares (including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST)
“Valuation Reports”	: The Property Valuation Report and the Equipment and Machinery Valuation Report
“VWAP”	: Volume weighted average price of the Shares on the SGX-ST
“%” or “per cent.”	: Percentage or per centum
“RMB”	: Renminbi, being the lawful currency of the People’s Republic of China
“S\$” and “cents”	: Singapore Dollars and cents, respectively, being the lawful currency of Singapore

COMPANIES/ORGANISATIONS/PERSONS

“CDP”	: The Central Depository (Pte) Limited
“Group”	: The Company and its subsidiaries
“IFA” or “ACA”	: Asian Corporate Advisors Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Offer
“Independent Directors”	: The directors of the Company who are considered to be independent for the purposes of the Offer
“Independent Valuer”	: Jones Lang LaSalle Corporate Appraisal & Advisory Limited
“Offeror”	: United Tech Industries Limited 聯科實業有限公司
“Overseas Shareholders”	: Shareholders whose addresses are outside Singapore, as shown on the register of members of the Company, or, as the case maybe, in the records of CDP

DEFINITIONS

“RHT Capital”	:	RHT Capital Pte. Ltd.
“Share Transfer Agent”	:	Boardroom Corporate & Advisory Services Pte. Ltd., the Singapore share transfer agent of the Company
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“SIC”	:	Securities Industry Council of Singapore
“Undertaking Shareholders”	:	Eastline Investments Holding Limited, Goodwise Investments Limited, Chen Chuanzhong, Zhu Chong Dong, Zhou Xianhui, Zhou Xin, and Tang Jiang

Acting in Concert, Associates. Unless otherwise defined, the expressions “**acting in concert**” and “**associates**” shall have the meanings given to them respectively in the Code.

Depositors. The term “**depositor**” shall have the meaning ascribed to it in Section 81SF of the SFA.

Genders. Words importing the singular shall, where applicable, include the plural and *vice versa*. 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.

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

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

Shareholders. References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to Shareholders.

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 Bermuda Companies Act, the Companies Act, the Code, the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the meaning assigned to it under the Bermuda Companies Act, the Companies Act, the Code, the Listing Manual or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Subsidiary. References to “**subsidiary**” shall have the meaning ascribed to it in Section 86 of the Bermuda Companies Act.

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

Total number of issued Shares. Unless otherwise stated, references in this Circular to the total number of issued Shares are based on 65,999,998 Shares as at the Latest Practicable Date, unless otherwise stated. As at the Latest Practicable Date, the Company does not hold any treasury Shares.

Capitalised terms used in extracts of the Offer Document shall have the same meanings as ascribed to them in the Offer Document.

CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

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

SUMMARY TIMETABLE

Date of Despatch Offer Document	:	19 June 2017
Date of Despatch of Circular	:	3 July 2017
Closing Date	:	5.30 p.m. (Singapore time) on 17 July 2017 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.
Date of settlement of consideration for valid acceptances of the Offer	:	Within seven (7) Business Days after receipt of acceptances of the Offer which are complete and valid in all respects.

LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

CHANGTIAN PLASTIC & CHEMICAL LIMITED

(Incorporated in Bermuda)
(Company Registration No. 39836)

Board of Directors:

Mr. Yang Qingjin (Chairman and Executive Director)
Mr. Chen Yongfu (Deputy Chairman and Executive Director)
Mr. Yang Junqing (Executive Director)
Mr. Qiu Wei Cai (Finance Director and Executive Director)
Mr. Chan Yin David (Lead Independent Director)
Mr. Tan Siok Sing (Independent Director)
Ms. Liao Quanwen (Independent Director)

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

3 July 2017

To: The Shareholders of the Company

Dear Sir/Madam

VOLUNTARY UNCONDITIONAL CASH OFFER BY RHT CAPITAL FOR AND ON BEHALF OF THE OFFEROR FOR THE OFFER SHARES

1. BACKGROUND

1.1 Offer Announcement

On 29 May 2017, RHT Capital announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary unconditional cash offer for the Offer Shares in accordance with Section 139 of the SFA and Rule 15 of the Code.

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

1.2 Offer Document

Shareholders should have by now received a copy of the Offer Document setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in Paragraph 2 of the Offer Document. **Shareholders are urged to read the terms and conditions of the Offer contained in the Offer Document carefully.**

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

1.3 Purpose of this Circular

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

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

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

LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

2. THE OFFER

2.1 Offer Price

Paragraph 2.1 of the Offer Document states that the consideration for each Offer Share is as follows:

For each Offer Share: S\$1.30 in cash (“Offer Price”).

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

2.2 Offer Shares

Paragraph 2.2 of the Offer Document states that the Offer is extended, on the same terms and conditions, to all the Offer Shares.

The Company does not have any Shares held in treasury and does not have any outstanding instruments convertible into, rights to subscribe for, nor options (whether pursuant to an employee share option scheme or otherwise) in respect of, securities which carry voting rights of the Company.

2.3 Rights and Encumbrances

Paragraph 2.3 of the Offer Document states that the Offer Shares are to be acquired:

- (a) fully paid;
- (b) free from all liens, equities, mortgages, charges, pledges, claims, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever (“**Encumbrances**”); and
- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights, returns of capital and other distributions (“**Distributions**”) (if any) which may be announced, declared, paid or made by the Company, on or after the Offer Announcement Date.

If any Distributions are announced, declared, paid or made by the Company on or after the Offer Announcement Date, and the Offeror is not entitled to receive such Distributions in full in respect of any Offer Share tendered in acceptance of the Offer, the Offeror reserves the right to reduce the Offer Price payable in respect of such Offer Share by the amount of such Distributions.

2.4 Unconditional Cash Offer

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

Shareholders who accept the Offer before the close of the Offer will be paid the Offer Price in cash within seven (7) Business Days after the receipt by the Offeror of valid and complete acceptances of the Offer.

2.5 Warranty

Paragraph 2.5 of the Offer Document states that acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, and is:

- (a) fully paid;
- (b) free from all Encumbrances; and

LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain Distributions (if any) which may be announced, declared, paid or made by the Company, on or after the Offer Announcement Date.

2.6 Duration of the Offer

The duration of the Offer is set out in Paragraph 2.6 of the Offer Document, which is reproduced in italics below:

“2.6 Duration of the Offer

(a) First Closing Date

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

The Offer will close at 5.30 p.m. (Singapore time) on 17 July 2017 (subject to Rule 22.6 of the Code as described in sub-paragraph (b) below) or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

(b) Offer to Remain Open for 14 Days thereafter

Pursuant to Rule 22.6 of the Code, as the Offer is unconditional in all respects (including as to acceptances), unless the Offeror has stated in this Offer Document that the Offer will not be extended beyond the first closing date, being 17 July 2017 (as described in subparagraph (a) above), the Offer must remain open for acceptance for not less than 14 days after the date on which it would otherwise have closed, in order to give those Shareholders who have not accepted the Offer the opportunity to do so.

As the Offeror has not stated in this Offer Document that the Offer will not be extended beyond the first closing date, pursuant to Rule 22.6 of the Code, the Offer will remain open for a period of not less than 14 days after the date on which the Offer would otherwise have closed.

The final closing date of the Offer will be announced by RHT Capital, for and on behalf of the Offeror, at the appropriate time in accordance with Rule 22.6 of the Code.

(c) Final Day Rule

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

Please note that the Offer is unconditional in all respects.

(d) Subsequent Closing Date

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

LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

2.7 Details of the Offer

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

2.8 Procedures for Acceptance

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

3. IRREVOCABLE UNDERTAKINGS

The irrevocable undertakings received by the Offeror in relation to the Offer are set out in Paragraph 5 of the Offer Document, which is reproduced in italics below:

“5. IRREVOCABLE UNDERTAKINGS

5.1 Irrevocable Undertakings

*Each of the Shareholders listed in paragraph 5.2 of this Offer Document (who are not business partners or otherwise related to each other) (collectively, “**Undertaking Shareholders**”) have acknowledged that they are acting in concert with the Offeror, and have provided irrevocable undertakings (“**Irrevocable Undertakings**”) to the Offeror prior to the Offer Announcement Date stating that they shall, inter alia:*

- (a) waive their rights to receive the Offer in respect of their respective Shares as set out in paragraph 5.2 of this Offer Document;*
- (b) not transfer or otherwise dispose of any of their respective Shares as set out in paragraph 5.2 of this Offer Document during the period commencing from the date of the Irrevocable Undertakings and ending on the closing date of the Offer (as may be extended from time to time by or on behalf of the Offeror) or the abortion of the Offer, whichever is applicable;*
- (c) not acquire any further Shares;*
- (d) give and/or procure the giving of notice pursuant to Section 103 of the Bermuda Companies Act, in order to assist the Offeror in exercising its (or their) rights of compulsory acquisition (if so entitled); and*
- (e) vote and/or procure the voting of all of their Shares in favour of a delisting, if the Offeror makes a subsequent exit offer pursuant to Rules 1307 and 1309 of the Listing Manual.*

5.2 Shareholdings of the Undertaking Shareholders

The shareholdings of the Undertaking Shareholders in the Company are as follows:

Name of Undertaking Shareholder	Number of Shares	Percentage shareholding in the Company⁽¹⁾ (%)
<i>Eastline Investments Holding Limited⁽²⁾</i>	<i>16,980,000</i>	<i>25.73</i>
<i>Goodwise Investments Limited⁽³⁾</i>	<i>19,855,000</i>	<i>30.08</i>
<i>Chen Chuanzhong</i>	<i>3,145,600</i>	<i>4.77</i>
<i>Zhu Chong Dong</i>	<i>3,073,300</i>	<i>4.66</i>
<i>Zhou Xianhui⁽⁴⁾</i>	<i>3,246,630</i>	<i>4.92</i>
<i>Zhou Xin⁽⁴⁾</i>	<i>3,165,400</i>	<i>4.80</i>
<i>Tang Jiang⁽⁴⁾</i>	<i>3,287,200</i>	<i>4.98</i>
Total	52,753,130	79.93⁽⁵⁾

LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

Notes:

- (1) *Based on the total number of issued Shares of 65,999,998 Shares as at the Latest Practicable Date.*
- (2) *Eastline Investments Holding Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Yang Qingjin.*
- (3) *Goodwise Investments Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Chen Yongfu.*
- (4) *Shares are held on the Undertaking Shareholder's behalf by UOB Kay Hian Private Limited as nominee.*
- (5) *Does not add up due to rounding.*

5.3 *Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any party acting in concert with it has received any irrevocable undertakings from any other party to accept or reject the offer."*

4. INFORMATION ON THE OFFEROR

The information on the Offeror is set out in Paragraph 3 of the Offer Document, which is reproduced in italics below:

"3. INFORMATION ON THE OFFEROR

3.1 *The Offeror is an investment holding company incorporated in the British Virgin Islands on 15 February 2017 for the purpose of the Offer. As at the Latest Practicable Date, the Offeror has issued an aggregate of 1,000 ordinary shares with a par value of US\$1.00 each.*

3.2 *As at the Latest Practicable Date, Yang Qingjin is the sole director of the Offeror. Yang Qingjin and Chen Yongfu are the only shareholders of the Offeror with the following percentage shareholdings:*

<i>Name of shareholder of the Offeror</i>	<i>No. of shares in the Offeror</i>	<i>Percentage shareholding in the Offeror (%)</i>
<i>Yang Qingjin</i>	<i>461</i>	<i>46.1</i>
<i>Chen Yongfu</i>	<i>539</i>	<i>53.9</i>
Total	1,000	100.00

3.3 *Yang Qingjin and Chen Yongfu are also the founders and executive directors of the Company. Chen Yongfu is the brother-in-law of Yang Qingjin.*

3.4 *As at the Latest Practicable Date, the Offeror holds 2,802,900 Shares, representing approximately 4.25% of the total number of issued Shares.*

*Based on responses to enquiries that the Offeror has made, as at the Latest Practicable Date, the Offeror and the parties acting in concert with it collectively own, control or have agreed to acquire an aggregate of 55,556,030 Shares, representing approximately 84.18% of the total number of issued Shares. Additional information on the interests in the Shares held by the Offeror and the parties acting in concert with it are set out in **Appendix 3** to this Offer Document.*

Appendix 1 *to this Offer Document sets out certain additional information on the Offeror."*

LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

5. RATIONALE FOR THE OFFER

The rationale for the Offer is set out in Paragraph 7 of the Offer Document, which is reproduced in italics below:

“7. RATIONALE FOR THE OFFER

7.1 Intention to delist and privatise the Company

The Offeror is making the Offer with a view to delist the Company from the SGX-ST and if entitled to under the Bermuda Companies Act, the Offeror intends to compulsorily acquire all the Offer Shares, as further elaborated in paragraph 9 of this Offer Document.

7.2 Opportunity for minority Shareholders to realise their investment in the Shares at a premium

The Offer Price is at a significant premium above the historical market prices of the Shares over the last 12-month period up to the date prior to the Offer Announcement Date. When compared to the historical market prices of the Shares over the 12-month period, the Offer Price represents a premium of approximately 46.6%, 48.2%, 49.6% and 62.9% above the VWAP per Share for the corresponding one-month, three-month, six-month and 12-month periods prior to and including the Last Trading Day, respectively.

Through the Offer, accepting Shareholders will have an opportunity to realise their investments in the Company for a cash consideration at a significant premium above the historical market share prices, without incurring any brokerage and other trading costs.

7.3 Low trading liquidity of the Shares

The trading liquidity of the Shares has been low as shown in the table below:

Reference period prior to the Offer Announcement Date	No. of Traded days⁽¹⁾	No. of Market Days	Average daily trading volume⁽²⁾ ('000)	Average daily trading volume as a percentage of total number of issued Shares⁽³⁾ (%)
<i>One-month</i>	<i>12</i>	<i>20</i>	<i>30</i>	<i>0.05</i>
<i>Three-month</i>	<i>29</i>	<i>62</i>	<i>12</i>	<i>0.02</i>
<i>Six-month</i>	<i>58</i>	<i>124</i>	<i>9</i>	<i>0.01</i>
<i>12-month</i>	<i>133</i>	<i>252</i>	<i>13</i>	<i>0.02</i>

Notes:

(1) *Traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period.*

(2) *The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST during the relevant periods, divided by the number of days when the SGX-ST was open for trading (excluding days with full day trading halts on the Shares) during that period.*

(3) *Based on the total number of issued Shares of 65,999,998 Shares as at the Latest Practicable Date.*

The Offer therefore represents a cash exit opportunity for Shareholders who wish to realise their entire investment in the Shares but find it difficult to do so in the open market due to the low trading liquidity of the Shares.

7.4 Greater management flexibility

The Offeror believes that the privatisation of the Company will provide the Offeror with greater management flexibility to manage and develop the Group's businesses, optimise the use of its resources, and facilitate the implementation of any strategic initiatives and/or operational changes.

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7.5 *Eliminate compliance costs of listing*

As a listed entity, the Company incurs listing, compliance and other related costs associated with the continued listing requirements under the Listing Manual. The privatisation of the Company will eliminate listing related expenses which can be channeled towards its business operations."

6. LISTING STATUS AND COMPULSORY ACQUISITION

The Offeror's intention with regards to the listing status and compulsory acquisition of the Company is set out in Paragraph 8 of the Offer Document, which is reproduced in italics below:

"8. LISTING STATUS AND COMPULSORY ACQUISITION

8.1 Listing Status

(a) Suspension of Trading

Under Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that brings the Shares held by the Offeror and parties acting in concert with it to above 90.0% of the total number of issued Shares excluding treasury shares, the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least 10.0% of the total number of issued Shares excluding treasury shares are held by at least 500 shareholders who are members of the public. Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90.0% of the total number of issued Shares excluding treasury shares, thus causing the percentage of the total number of issued Shares excluding treasury shares held in public hands to fall below 10.0%, the SGX-ST will suspend the trading of the Shares only at the close of the Offer.

(b) Free Float

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total Shares held in public hands falls below 10.0%, the Company must as soon as practicable, announce the fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10.0%, failing which the Company may be delisted.

In the event that the trading of the 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 trading suspension by the SGX-ST to be lifted. It is the intention of the Offeror to privatise the Company and to delist the Company from the SGX-ST, should the option be available to the Offeror.

8.2 Compulsory Acquisition

*Under Section 103 of the Bermuda Companies Act, holders of not less than 95.0% of the shares in a Bermuda company (herein referred to as "**purchasers**") may give notice ("**s103 Acquisition Notice**") to the remaining shareholders of their intention to acquire the remaining shareholders' shares on the terms set out in the s103 Acquisition Notice. When such s103 Acquisition Notice is given, the purchasers shall be entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the s103 Acquisition Notice unless a remaining shareholder applies to the Supreme Court of Bermuda ("**Court**") to have the Court appraise the value of such shares.*

Shareholders who are in doubt of their position under the Bermuda Companies Act are advised to seek their own independent legal advice."

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7. THE OFFEROR'S INTENTIONS FOR THE COMPANY

7.1 Offeror's Intentions for the Company

The Offeror's intentions for the Company is set out in Paragraph 9 of the Offer Document which is reproduced in italics below:

"9. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

9.1 The Offeror does not intend to preserve the listing status of the Company, and the Offeror (together with the parties acting in concert with it where appropriate) when entitled, intends to exercise its (or their) rights of compulsory acquisition ("Compulsory Acquisition") under the Bermuda Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10.0% of the Shares are held in public hands. In addition, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual.

9.2 In the event that the Offeror (together with the parties acting in concert with it where appropriate) is not entitled to exercise its (or their) rights of Compulsory Acquisition after the close of the Offer, the Offeror will instead seek the delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.

9.3 Although the Offeror has no current intention of (a) making material changes to the Group's existing business, (b) re-deploying the Group's fixed assets, or (c) discontinuing the employment of the employees of the Group, other than in the ordinary course of business, nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company. Following the close of the Offer, the Offeror will conduct a comprehensive review of the operations, management and financial position of the Group, and will evaluate various strategic options following the delisting."

On 29 June 2017, RHT Capital announced on behalf of the Offeror, *inter alia*, that as at 5.00 p.m. (Singapore time) on 29 June 2017, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 60,903,805 Shares, representing approximately 92.28% of the total number of issued Shares ("**Relevant Announcement**").

Shareholders should note that pursuant to Rule 1303(1) of the Listing Manual, in a take-over situation, where the offeror succeeds in garnering acceptances exceeding 90% of the issuer's total number of issued shares (excluding treasury shares), thus causing the percentage of an issuer's total number of issued shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the listed securities of the issuer only at the close of the take-over offer. Accordingly, trading of the Company's listed securities will be suspended by the SGX-ST at the close of the Offer.

Shareholders should note that Offeror does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted. Further, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual. The Offeror has stated in the Relevant Announcement that it intends to take steps to delist the Company from the SGX-ST following the close of the Offer.

7.2 Implications of Delisting

Shareholders should note that shares of unquoted companies are generally valued at a discount to the shares of comparable listed companies as a result of the lack of marketability. **If the Company is delisted from the Official List of the SGX-ST and the Offeror (together with the parties acting in concert with it where appropriate) is not entitled to or does not exercise its (or their) rights of compulsory acquisition, it is likely to be difficult for Shareholders who do not accept the Offer to sell their Shares in the absence of a public market for the Shares as**

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there is no arrangement for Shareholders to exit. Even if such Shareholders were able to sell their Shares, they may receive a lower price as compared to the Offer Price and where such transfer or sale of Shares involves a change in the beneficial ownership of those Shares, the prior written consent of (or, depending on the circumstances, notice to) the Bermuda Monetary Authority will be required.

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

As an unquoted company, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 and Appendices 7.1 to 7.4 of the Listing Manual. Nonetheless, as a company incorporated in Bermuda, the Company will still need to comply with the Bermuda Companies Act, the memorandum of association of the Company and its Bye-Laws, and the interests of Shareholders who do not accept the Offer will be protected to the extent provided for by the Bermuda Companies Act, the memorandum of association of the Company and the Bye-Laws. If the Company is delisted from the Official List of the SGX-ST, each depositor who holds Shares that are deposited with CDP and does not accept the Offer will be entitled to one (1) share certificate representing his delisted Shares. The Company's Singapore share registrar and Share Transfer Agent will arrange to forward the share certificates to such depositors for their physical safekeeping.

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

8. DIRECTORS' INTERESTS

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

9. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER

9.1 Appointment of Independent Financial Adviser

ACA has been appointed as the independent financial adviser ("IFA") to the Independent Directors in respect of the Offer.

9.2 Independent Directors

Yang Junqing, Qiu Wei Cai, Chan Yin David, Tan Siok Sing and Liao Quanwen are considered independent for the purposes making a recommendation to Shareholders in respect of the Offer.

On 29 June 2017, the SIC exempted Yang Qingjin and Chen Yongfu, being Directors, from the requirement to make a recommendation to the Shareholders in respect of the Offer as required under Rule 24.1 of the Code, as they face an irreconcilable conflict of interest as a party acting in concert with the Offeror, for the reasons set out below:

Name	Position within the Company	Position(s) within the Offeror
Yang Qingjin	● Chairman and Executive Director	● Holder of 46.1% shareholding interest in the Offeror ● Sole director of the Offeror
Chen Yongfu	● Deputy Chairman and Executive Director	● Holder of 53.9% shareholding interest in the Offeror

Chen Yongfu is also the brother-in-law of Yang Qingjin.

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Nonetheless, all the Directors (including Yang Qingjin and Chen Yongfu) are jointly and severally responsible for the accuracy of facts stated or opinions expressed, and the completeness of the information given by the Company to Shareholders, including information contained in announcements, advertisements, and documents issued by or on behalf of the Company in connection with the Offer.

Shareholders should read and consider carefully the advice of the IFA to the Independent Directors in respect of the Offer as set out in the IFA Letter and the recommendation of the Independent Directors set out in Section 9.3 below before deciding whether or not to accept the Offer.

9.3 IFA's Advice to the Independent Directors

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

The opinion and advice of the IFA to the Independent Directors in respect of the Offer is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

*"In summary, having regard to our analysis and the consideration in this Letter (including inter alia its limitation and constraints) and after having considered carefully the information available to us and based on market, economic and other relevant considerations prevailing as at the Latest Practicable Date, save for successful commercialisation or realisation of future economic benefit from the Nylon-6 Chip project which we understand from the Directors, cannot be determined as at the Latest Practicable Date in view of the uncertainties highlighted in this Letter and subject to our terms of reference, **we are of the opinion that the financial terms of the Offer is, on balance, NOT FAIR BUT REASONABLE.***

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

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

*Despite the premiums implied by the Offer Price over the historical prices for the Shares prior to the Offer Announcement Date which are more favourable than the Selected VGO Privatisation Transactions, we consider the financial terms of the Offer to be **NOT FAIR**, from a financial point of view after factoring, inter alia, the following: -*

- (i) The Offer Price represents significant discount from both the Group's NAV and NTA per Share as at 31 March 2017 and the Group's RNAV and RNTA per Share.*
- (ii) The valuation of the Group (as implied by the Offer Price) in terms of P/NAV and P/NTA ratio appears to be:- (a) lower than the simple average of the Selected Comparable Companies (excluding Daoming Optics which is deemed to be an outlier); and (b) lower than the simple average and median and in line with the minimum for the Selected VGO Privatisation Transactions.*

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

- (i) The weak historical financial performance and position of the Group. The Group has been loss making for the period FY2012 to 1Q2017 (save for FY2014 whereby the Group recorded a profit after tax attributable to owners of the Company of approximately RMB23.6 million) with substantial decline in the Group's revenue during the period under review.
- (ii) The uncertainty in relation to the commercialisation or realisation of future economic benefit from the Nylon-6 Chip project where the Directors have confirmed that in view of the absence of any order book/contract for Nylon-6 chips and the commercialisation of the Nylon-6 Chip project is still uncertain and subject to the availability of funding, the impact of the Nylon-6 Chip project on the Company's financial performance and financial position (including the estimated future profit or loss as well as the estimated costs to be incurred) cannot be measured with certainty as at the Latest Practicable Date.
- (iii) As at the Offer Announcement Date, the Offer is unconditional and the Offeror and its concert parties (including the Undertaking Shareholders) own, in aggregate, approximately 79.93% of the issued Share capital. We note from Section 7.1 of the Circular that, RHT Capital had on 29 June 2017 (subsequent to the Latest Practicable Date) announced on behalf of the Offeror, inter alia, that as at 5.00 p.m. (Singapore time) on 29 June 2017, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 60,903,805 Shares, representing approximately 92.28% of the total number of issued Shares. Under such circumstances, competing offer for the Shares is unlikely to be forthcoming without the support of the Offeror in view of its super-majority control as represented by the percentage of the total number of Shares that the Offeror and its parties acting in concert hold as at 29 June 2017. Thus, the alternative offer from parties other than the Offeror may not be possible.
- (iv) The closing prices of the Shares were always lower than the Offer Price for the last 12 months prior to the Offer Announcement Date and the Offer Price represents:- (a) a premium of approximately 45.3% over the last transacted price of S\$0.895 per Share on the SGX-ST on 24 May 2017 (being the last Trading Day prior to the Offer Announcement Date); and (b) premiums of 63.7%, 49.5%, 48.2%, and 46.6% over the VWCP for the Shares for the 12-month, 6-month, 3 month and 1 month period prior to the Offer Announcement Date, respectively. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value in view of the lack of liquidity for the Shares, they nonetheless represent for prices for transactions between willing buyer and willing seller.
- (v) Notwithstanding the less favourable valuation of the Group in terms of P/NTA multiple as compared to the Selected VGO Privatisation Transactions, it seems to be fairly comparable to the other offers under the Selected VGO Privatisation Transactions when considered in the context of:- (a) the shareholding of the Offeror and its concert parties (including the Undertaking Shareholders) as at the Offer Announcement Date which is within the range and higher than both the median and simple average of the percentage of shareholding interest for each of the offeror and parties acting in concert at the start for the Selected VGO Privatisation Transactions; and (b) the valuation of the Group as implied by the Offer Price appears to be more favourable than the median and the simple average for the Selected VGO Privatisation Transactions in terms of premiums over historical prices.
- (vi) The Directors' confirmation that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.

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ACA's Recommendation on the Offer

Based on our assessment of the financial terms of the Offer as set out above, we advise the Independent Directors that they should recommend that Shareholders **ACCEPT** the Offer. Despite the Offer is not fair from the financial point of view (in particular the Offer Price and the implied P/NTA valuation multiple being generally less favourable than the Selected Comparable Companies and the Selected VGO Privatisation Transactions, the Offer represents a realistic opportunity for Shareholders to realise their entire investment in cash taking into account, inter alia, low trading liquidity for the Shares prior to the Offer Announcement Date.

The higher average daily trading volume subsequent to the Offer Announcement Date as compared to the 1-year period prior to the Offer Announcement Date may, inter alia, have been supported by the announcement of the Offer and the Offer. As such, there is no assurance that the observed increase in the average number of Shares traded on a daily basis or the trading activities for the Shares will be maintained or that the transacted prices for the Shares will be the same and at the levels prevailing during the period commencing after the Announcement Date and ending on the Latest Practicable Date in the event that the Offer closes.

As at 29 June 2017, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 60,903,805 Shares, representing approximately 92.28% of the total number of issued Shares. Shareholders should note that pursuant to Rule 1303(1) of the Listing Manual, in a take-over situation, where the offeror succeeds in garnering acceptances exceeding 90% of the issuer's total number of issued shares (excluding treasury shares), thus causing the percentage of an issuer's total number of issued shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the listed securities of the issuer only at the close of the take-over offer. Accordingly, trading of the Company's listed securities will be suspended by the SGX-ST at the close of the Offer. We also note that the Offeror does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted. Further, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual. The Offeror has stated in the Relevant Announcement that it intends to take steps to delist the Company from the SGX-ST following the close of the Offer. Shareholders who do not accept the Offer may end up with shares of an unquoted company.

In the event that Shareholders are concerned about the liquidity and the prices at which they can realise their investments in the Offer Shares (including whether they can realize their investments at prices higher than the Offer Price after deducting related expenses), acceptance of the Offer will provide certainty of exit at the Offer Price.

However, in the event that Shareholders are able to dispose the Offer Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling the Offer Shares in the open market.

Matters to highlight

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

1. If the Shareholders are considering selling their Offer Shares in the open market, they should be aware that the current market prices and trading volumes for the Shares, may have been supported by the Offer and may not be maintained at current levels when the Offer closes.
2. The Directors further confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter and the unaudited financial statements for the Group for 1Q2017, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance or satisfactory results in the fine-tuning of production lines as well as the commencement date of the commercial production.

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3. *The Directors have confirmed to ACA that to the best of their knowledge and belief, all material information including, inter alia, the Nylon-6 Chip Development or the Patents or Trademarks available to them and the Management in connection with the Nylon-6 Chip Development, the Company, the Group, the Offer or the Offeror or such other parties has been disclosed to ACA in its entirety and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the financial performance or expected future performance or future growth prospects or restructuring plans (if applicable) of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular or this Letter to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.*
4. *Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or the Nylon-6 Chip Development or the Patents or Trademarks or appraisal of the Group's assets and liabilities (including without limitation, property, plant and equipment and prepaid premium for leasehold land under operating leases) or contracts entered into or to be entered into by the Group (where applicable) and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or the Nylon-6 Chip Development or the Patents or Trademarks or contracts entered into (where applicable) by the Group save for the Valuation Reports in respect of the market value of the Appraised Assets.*

5. *It is not within our scope to opine on the Nylon-6 Chip project (including, inter alia, commercial viability, market demand, overall profitability). In addition, the Directors have confirmed that in view of the absence of any order book/contract for Nylon-6 chips and the commercialisation of the Nylon-6 Chip project is still uncertain and subject to the availability of funding, the impact of the Nylon-6 Chip project on the Company's financial performance and financial position (including the estimated future profit or loss as well as the estimated costs to be incurred) cannot be measured with certainty as at the Latest Practicable Date. Accordingly, no views are being expressed with regard to the impact of the Nylon-6 Chip project on the NTA and the prospects of the Group in terms of, inter alia, the estimated future profit or loss as well as the estimated costs to be incurred. Accordingly, we also expressed no views with regards to the impact of the Nylon-6 Chip project on the NAV or NTA or the prospects of the Group in terms of, inter alia, the successful commercialisation of Nylon-6 chips or profits or loss as well as the estimated future investments to be incurred and our assessment, opinion and recommendations are necessarily limited and subject to it.*
6. *The Directors have represented that they had reviewed the Valuation Reports to understand the assumptions used by the Independent Valuer and the information relied upon by the Independent Valuer in arriving at the market value of the Appraised Assets. The Directors have reviewed the information made available to them as a whole and are of the opinion that the assumptions used by the Independent Valuer are reasonable and confirmed that the Independent Valuer has been provided with information that to the best of their knowledge or belief is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render the assumptions used by the Independent Valuer to be untrue, inaccurate or incomplete in any respect or misleading.*
7. *The Directors represented and confirmed that, to the best of their knowledge and based on the information made available to them by the Management, there will be potential tax liability of approximately RMB31.5 million if the Appraised Assets which is subject to valuation were to be sold at the market value ascribed by the Independent Valuer.*
8. *The Directors and Management have also confirmed that there is no indication of when the expected dates of the building ownership certificates for Zhong Lun can be obtained.*

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9. We note from Section 7.1 of the Circular that, RHT Capital had on 29 June 2017 (subsequent to the Latest Practicable Date) announced on behalf of the Offeror, *inter alia*, that as at 5.00 p.m. (Singapore time) on 29 June 2017, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 60,903,805 Shares, representing approximately 92.28% of the total number of issued Shares. Accordingly, the possibility of the Offeror to revise the Offer Price in a competitive situation is unlikely and the likelihood of compulsory acquisition being exercised by the Offeror is increased. Thus, the Offer represents an opportunity for Shareholders to liquidate their investments.
10. The Offeror is making the Offer with a view to delist the Company from the SGX-ST and if entitled to under the Bermuda Companies Act, the Offeror intends to compulsorily acquire all the Offer Shares.

The Offeror does not intend to preserve the listing status of the Company, and the Offeror (together with the parties acting in concert with it where appropriate) when entitled, intends to exercise its (or their) rights of Compulsory Acquisition under the Bermuda Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10.0% of the Shares are held in public hands. In addition, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual.

Limitations

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

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

9.4 Recommendation of the Independent Directors

The Independent Directors, having considered carefully the terms of the Offer and the advice given by the IFA to the Independent Directors in the IFA Letter, have set out their recommendation on the Offer below.

The Independent Directors concur with IFA's assessment of the Offer and its recommendation thereon, as set out in Section 9.3 of this Circular and in the IFA Letter. **Accordingly, the Independent Directors recommend that the Shareholders ACCEPT the Offer.**

In making the above recommendation, the Independent Directors have not had regard to the general or specific investment objectives, financial situations, risk profiles, tax positions and/or particular needs and constraints of any specific Shareholder. As different Shareholders would have different investment profiles and objectives, the Independent Directors recommend that any specific Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

Shareholders should read and consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer in their entirety before deciding whether to accept or reject the Offer. Shareholders are also urged to read the Offer Document carefully. Shareholders should note that the IFA's advice to the Independent Directors in respect of the Offer should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

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10. OVERSEAS SHAREHOLDERS

Overseas Shareholders should refer to Paragraph 11 of the Offer Document which is reproduced in italics below:

“11. OVERSEAS SHAREHOLDERS

- 11.1** *The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the register of members of the Company or, as the case may be, in the records of CDP (each, an “Overseas Shareholder”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself about and observe any applicable legal requirements, and exercise caution in relation to the Offer, as this Offer Document, the FAA and the FAT have not been reviewed by any regulatory authority in any overseas jurisdiction. **Where there are potential restrictions on sending this Offer Document, the FAA and/or the FAT to any overseas jurisdiction, the Offeror, RHT Capital and CDP each reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom this Offer Document, the FAA and/or the FAT have not been, or may not be, sent.***
- 11.2** *Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (“**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.*
- 11.3** *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.*
- 11.4** *Overseas Shareholders may, nonetheless, obtain copies of this Offer Document, the FAA and/or the FAT and any related documents, during normal business hours and up to the Closing Date, from the Offeror through its share transfer agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. Alternatively, an Overseas Shareholder may write to the Offeror through Boardroom Corporate & Advisory Services Pte. Ltd. at the address listed above to request for this Offer Document, the FAA and/or the FAT and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Shareholder’s own risk, no later than five (5) Business days prior to the Closing Date.*
- 11.5** *It is the responsibility of any Overseas Shareholder who wishes to (a) request for this Offer Document, the FAA and/or the FAT and/or any related documents; or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including RHT Capital) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including RHT Capital) may be required to pay. In (i) requesting for this Offer Document, the FAA and/or the FAT and/or any related documents; and/ or (ii) accepting*

LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

*the Offer, the Overseas Shareholder represents and warrants to the Offeror and RHT Capital that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. **Any Overseas Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.***

11.6 *The Offeror and RHT Capital each 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 and if necessary, 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 (including Overseas Shareholders) to receive or see such announcement or advertisement."*

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. (Singapore time) on 17 July 2017 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

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

12. DIRECTORS' RESPONSIBILITY STATEMENT

The recommendation of the Independent Directors to Shareholders set out in Section 9.4 of this Circular is the sole responsibility of the Independent Directors. Save for the foregoing, the Directors (including any Director who may have delegated detailed supervision of this Circular) confirm that they have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (other than those relating to the Offeror and the parties acting in concert with it, the Offer, the IFA Letter, the Property Valuation Report, and the Equipment and Machinery Summary Report) are fair and accurate, and confirm after making all reasonable enquiries that, as at the Latest Practicable Date, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Group in the context of the Offer and the Directors are not aware of any material facts the omission of which would make any statement in this Circular misleading in any material respect, and they jointly and severally accept responsibility accordingly.

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

Where any information in this Circular has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement, the Offer Document, the IFA Letter, the Property Valuation Report, and the Equipment and Machinery Summary Report) or obtained from the Offeror, 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.

Yours faithfully
For and on behalf of the Board

Mr Chan Yin David
Lead Independent Director

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ASIAN CORPORATE ADVISORS PTE. LTD.

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

160 Robinson Road #21-05
SBF Center
Singapore 068914

The Independent Directors (as hereinafter defined)
Changtian Plastic & Chemical Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

3 July 2017

VOLUNTARY UNCONDITIONAL CASH OFFER (“OFFER”) BY RHT CAPITAL PTE. LTD. (“RHT CAPITAL”) FOR AND ON BEHALF OF UNITED TECH INDUSTRIES LIMITED 聯科實業有限公司 (THE “OFFEROR”), TO ACQUIRE THE OFFER SHARES (AS DEFINED HEREIN)

Unless otherwise defined or where the context otherwise requires, all terms used herein shall have the same meanings as defined in the circular dated 3 July 2017 (the “Circular”) issued by Changtian Plastic & Chemical Limited (the “Company”).

1. INTRODUCTION

On 29 May 2017 (the “**Offer Announcement Date**”), RHT Capital, for and on behalf of the Offeror announced that the Offeror intends to make an Offer to acquire all the issued and paid-up ordinary shares of a par value of S\$0.50 each (“**Shares**”) in the capital of the Company, other than those shares already owned, controlled or agreed to be acquired by the Offeror and the parties acting in concert with it (the “**Offer Shares**”) at S\$1.30 in cash for each Offer Share (“**Offer Price**”) in accordance with Section 139 of the Securities and Futures Act (“**SFA**”), Chapter 289 of Singapore, and Rule 15 of the Singapore Code on Take-overs and Mergers (“**Code**”).

On 19 June 2017, the Offeror announced that the offer document dated 19 June 2017 issued by the Offeror (“**Offer Document**”), setting out, *inter alia*, the terms and conditions of the Offer has been despatched to Shareholders (defined later) on 19 June 2017.

Asian Corporate Advisors Pte. Ltd. (“**ACA**”), has been appointed as the independent financial adviser (“**IFA**”) to advise the directors of the Company (“**Directors**”), who are considered independent for the purpose of making a recommendation to Shareholders in relation to the Offer (the “**Independent Directors**”). We note from the Circular that the Directors who are considered independent for the purposes of making a recommendation to shareholders of the Company (“**Shareholders**”) in respect of the Offer, are namely Yang Junqing, Qiu Wei Cai, Chan Yin David, Tan Siok Sing and Liao Quanwen.

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

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2. TERMS OF REFERENCE

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

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

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

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at 19 June 2017 (the "**Latest Practicable Date**"), and therefore does not reflect expected financial performance after the three (3) months financial period ended 31 March 2017 ("**1Q2017**") for the Group. Accordingly, we have not commented on or assessed the expected future performance or prospects of the Company or the Group or the Shares, irrespective of the outcome of the Offer. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance *inter alia* the future economic benefits of the Nylon-6 Chip Development (defined later), the patents in relation to the modified plastics which had not been manufactured in recent years ("**Patents**") or trademarks for the Nylon-6 Chip project or such other

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projects (“**Trademarks**”) and neither are we responsible for it or for any updates pursuant to any announcements subsequent to the issuance of this Letter or the timing of the Offer or the dates for issuance of the Circular. Accordingly, any estimates or analysis or evaluation of the merits of the Company or the Group or the Shares in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or the Nylon-6 Chip Development or the Patents or Trademarks or appraisal of the Group’s assets and liabilities (including without limitation, property, plant and equipment and prepaid premium for leasehold land under operating leases) or contracts entered into or to be entered into by the Group (where applicable) and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or the Nylon-6 Chip Development or the Patents or Trademarks or contracts entered into (where applicable) by the Group save for the independent valuation reports (“**Valuation Reports**”) which includes (i) the valuation report on the property interest of the Group (“**Property Valuation Report**”) ; (ii) the valuation report of the machinery and equipment of the Group (“**Equipment and Machinery Valuation Report**”) and (iii) the summary of the Equipment and Machinery Valuation Report (“**Equipment and Machinery Summary Report**”) issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “**Independent Valuer**”) dated 19 June 2017 in respect of the Group’s property, plant and equipment and prepaid premium for leasehold land under operating leases (“**Appraised Assets**”) as at 31 May 2017 (“**Valuation Date**”).

With respect to such valuation, we are not experts in the evaluation (including without limitation, market value or economic potential) or the Patents or Trademarks or appraisal of assets and liabilities (including without limitation, property, plant and equipment and prepaid premium for leasehold land under operating leases) including, *inter alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon (where applicable) and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

The Directors are of the opinion that the values of the assets and liabilities, *inter alia*, prepayments, deposits and other receivables as well as the financial performance or condition of the Group as reflected in the unaudited financial statements for 1Q2017 and the audited financial statements for the Group for the financial year (“**FY**”) ended 31 December 2016 (“**FY2016**”) are true and fair. The Directors have also confirmed that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements for 1Q2017 for the Group and the audited financial statements for the Group for FY2016 to be false or misleading in any material aspect. In addition, the Directors have confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter alia* the valuation or appraisal of assets and liabilities including, *inter alia* the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information to be untrue, inaccurate, incomplete or misleading.

The Directors further confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter and the unaudited financial statements for the Group for 1Q2017, there has been no material changes to the Group’s assets and liabilities, financial position, condition and performance or in connection with Nylon-6 Chip project, satisfactory results in the fine-tuning of production lines as well as the commencement date of the commercial production.

Our opinion in this Letter is based on economic, market, industry, monetary and other conditions (if applicable), and the information provided to us, as at the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter alia*, includes general as well as company-specific or industry-specific conditions or sentiments or factors. The Independent Directors should note that our evaluation is based solely on publicly available information and such other information provided

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by the Company or its Directors or Management as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after 1Q2017 for the Group or developments (both macro and company-specific) and that these factors do and will necessarily affect the evaluation of the Offer and our recommendation or opinion or views.

The Directors have collectively and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of all information and representations as provided by the Directors and contained herein. The Directors have confirmed to ACA that to the best of their knowledge and belief, all material information including but not limited to plans or prospects or proposals involving acquisition or issuance of securities, or changes to its capital structure or the Nylon-6 Chips Development or the Patents or Trademarks available to them and the Management in connection with the Company, the Group, the Offer or the Offeror or such other parties has been disclosed to ACA in its entirety and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the financial performance or expected future performance or future growth prospects or restructuring plans (if applicable) of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular or this Letter to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group including *inter alia*, the Nylon-6 Chip Development, the Patents or Trademarks, or the contracts that the Group has embarked on or are about to embark upon. It is also not within our scope to opine on the Nylon-6 Chip project (including, *inter alia*, commercial viability, market demand, overall profitability). We are therefore not expressing any view herein as to the returns that the Shareholders may have owning the Shares upon completion or close of the Offer or on the future financial performance of the Company or the Group or the plans (if any) that the Offeror may have for the Company. In rendering our advice and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints or particular circumstances of any individual Shareholder. As each Shareholder would have different investment profiles and objectives, horizons and risk profiles, we would advise Independent Directors to recommend that any Shareholder, who may require advice in the context of his specific investment objective(s), investment portfolio(s), including his investment in the Company, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

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

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

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3. TERMS AND CONDITIONS OF THE OFFER

As set out in Paragraph 2 of the Offer Document, we note that the Offeror offered to acquire the Offer Shares on the terms and conditions set out in the Offer Document. The principal terms and conditions of the Offer, as extracted from the Offer Document, are set out in italics below. We recommend that Shareholders read the terms and conditions contained therein carefully.

"2. THE OFFER

2.1 Offer Price

The consideration for each Offer Share is as follows:

For each Offer Share: S\$1.30 in cash ("Offer Price").

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

2.2 Offer Shares

The Offer is extended, on the same terms and conditions, to all the Offer Shares.

Based on publicly available information, the Company does not have any Shares held in treasury and does not have any outstanding instruments convertible into, rights to subscribe for, nor options (whether pursuant to an employee share option scheme or otherwise) in respect of, securities which carry voting rights of the Company.

2.3 Rights and Encumbrances

The Offer Shares will be acquired:

- (a) fully paid;*
- (b) free from all liens, equities, mortgages, charges, pledges, claims, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever ("**Encumbrances**") ; and*
- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights, returns of capital and other distributions ("**Distributions**") (if any) which may be announced, declared, paid or made by the Company, on or after the Offer Announcement Date.*

If any Distributions are announced, declared, paid or made by the Company on or after the Offer Announcement Date, and the Offeror is not entitled to receive such Distributions in full in respect of any Offer Share tendered in acceptance of the Offer, the Offeror reserves the right to reduce the Offer Price payable in respect of such Offer Share by the amount of such Distributions.

2.4 Unconditional General Offer

The Offer is unconditional in all respects.

Shareholders who accept the Offer before the close of the Offer will be paid the Offer Price in cash within seven (7) Business Days after the receipt by the Offeror of valid and complete acceptances of the Offer.

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2.5 **Warranty**

Acceptance of the Offer is deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, and is:

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

2.6 **Duration of the Offer**

(a) First Closing Date

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

The Offer will close at 5.30 p.m. (Singapore time) on 17 July 2017 (subject to Rule 22.6 of the Code as described in sub-paragraph (b) below) or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

(b) Offer to Remain Open for 14 Days thereafter

Pursuant to Rule 22.6 of the Code, as the Offer is unconditional in all respects (including as to acceptances), unless the Offeror has stated in this Offer Document that the Offer will not be extended beyond the first closing date, being 17 July 2017 (as described in sub-paragraph (a) above), the Offer must remain open for acceptance for not less than 14 days after the date on which it would otherwise have closed, in order to give those Shareholders who have not accepted the Offer the opportunity to do so.

As the Offeror has not stated in this Offer Document that the Offer will not be extended beyond the first closing date, pursuant to Rule 22.6 of the Code, the Offer will remain open for a period of not less than 14 days after the date on which the Offer would otherwise have closed.

The final closing date of the Offer will be announced by RHT Capital, for and on behalf of the Offeror, at the appropriate time in accordance with Rule 22.6 of the Code.

(c) Final Day Rule

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

Please note that the Offer is unconditional in all respects.

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(d) Subsequent Closing Date

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

2.7 Details of the Offer

Appendix 4 to this Offer Document sets out further details on (a) the settlement of the consideration for the Offer; (b) the requirements relating to the announcement of the level of acceptances of the Offer; and (c) the right of withdrawal of acceptances of the Offer.

2.8 Procedures for Acceptance of the Offer

Appendix 5 to this Offer Document sets out the procedures for acceptance of the Offer.”

4. INFORMATION ON THE OFFEROR

The information on the Offeror set out in italics below has been extracted from Paragraph 3 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. Additional information on the Offeror is set out in **Appendix 1** of the Offer Document.

“3. INFORMATION ON THE OFFEROR

3.1 *The Offeror is an investment holding company incorporated in the British Virgin Islands on 15 February 2017 for the purpose of the Offer. As at the Latest Practicable Date, the Offeror has issued an aggregate of 1,000 ordinary shares with a par value of US\$1.00 each.*

3.2 *As at the Latest Practicable Date, Yang Qingjin is the sole director of the Offeror. Yang Qingjin and Chen Yongfu are the only shareholders of the Offeror with the following percentage shareholdings:*

Name of shareholder of the Offeror	Number of shares in the Offeror	Percentage shareholding in the Offeror (%)
<i>Yang Qingjin</i>	<i>461</i>	<i>46.1</i>
<i>Chen Yongfu</i>	<i>539</i>	<i>53.9</i>
Total	1,000	100.0

3.3 *Yang Qingjin and Chen Yongfu are also the founders and executive directors of the Company. Chen Yongfu is the brother-in-law of Yang Qingjin.*

3.4 *As at the Latest Practicable Date, the Offeror holds 2,802,900 Shares, representing approximately 4.25% of the total number of issued Shares.*

*Based on responses to enquiries that the Offeror has made, as at the Latest Practicable Date, the Offeror and the parties acting in concert with it collectively own, control or have agreed to acquire an aggregate of 55,556,030 Shares, representing approximately 84.18% of the total number of issued Shares. Additional information on the interests in the Shares held by the Offeror and the parties acting in concert with it are set out in **Appendix 3** to this Offer Document.*

Appendix 1 to this Offer Document sets out certain additional information on the Offeror.”

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5. INFORMATION ON THE COMPANY

The information on the Company set out in italics below has been extracted from Paragraph 4 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. Additional information on the Offeror is set out in **Appendix 2** of the Offer Document.

"4. INFORMATION ON THE COMPANY

- 4.1** *Based on publicly available information, the Company was incorporated in Bermuda on 29 March 2007 and has been listed on the Main Board of the SGX-ST since 9 November 2007.*
- 4.2** *Based on the Company's annual report for the financial year ended 31 December 2016, the issued and paid-up share capital of the Company is S\$33,000,000 comprising 65,999,998 Shares of S\$0.50 each. In addition, based on the 1Q2017 Results, there were no changes in the Company's share capital for the three (3) months ended 31 March 2017. Based on publicly available information, the Company does not have any Shares held in treasury and does not have any outstanding instruments convertible into, rights to subscribe for, nor options (whether pursuant to an employee share option scheme or otherwise) in respect of, securities which carry voting rights of the Company.*
- 4.3** *Based on publicly available information, the Company is principally engaged in the manufacture and sale of adhesive tapes, release papers and ultraviolet cured release films. Its operations are based in Xiamen City, Fujian Province, the People's Republic of China.*
- 4.4** *As at the Latest Practicable Date, based on publicly available information, the board of directors of the Company are:*
- (a) Yang Qingjin (Chairman and Executive Director);*
 - (b) Chen Yongfu (Deputy Chairman and Executive Director);*
 - (c) Yang Junqing (Executive Director);*
 - (d) Qiu Wei Cai (Finance Director and Executive Director);*
 - (e) Chan Yin David (Lead Independent Director);*
 - (f) Tan Siok Sing (Independent Director); and*
 - (g) Liao Quanwen (Independent Director).*

Appendix 2 to this Offer Document sets out certain additional information on the Company."

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6. IRREVOCABLE UNDERTAKINGS

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

“5. IRREVOCABLE UNDERTAKINGS

5.1 Irrevocable Undertakings

Each of the Shareholders listed in paragraph 5.2 of this Offer Document (who are not business partners or otherwise related to each other) (collectively, “Undertaking Shareholders”) have acknowledged that they are acting in concert with the Offeror, and have provided irrevocable undertakings (“Irrevocable Undertakings”) to the Offeror prior to the Offer Announcement Date stating that they shall, inter alia:

- (a) waive their rights to receive the Offer in respect of their respective Shares as set out in paragraph 5.2 of this Offer Document;*
- (b) not transfer or otherwise dispose of any of their respective Shares as set out in paragraph 5.2 of this Offer Document during the period commencing from the date of the Irrevocable Undertakings and ending on the closing date of the Offer (as may be extended from time to time by or on behalf of the Offeror) or the abortion of the Offer, whichever is applicable;*
- (c) not acquire any further Shares;*
- (d) give and/or procure the giving of notice pursuant to Section 103 of the Bermuda Companies Act, in order to assist the Offeror in exercising its (or their) rights of compulsory acquisition (if so entitled); and*
- (e) vote and/or procure the voting of all of their Shares in favour of a delisting, if the Offeror makes a subsequent exit offer pursuant to Rules 1307 and 1309 of the Listing Manual.*

5.2 Shareholdings of the Undertaking Shareholders

The shareholdings of the Undertaking Shareholders in the Company are as follows:

Name of Undertaking Shareholder	Number of Shares	Percentage shareholding in the Company⁽¹⁾ (%)
<i>Eastline Investments Holding Limited⁽²⁾</i>	<i>16,980,000</i>	<i>25.73</i>
<i>Goodwise Investments Limited⁽³⁾</i>	<i>19,855,000</i>	<i>30.08</i>
<i>Chen Chuanzhong</i>	<i>3,145,600</i>	<i>4.77</i>
<i>Zhu Chong Dong</i>	<i>3,073,300</i>	<i>4.66</i>
<i>Zhou Xianhui⁽⁴⁾</i>	<i>3,246,630</i>	<i>4.92</i>
<i>Zhou Xin⁽⁴⁾</i>	<i>3,165,400</i>	<i>4.80</i>
<i>Tang Jiang⁽⁴⁾</i>	<i>3,287,200</i>	<i>4.98</i>
Total	52,753,130	79.93⁽⁵⁾

Notes:

- (1) Based on the total number of issued Shares of 65,999,998 Shares as at the Latest Practicable Date.*
- (2) Eastline Investments Holding Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Yang Qingjin.*
- (3) Goodwise Investments Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Chen Yongfu.*

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(4) *Shares are held on the Undertaking Shareholder's behalf by UOB Kay Hian Private Limited as nominee.*

(5) *Does not add up due to rounding.*

5.3 *Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any party acting in concert with it has received any irrevocable undertakings from any other party to accept or reject the offer."*

We note from Section 7.1 of the Circular that, RHT Capital had on 29 June 2017 (subsequent to the Latest Practicable Date) announced on behalf of the Offeror, *inter alia*, that as at 5.00 p.m. (Singapore time) on 29 June 2017, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 60,903,805 Shares, representing approximately 92.28% of the total number of issued Shares ("**Relevant Announcement**").

Shareholders should note that pursuant to Rule 1303(1) of the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**"), in a take-over situation, where the offeror succeeds in garnering acceptances exceeding 90% of the issuer's total number of issued shares (excluding treasury shares), thus causing the percentage of an issuer's total number of issued shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the listed securities of the issuer only at the close of the take-over offer. Accordingly, trading of the Company's listed securities will be suspended by the SGX-ST at the close of the Offer.

Shareholders should note that Offeror does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted. Further, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual. The Offeror has stated in the Relevant Announcement that it intends to take steps to delist the Company from the SGX-ST following the close of the Offer.

7. THE RATIONALE FOR THE OFFER, INTENTION OF THE OFFEROR, THE LISTING STATUS AND COMPULSORY ACQUISITION

The rationale for the Offer, the Offeror's intentions relating to the Company, the listing status and compulsory acquisition set out in italics below has been extracted from Paragraph 7 to 9 of the Offer Document respectively. All terms and expressions used in the extract below shall have the same meaning as those defined in the Offer Document, unless otherwise stated.

"7. RATIONALE FOR THE OFFER

7.1 *Intention to delist and privatise the Company*

The Offeror is making the Offer with a view to delist the Company from the SGX-ST and if entitled to under the Bermuda Companies Act, the Offeror intends to compulsorily acquire all the Offer Shares, as further elaborated in paragraph 9 of this Offer Document.

7.2 *Opportunity for minority Shareholders to realise their investment in the Shares at a premium*

The Offer Price is at a significant premium above the historical market prices of the Shares over the last 12-month period up to the date prior to the Offer Announcement Date. When compared to the historical market prices of the Shares over the 12-month period, the Offer Price represents a premium of approximately 46.6%, 48.2%, 49.6% and 62.9% above the VWAP per Share for the corresponding one-month, three-month, six-month and 12-month period prior to and including the Last Trading Day, respectively.

Through the Offer, accepting Shareholders will have an opportunity to realise their investments in the Company for a cash consideration at a significant premium above the historical market share prices, without incurring any brokerage and other trading costs.

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7.3 Low trading liquidity of the Shares

The trading liquidity of the Shares has been low as shown in the table below:

Reference period prior to the Offer Announcement Date	No. of traded days⁽¹⁾	No. of Market Days	Average daily trading volume⁽²⁾ ('000)	Average daily trading volume as a percentage of total number of issued Shares⁽³⁾ (%)
One-month	12	20	30	0.05
Three-month	29	62	12	0.02
Six-month	58	124	9	0.01
12-month	133	252	13	0.02

Notes:

- (1) Traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period.
- (2) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST during the relevant periods, divided by the number of days when the SGX-ST was open for trading (excluding days with full day trading halts on the Shares) during that period.
- (3) Based on the total number of issued Shares of 65,999,998 Shares as at the Latest Practicable Date.

The Offer therefore represents a cash exit opportunity for Shareholders who wish to realise their entire investment in the Shares but find it difficult to do so in the open market due to the low trading liquidity of the Shares.

7.4 Greater Management Flexibility

The Offeror believes that the privatisation of the Company will provide the Offeror with greater management flexibility to manage and develop the Group's businesses, optimise the use of its resources, and facilitate the implementation of any strategic initiatives and/or operational changes.

7.5 Eliminate Compliance Costs of Listing

As a listed entity, the Company incurs listing, compliance and other related costs associated with the continued listing requirements under the Listing Manual. The privatisation of the Company will eliminate listing related expenses which can be channelled towards its business operations.

8. LISTING STATUS AND COMPULSORY ACQUISITION

8.1 Listing Status

(a) Suspension of Trading

Under Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that brings the Shares held by the Offeror and parties acting in concert with it to above 90.0% of the total number of issued Shares excluding treasury shares, the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least 10.0% of the total number of issued Shares excluding treasury shares are held by at least 500 shareholders who are members of the public. Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90.0% of the total number of issued Shares excluding treasury shares, thus causing the percentage of the total number of issued Shares excluding treasury shares held in public hands to fall below 10.0%, the SGX-ST will suspend the trading of the Shares only at the close of the Offer.

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(b) Free Float

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total Shares held in public hands falls below 10.0%, the Company must as soon as practicable, announce the fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10.0%, failing which the Company may be delisted.

In the event that the trading of the 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 trading suspension by the SGX-ST to be lifted. It is the intention of the Offeror to privatise the Company and to delist the Company from the SGX-ST, should the option be available to the Offeror.

8.2 Compulsory Acquisition

*Under Section 103 of the Bermuda Companies Act, the holders of not less than 95.0% of the shares in a Bermuda company (herein referred to as “**purchasers**”) may give notice (“**s103 Acquisition Notice**”) to the remaining shareholders of their intention to acquire the remaining shareholders’ shares on the terms set out in the s103 Acquisition Notice. When such s103 Acquisition Notice is given, the purchasers shall be entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the s103 Acquisition Notice unless a remaining shareholder applies to the Supreme Court of Bermuda (the “**Court**”) to have the Court appraise the value of such shares.*

Shareholders who are in doubt of their position under the Bermuda Companies Act are advised to seek their own independent legal advice.

9. THE OFFEROR’S INTENTIONS IN RELATION TO THE COMPANY

- 9.1. The Offeror does not intend to preserve the listing status of the Company, and the Offeror (together with the parties acting in concert with it where appropriate) when entitled, intends to exercise its (or their) rights of compulsory acquisition (“Compulsory Acquisition”) under the Bermuda Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10.0% of the Shares are held in public hands. In addition, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual.**
- 9.2. In the event that the Offeror (together with the parties acting in concert with it where appropriate) is not entitled to exercise its (or their) rights of Compulsory Acquisition after the close of the Offer, the Offeror will instead seek the delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.**
- 9.3. Although the Offeror has no current intention of (a) making material changes to the Group’s existing business: (b) re-deploying the Group’s fixed assets: or (c) discontinuing the employment of the employees of the Group, other than in the ordinary course of business, nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company. Following the close of the Offer, the Offeror will conduct a comprehensive review of the operations, management and financial position of the Group, and will evaluate various strategic options following the delisting.”**

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7. FINANCIAL ASSESSMENT OF THE OFFER

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

- (i) Historical financial performance and position of the Group;
- (ii) The Group's net asset value ("**NAV**") and net tangible assets ("**NTA**") analysis;
- (iii) Relative valuation analysis;
- (iv) Market quotation and trading activities for the Shares;
- (v) Comparison with successful privatisations via voluntary general offer transactions of companies listed on the SGX-ST; and
- (vi) Other relevant considerations which have significant bearing on our assessment.

These factors are discussed in detailed in the ensuing sections.

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

- (i) **EV/EBITDA**

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

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

The PER is a widely used earnings-based valuation methodology that illustrates the ratio of the current market price of a company's shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies.
- (iii) **Price-to-NTA ("P/NTA")**

The P/NTA ratio is the ratio of the relevant prices of the shares to the net tangible asset value of the relevant companies. It is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its asset backing as measured in terms of its NTA value.

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The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders. The NTA-based approach is widely used for valuing the shares of property-based companies as their tangible asset backings are perceived as providing support for the value of their shares.

(iv) **Price-to-NAV (“P/NAV”)**

The P/NAV ratio is the ratio of the relevant prices of the shares to the net asset value of the relevant companies. It is an asset based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible and intangible asset backing as measured in terms of its NAV value.

The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its tangible and intangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.

7.1. Historical financial performance and position of the Group

Overview of the Group’s business

The Group is principally engaged in the manufacture and sale of adhesive tapes, release papers and ultraviolet (“UV”) cured released films. The Group has also obtained Shareholders’ approval on 27 April 2012 for the diversification of business to include the manufacture and sale of Nylon-6 chips (an upstream business) (“**Nylon-6 Chip Business**”), one of the raw materials used for various consumer goods and industrial applications (“**Nylon-6 Chip Diversification**”). As at the Latest Practicable Date, the Group has completed the construction of the Nylon-6 chips production plant (the “**Nylon-6 Chip Plant**”) in People’s Republic of China (“**PRC**”) but has yet to begin the trial production, commercial production and sales. Please refer to Section 7.2 of this IFA Letter for further details.

The following are extracts from the audited consolidated financial statements of the Group for FY2014, FY2015, FY2016 and the unaudited consolidated financial statements for 1Q2016 and 1Q2017:

Summary of income statements

Figures in RMB’000 ⁽¹⁾	Unaudited 1Q2017	Unaudited 1Q2016	Audited FY2016	Audited FY2015	Audited FY2014
Revenue	10,121	9,684	39,365	50,790	120,973
Cost of sales	(6,864)	(6,584)	(26,457)	(41,821)	(95,082)
Gross profit	3,257	3,100	12,908	8,969	25,891
Other income	8,996	1,866	3,222	12,696	16,890
Other gains and losses, net	–	–	–	(15,055)	4,810
Selling and distribution costs	(622)	(615)	(2,925)	(2,672)	(4,166)
Administrative expenses	(11,665)	(5,776)	(26,902)	(19,388)	(17,387)
(Loss)/Profit before tax	(34)	(1,425)	(13,697)	(15,450)	26,038
Loss after tax attributable to owners of the Company (Continuing operations)	(45)	(1,848)	(16,780)	(19,312)	23,618
Profit after tax attributable to owners of the Company (Discontinued operations)	–	–	–	12,225	–
(Loss)/Profit after tax (total)	(45)	(1,848)	(16,780)	(7,087)	23,618

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Summary of statements of financial position

Figures in RMB'000 ⁽¹⁾	Unaudited 1Q2017	Audited FY2016	Audited FY2015	Audited FY2014
Non-current assets	1,005,890	995,676	481,920	144,265
Current assets	160,233	171,536	810,028	1,001,509
Non-current liabilities	4,650	4,650	4,650	7,000
Current liabilities	122,006	123,050	231,006	75,395
Total borrowings	–	–	–	–
Shareholders' equity	1,039,467	1,039,512	1,056,292	1,063,379
Net working capital	38,227	48,486	579,022	926,114

Summary of statements of cash flows

Figures in RMB'000 ⁽¹⁾	Unaudited 1Q2017	Unaudited 1Q2016	Audited FY2016	Audited FY2015	Audited FY2014
Net cash (used in)/from operating activities	(11,558)	(320)	(89,148)	76	17,547
Net cash (used in)/from investing activities	(11,760)	(155,869)	(622,185)	315,227	(19,747)
Net cash (used in)/from financing activities	–	–	–	–	–
Net increase/(decrease) in cash and cash equivalents	(23,318)	(156,189)	(711,333)	315,303	(2,200)
Cash and cash equivalents at end of period	41,780	620,242	65,098	776,431	461,128

Note:

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

We note the following:

(i) Revenue and gross profit from the three product segments

The Group recorded revenue from the three product segments – adhesive tapes, release papers and UV cured release film of approximately RMB121.0 million, RMB50.8 million and RMB39.4 million for FY2014, FY2015 and FY2016 respectively. For FY2016, the revenue contribution from adhesive tapes, release papers and UV cured release film accounted for approximately 48.5%, 7.0% and 44.5% respectively. Revenue decreased by approximately RMB70.2 million or 58.0% from approximately RMB121.0 million in FY2014 to approximately RMB50.8 million in FY2015 and subsequently decreased by approximately RMB11.4 million or 22.5% to approximately RMB39.4 million in FY2016. The significant fall in revenue of approximately 67.5% for the last three (3) financial years was mainly attributed to the uncertainties and slowdown in the domestic economy in PRC, increase competition and declining market demand for the Group's products. During FY2016, revenue contribution from adhesive tapes, release papers and UV cured release films decreased by approximately 23.1%, 63.6% and 4.6% respectively as compared to FY2015.

For 1Q2017, the Group's revenue increased slightly by approximately RMB0.4 million or 4.5% from approximately RMB9.7 million in 1Q2016 to approximately RMB10.1 million, which was attributed to the increase in average selling price of all product segments by approximately 6.4% to 9.9% in 1Q17, increase in volume for adhesive tapes of approximately 55.3% in 1Q2017 which was offset by a significant reduction in sales volumes of release papers and UV cured release film.

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Gross profit for the Group amounted to approximately RMB25.9 million, RMB9.0 million, RMB12.9 million, RMB3.1 million and RMB3.3 million for FY2014, FY2015, FY2016, 1Q2016 and 1Q2017 respectively.

Gross profit decreased by approximately RMB16.9 million or 65.4% from approximately RMB25.9 million in FY2014 to approximately RMB9.0 million in FY2015, mainly due to a decline in volume of products sold, increase in depreciation costs of plant and machinery in FY2015 arising from the reversal of impairment losses made in FY2014 (relating to building, plant and machinery of approximately RMB6.3 million) which was partially offset by lower raw material prices for all product segments. For FY2016, gross profit increased by approximately RMB3.9 million or 43.9% from approximately RMB9.0 million in FY2015 to approximately RMB12.9 million despite a decline in volume of products sold and is mainly due to the decline in major raw material prices of adhesive tape and UV cured release film and increase in average selling price of all products. In addition, depreciation costs of plant and machinery decreased as a result of an impairment loss made in FY2015. In general gross profit margins (“GPM”) for the Group was volatile for the 3 years reviewed, and for FY2016, GPM was 32.8% (an improvement from FY2015 and FY2014 GPM of 17.7% and 21.4% respectively).

For 1Q2017, the Group’s gross profit increased by approximately RMB0.2 million or 5.1% from approximately RMB3.1 million in 1Q2016 to approximately RMB3.3 million mainly due to the insignificant price fluctuation of the major raw materials and other variable costs which increased in line with the sales revenue growth. The Group’s GPM for 1Q2017 was 32.2%, which is relatively in line with the GPM in FY2016.

(ii) Other income, selling and distribution costs and administrative expenses

Other income (comprising, *inter alia*, interest income from bank deposits and compensation income) amounted to approximately RMB16.9 million, RMB12.7 million, RMB3.2 million, RMB1.9 million and RMB9.0 million respectively for FY2014, FY2015, FY2016, 1Q2016 and 1Q2017 respectively. There was a significant decrease in other income for FY2015 and FY2016 of approximately RMB4.2 million and RMB9.5 million respectively mainly due to a decrease in bank balances (for FY2015 and FY2016) and a decrease in interest rates (for FY2015). Other income increased significantly from approximately RMB1.9 million in 1Q2016 to approximately RMB9.0 million in 1Q2017 mainly due to a one-time compensation income of approximately RMB8.9 million received from the local government in Fujian, PRC for compensation of the financial losses suffered by the Group on capital expenditure on the original plot of land and postponement of Nylon-6 chip development.

Selling and distribution costs which comprises of, *inter alia*, transportation costs, staff costs and promotional costs amounted to approximately RMB4.2 million, RMB2.7 million, RMB2.9 million, RMB0.6 million and RMB0.6 million for FY2014, FY2015, FY2016, 1Q2016 and 1Q2017 respectively. Selling and distribution costs decreased by approximately RMB1.5 million or 35.9% from approximately RMB4.2 million in FY2014 to approximately RMB2.7 million in FY2015 which was in line with the decrease in revenue. However, the percentage decline in selling and distribution costs was lower than the percentage decline in revenue recorded as a result of the non-variability of costs such as employee salaries and rental payment. Selling and distribution costs increased by approximately RMB0.3 million or 9.5% to approximately RMB2.9 million in FY2016 mainly due to the advertising expenses incurred for the promotion of Nylon-6 chips in FY2016. For 1Q2017 and 1Q2016, selling and distribution costs remained relatively constant at approximately RMB0.6 million.

Administrative expenses which consist of, *inter alia*, pre-operating expenses, directors’ remuneration, professional fees and salaries amounted to approximately RMB17.4 million, RMB19.4 million, RMB26.9 million, RMB5.8 million and RMB11.7 million for FY2014, FY2015, FY2016, 1Q2016 and 1Q2017 respectively. Administrative expenses increased by approximately RMB2.0 million (or 11.5%) and RMB7.5 million (or 38.8%) for FY2015 and

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FY2016 respectively mainly due to the pre-operating expenses incurred for the development of the Group's Nylon-6 Chip Business. For 1Q2017, administrative expenses increased by approximately RMB5.9 million or 102.0% as compared to 1Q2016 also mainly due to the pre-operating expenses incurred for the development of the Group's Nylon-6 Chip Business.

The Group's subsidiary had recruited many staff to better prepare for the commencement of Nylon-6 Chip Business (as construction works for the Nylon-6 Chip Plant had been completed and fine tuning of production lines was carried out in 1Q2017), leading to increase in staff costs and other pre-operating expenses in 1Q2017. We note that the pre-operating expenses (of approximately RMB8.3 million) accounted for a significant portion (or approximately or 71.3%) of the total administrative expenses in 1Q2017, of which approximately RMB4.4 million was for the recruitment of additional staff for the commencement of the Nylon-6 Chip Business whilst approximately RMB3.0 million was borne by the Group's subsidiary for utility costs (relating to electricity, water and gas), as construction works for the Nylon-6 Chip Plant was completed in early 1Q2017.

(iii) Loss making from FY2015 to 1Q2017

The Group recorded a profit after tax attributable to owners of the Company (comprising of both the continuing operations and discontinued operations) of approximately RMB23.6 million in FY2014 and recorded losses after tax attributable to owners of the Company of approximately RMB7.1 million, RMB16.8 million, RMB1.8 million and RMB45 thousand in FY2015, FY2016, 1Q2016 and 1Q2017 respectively.

We would also like to highlight that the Group recorded impairment loss of approximately RMB15.1 million in FY2015 as compared to a reversal of impairment loss of approximately RMB6.3 million in FY2014, mainly attributable to impairment losses on certain property, plant and equipment for the UV cured release films segment as their carrying amounts exceeded recoverable amounts as at 31 December 2015. This loss was recorded pursuant to a review of the recoverable amounts of related property, plant and equipment as at 31 December 2015 for UV cured release film products, following the unexpected downward trend in the PRC's economy and less customers' orders were received.

In the event that the impairment losses (and reversals) are added or subtracted from the profit/(loss) before income tax, the Group would have registered a profit before tax of approximately RMB19.7 million and a loss before tax of approximately RMB0.4 million for FY2014 and FY2015 respectively, as compared to its audited profit after income tax of approximately RMB23.6 million and loss after income tax of approximately RMB19.3 million for FY2014 and FY2015 respectively.

(iv) Discontinued operations

We note that there was a review on the performance of the 2-Acrylamido-2-methyl propane sulfonic acid ("**2-A2MPS**") business in 2012 and 2013 which led to an impairment loss of approximately RMB17.5 million and RMB9.5 million in FY2012 and FY2013 respectively.

On 27 November 2013, the Company announced its suspension of production of 2-A2MPS within the Group in view of the continuing financial losses of 2-A2MPS and the slow-down in global economies and intense market competition in the PRC.

On 15 February 2015, Xiamen Changtian Enterprise Co., Ltd ("**Changtian Enterprise**"), a wholly-owned subsidiary of the Group, entered into a conditional sale and purchase agreement with a third party (the "**Purchaser**"), pursuant to which Changtian Enterprise has agreed to sell to the Purchaser the 2-A2MPS production facilities and any related intellectual property rights (collectively, the "**2-A2MPS Assets**") for a consideration of approximately RMB12.5 million. The disposal was completed in February 2015 pursuant to approval of

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the Board at the Board meeting held on 27 February 2015. The 2-A2MPS business was thus classified as a discontinued operation in FY2015. Accordingly, the disposal resulted in a net gain of approximately RMB12.2 million and the proceeds from the disposal have been received in FY2015.

(v) Profitability margins for continuing operations

The following table summarises the gross profit, profit before tax and after tax margins for the Group's continuing operations:-

Profitability margins	Unaudited 1Q2017	Unaudited 1Q2016	Audited FY2016	Audited FY2015 ⁽¹⁾	Audited FY2014
Gross profit margin	32.2%	32.0%	32.8%	17.7%	21.4%
(Loss)/Profit before tax margin	(0.3)%	(14.7)%	(34.8)%	(30.4)%	21.5%
(Loss)/Profit after tax margin	(0.4)%	(19.1)%	(42.6)%	(38.0)%	19.5%

Note:

(1) Profitability margins for FY2015 excludes results from discontinued operations.

From the table above, we note that gross profit margin decreased from approximately 21.4% in FY2014 to approximately 17.7% to FY2015 and subsequently increased to approximately 32.8% in FY2016 and approximately 32.2% in 1Q2017. Save for FY2014 whereby the Group recorded a profit before and after tax margin of approximately 21.5% and 19.5% respectively, the Group had recorded losses before and after tax margins for FY2015 till 1Q2017. Further, the Group's loss before and after tax margins widened in FY2016 but subsequently improved in 1Q2017. We note that the Group has been loss making for the period FY2012 to 1Q2017 (save for FY2014 whereby the Group recorded a profit after tax attributable to owners of the Company of approximately RMB23.6 million) with a substantial decline in its revenue since FY2012.

(vi) Assets and liabilities

The Group's total assets amounted to approximately RMB1.2 billion as at 31 March 2017 comprising current assets of approximately RMB160.2 million (or 13.7% of the total assets) and non-current assets of approximately RMB1.0 billion (or 86.3% of the total assets).

Non-current assets as at 31 March 2017 comprises property, plant and equipment of approximately RMB986.3 million (construction-in-progress of approximately RMB978.9 million relating to the Nylon-6 Chip Plant and plant and equipment of approximately RMB7.4 million), prepaid premium for leasehold land under operating leases (land use right with a lease term of 50 years) of approximately RMB19.3 million and deposits of approximately RMB0.3 million (representing the balance paid to suppliers for certain production machinery on the Nylon-6 Chip Plant).

Current assets as at 31 March 2017, of approximately RMB160.2 million comprises mainly; i) prepayments, deposits and other receivables with an aggregate value of approximately RMB104.7 million (being value-added tax ("VAT") of approximately RMB103.9 million, other receivables of approximately RMB0.7 million and prepayments of approximately RMB0.1 million); ii) cash and cash equivalents of approximately RMB41.8 million; iii) trade receivables of approximately RMB11.7 million; iv) inventories (consist of raw materials, work-in progress and finished goods) of approximately RMB2.0 million; v) and current tax assets of approximately RMB43 thousand. As represented and confirmed by the Management, according to the PRC tax regulations and rules, the Group is liable to pay VAT on the acquisition or self-construction of property, plant and equipment for the Nylon-6 chip development which makes reference to the circular of 財稅[2008]170號 issued by the PRC

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Tax Bureau on 19 December 2008. In addition, starting from 1 January 2009, the VAT paid on acquisition or self-construction of property, plant and equipment can be utilised to offset against the VAT expense on future sales revenue or other revenues which are subject to the VAT in the PRC of the same company.

The Group's total liabilities amounted to approximately RMB126.7 million as at 31 March 2017 comprising current liabilities of approximately RMB122.0 million (or 96.3% of the total liabilities) and non-current liabilities of approximately RMB4.7 million (or 3.7% of the total liabilities).

Current liabilities as at 31 March 2017 comprises: i) accruals and other payables of approximately RMB117.6 million (constituting other payables to suppliers of machinery and equipment, constructor of plant and service providers of installation of machinery and equipment for Nylon-6 chip development of approximately RMB110.5 million, accrued expenses (*inter alia*, audit fee, directors' remuneration, salaries and other staff benefits, professional fees) of approximately RMB5.1 million and deposits received for tendering received from suppliers of machinery and equipment of approximately RMB2.0 million); ii) current tax liabilities of approximately RMB2.3 million; and iii) trade payables of approximately RMB2.1 million.

Non-current liabilities as at 31 March 2017 comprised deferred tax liabilities of approximately RMB4.7 million which is in relation to withholding tax on undistributed profits of Changtian Enterprise.

(vii) Net working capital and Shareholders' equity

The Group's net working capital ("NWC") declined significantly from approximately RMB926.1 million as at 31 December 2014 to approximately RMB579.0 million as at 31 December 2015 and approximately RMB48.5 million as at 31 December 2016. It subsequently decreased further to approximately RMB38.2 million as at 31 March 2017.

The Shareholders' equity for the Group was approximately RMB1,064.4 million as at 31 December 2014 and decreased marginally to approximately RMB1,056.3 million as at 31 December 2015. It subsequently decreased to approximately RMB1,039.5 million as at 31 December 2016 and as at 31 March 2017 due to the losses incurred.

The Group has no borrowings for the period reviewed. However, as at 31 March 2017, the Group has committed approximately RMB0.6 million for the purposes of acquisition of machinery and equipment, and construction of the Group's Nylon-6 chips plant.

As disclosed in the 1Q2017 results announcement dated 10 May 2017, the Group has obtained a written confirmation from its principal banker in the PRC in March 2017, on its willingness to provide a credit line up to RMB300 million, the detailed terms and conditions of which will be finalised at a later date. The Directors expect the credit facility (to be secured against a pledge of the Group's plant and equipment) will be used for capital expenditure (settlement of other payables) and working capital of Nylon-6 chips business.

(viii) Cash flow from operations

The Group's recorded net cash generated from operating activities of approximately RMB17.5 million in FY2014 and approximately RMB76 thousand in FY2015 whilst the Group recorded net cash used in operating activities of approximately RMB89.1 million in FY2016 and approximately RMB0.3 million in 1Q2016. For 1Q2017, the Group recorded net cash used in operating activities of approximately RMB11.6 million mainly due to the increase in prepayments, deposits and other receivables.

It is also noted that there is no cash (used in)/generated from financing activities for the period under review (FY2014 to 1Q2017).

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The net cash used in operating activities and investing activities for the period under review (FY2014 to 1Q2017) were mainly supplemented by the cash and cash equivalents of the Group, which saw it declining from approximately RMB961.1 million as at 31 December 2014 to approximately RMB41.8 million as at 31 March 2017.

(ix) Outlook

In the Group's results announcement for 1Q2017, the Company stated the following commentary on the significant trends and competitive conditions of the industry in which the Group operates and factors or events that may affect the Group in the next reporting period and the next 12 months:-

"For Nylon-6 Chip Development, the construction works of Nylon-6 Chip Plant had completed in early 2017 and the fine-tuning of production lines is at the final stage. Upon satisfactory results of fine-tuning, the trial production will be commenced immediately. Subject to the satisfactory trial run, the Company anticipates to begin the commercial production and sales in the third quarter 2017. In view of the shortfall of cash and cash equivalents with the unpaid capital expenditure, the Group had obtained a written confirmation from its principal banker in the PRC in early 2017, which confirmed the availability of a credit line up to RMB300 million, the terms and condition will be finalized at date of agreement but include a pledge of the Group's plant and equipment. The Group will make further announcements about development of Nylon-6 Chip Business at the appropriate point in time.

The market condition for our products remains very competitive and the Company will continue to implement stringent cost control measures to maintain the profitability of existing products."

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the audited financial statements for the Group for FY2016 and the unaudited financial statements for the Group for 1Q2017, there has been no material changes to the Group's business, assets and liabilities, financial position, condition and performance.

7.2. Nylon-6 chips

We note that the Group has obtained Shareholder's approval on 27 April 2012 for the diversification of it's business to include Nylon-6 Chips with the intention to achieve long-term sustainable growth under different economic conditions and to sustain and enhance Shareholders' value. As stated in the circular dated 30 March 2012 in relation to the Nylon-6 Chip Diversification ("**2012 Circular**") and as confirmed by Directors as at the Latest Practicable Date, the Group intends to focus initially on the Nylon-6 Chip Business, as products arising from the Nylon-6 Chip Business is widely used in many applications owing to its good performance and cost ratios. A broad range of parts are made with this polyamide in the transportation, electronics and electrical, consumer goods, building and construction and packaging industries.

Nylon-6 is one of the raw materials used for various consumer goods and industrial applications, including the following:

- a) Carpets, rugs and home textiles;
- b) Engineering plastics (including automotive parts such as safety belts hoses and seats, electrical and electronic parts such as movement, skeleton and support for household apparatus, office equipment and manufacturing machinery);
- c) Tire cord;
- d) Textiles (such as apparel, hosiery, lingerie, sportswear, swimwear, casual wear, fashion wear, socks, umbrellas, luggage, tents, parachutes, sleeping bags etc.); and

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- e) Film and sheets (for purposes of food packaging, industrial packaging and medical applications), including biaxially-oriented polyamide (“**BOPA**”) film, one of the products previously manufactured by the Group prior to the disposal of the Group’s BOPA film business.

As disclosed in the 2012 Circular, based on preliminary assessment and feasibility study conducted by Management and barring any unforeseen circumstances, the total capital commitment for the Nylon-6 Chip Development was estimated to be up to RMB622.0 million prior to commencement of commercial operation. In connection with the Nylon-6 Chip Diversification, the Group planned to construct a new plant for the production of Nylon-6 Chip Plant. The new development is expected to entail investments in the form of the acquisition of land of approximately 100 mu in Fujian Province, the construction of plant and purchase of equipment and machinery for the production of Nylon-6 chips (with an annual production capacity of approximately 55,000 metric tonnes (“**mt**”)) and building facilities and infrastructure to house them, as well as conducting the related development activities (the “**Nylon-6 Chip Development**”). It was also envisaged that the Nylon-6 Chip Development will commence by May 2012 with total completion estimated to take approximately 18 months.

On 15 January 2013 and as announced by the Company, the Company proposed the increase of investment in the Nylon-6 Chip Development from initial estimates of approximately RMB622 million to up to approximately RMB1,120 million after completing a detailed assessment and feasibility study, which will enable the Group to double the annual production capacity of the Nylon-6 Chip Plant from approximately 55,000 mt to 110,000 mt, thereby reaping economies of scale such as the lowering of its cost of production through mass manufacturing, more efficient use of marketing and managerial resources, greater bargaining power in bulk procurement and other such cost advantages in the chemical fibre industry. Further, the Company believes that a larger scale of operations will allow it to weather periods of cost pressures and competition better than the other smaller players.

As stated in the 2012 Circular, the Company intended to initially fund the capital commitments for the Nylon-6 Chip Development through internal resources. The Company intended to fund the additional investment amount of up to RMB500 million, including the related working capital required for the overall production of Nylon-6 chips through credit facilities from the principal bankers of the Group.

Budgeted cost and cost incurred for Nylon-6 Chip Development

The breakdown of the budgeted costs of approximately RMB1,120 million for the Nylon-6 Chip Development, including the costs incurred till May 2017 are as follows:

Nylon-6 Chip Development	Budgeted cost	Actual cost incurred
	RMB’ million	RMB’ million
Cost of land acquisition	40.0	20.0
Construction cost of Nylon-6 Chip Plant	270.0	270.0
Acquisition cost of production lines and auxiliary equipment	712.0	733.0
Installation cost of machinery	68.0	75.0
Other costs	30.4	12.0
Total	1,120.4	1,110.0

The total amount of costs incurred on the Nylon-6 Chip Development up to 31 May 2017 was approximately RMB1.11 billion, representing approximately S\$3.42 per Share and approximately 2.63 times of the Offer Price, which is a significant amount of investment that the Group has incurred till date. The remaining costs of approximately RMB10.4 million is expected to be incurred after commencement of the production lines for acquisition of machines and equipment as well as the remaining balance of construction costs.

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As at the Latest Practicable Date, the amount of capital expenditure spent by the Group for the Nylon-6 Chip Development which *inter alia* includes the cost for construction of the facilities and plant and equipment, amounted to approximately RMB1.11 billion. An additional amount of RMB10.2 million is required for the completion of the development. The cost for development of the Nylon-6 Chips Plant was financed by internal resources in cash and as at the Latest Practicable Date, the amounts outstanding and due to suppliers and contractors for the development is approximately RMB98.8 million (which is substantially higher than the Group's cash and cash equivalent of approximately RMB41.8 million). This would be financed by internal sources in cash and a RMB300 million credit facility from its principal banker in the PRC. It is also expected that the initial working capital of approximately RMB100 million will be required for the commencement of the production in the third (3rd) quarter of 2017.

Issues pertaining to the land use right certificate for the plots of land to build the Group's Nylon-6 Chips Plant have also been resolved in 2016. The Department of Land and Resources of Fujian Province has approved the land swap and the land swap was completed on 24 October 2016.

As the construction works for the Group's Nylon-6 Chip Plant was completed with fine-tuning of machinery of Nylon-6 chips commenced in 1Q2017, the Group will commence trial production in the near future. When the trial production has satisfactory yields, commercial production is expected to commence in the third quarter of 2017 progressively in stages.

Developments relating to Nylon-6 chips

We note from the AR2013 the following developments relating to acquisition of the land use right for the Nylon-6 chips, selected extracts of which are reproduced and set out in italics below.

“OUTLOOK

During the year, the Group proceeded with its plans to set up a plant to produce Nylon-6 chips in the PRC. Nylon-6 chips are raw materials that are widely used in applications in the transportation, electronics and electrical, consumer goods, building and construction, and packaging industries.

In August 2013, the Group acquired the land use right of a plot of industrial land at Nanxing Village, Wangchuan Town, Hui'an County, Quanzhou City, Fujian Province from the PRC's Ministry of Land and Resources. Construction of the plant started in December 2013, and the Group had also signed contracts to acquire production lines for Nylon-6 chips.

In March 2014, certain issues surfaced with respect to the obtaining of the land use right certificate for the plot of land. Construction work at the site had to be suspended and the local government has demanded the Group to withdraw the state-owned construction land use right transfer agreement relating to the land use right. The Group is in discussions with the relevant authorities in the PRC to resolve the matter.

With this latest development, the Nylon-6 Chip plant may not be completed by the end of 2014 as planned and may be delayed further.

In the event that an agreement is not reached with the local government, the Group will not be able to obtain the land use right certificate. If so, the Group may suffer financial losses resulting from the capital expenditure on the construction of the plant as well as other related costs. As at 28 February 2014, all capital expenditure incurred was funded by the Group's internal resources.”

We note from the AR2014 the following developments relating to the construction works for the Nylon-6 Chip Plant, selected extracts of which are reproduced and set out in italics below.

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“OUTLOOK

In 2014, the Group signed contracts for the acquisition of machinery and equipment, as well as the construction of a plant and corresponding infrastructure for its Nylon-6 chip business. Nylon-6 chips are raw materials that are widely used in applications in the transportation, electronics and electrical, consumer goods, building and construction, and packaging industries.

Construction works for the Nylon-6 chip plant in the PRC commenced in mid-September 2014. As at 31 December 2014, approximately 20.0% of the construction works have been completed. The Group expects that the procedures of the land swap will be completed by the second quarter of 2015. Further updates on the Nylon-6 chip plant will be provided as and when appropriate.

According to a Research and Markets report on the global adhesive and sealants industry, the industry is expected to witness moderate growth and reach an estimated \$58.14 billion by 2018.¹ Notably, China's demand for adhesives is expected to grow at a compounded annual growth rate of 10.2% from 2014-2019² and about 6.0% by 2024.³ Riding on the growth of manufacturing industries in the Asia and Pacific regions, countries in these regions are expected to remain the largest and fastest growing markets.

As the global market continues to fluctuate and market competition remains uncertain, the Group will continue to monitor market conditions of existing products and signs of industry recovery while imposing stringent cost controls to maintain profitability.

We note from the AR2015 the following developments relating to the construction works for the Nylon-6 Chip Plant, selected extracts of which are reproduced and set out in italics below.

“OUTLOOK

Approximately 78.0% of the construction works for the Group's Nylon-6 chips plant have been completed as at end-December 2015. As at 31 December 2015, the Group has committed approximately RMB207 million of capital expenditure for the acquisition of machinery and equipment and construction of the plant. The fitting and installation of production lines and equipment in buildings and warehouses are ongoing and are expected to be completed by end-June 2016.

In addition to the Group's existing capital commitments for the Nylon-6 Chips business, the Group expects additional capital expenditures of approximately RMB418 million which had not been contracted with the suppliers as at 31 December 2015. In view of the shortfall in cash and cash equivalents, the Group may seek external funds in the form of bank borrowings or financial support from substantial shareholders within the next 12 months.

Issues pertaining to the land use right certificate for the initial plot of land to build the Group's Nylon-6 chips plant have also been resolved over the course of the year. The Department of Land and Resources of Fujian Province has approved the land swap and the Group expects that the procedures of the land swap will be completed in the near future.

In light of the volatility in global markets and uncertain market competition, the Group will continue to closely monitor market conditions and look out for signs of recovery in the industry while imposing stringent cost controls to maintain profitability.”

We note from the AR2016 the following developments relating to the construction works for the Nylon-6 Chip Plant, selected extracts of which are reproduced and set out in italics below.

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- 1 “Global Adhesives and Sealants Industry 2013-2018: Trend, Profit and Forecast Analysis”, Research and Markets, October 2013 http://www.researchandmarkets.com/research/zmk448/global_adhesives
 - 2 “Chinese Adhesives Market to Grow 10%”, Adhesive Magazine, 9 June, 2014 <http://www.adhesivesmag.com/articles/92984-chinese-adhesives-market-to-grow-10>
 - 3 “Adhesive Markets in China”, Research and Markets, January 2015, http://www.researchandmarkets.com/research/nv24ks/adhesive_markets”

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“OUTLOOK

The construction works for the Group's Nylon-6 chips plant was completed and the fine-tuning of machinery of Nylon-6 chips commenced in early 2017. The Group will commence commercial production and sales once it achieves satisfactory results from the trial production.

As at 31 December 2016, the Group has committed approximately RMB33.5 million of capital expenditure for the acquisition of machinery and equipment and construction of the plant.

In view of the shortfall in cash and cash equivalents as a result of unpaid capital expenditure, the Group obtained written confirmations from its principal banker in the PRC in early 2017, which confirmed the availability of a credit line of up to RMB300 million. While the terms and conditions of the credit loan have yet to be finalised, it includes a pledge of the Group's plant and equipment. The Group endeavors to keep shareholders updated in a timely manner and will disclose any new information when available.

In light of the volatility in global markets and increased market competition, the Group will continue to implement stringent cost control measures to maintain the profitability of existing products, while keeping a close tab on market developments for signs of recovery.”

Directors and Management have represented and confirmed that the fine-tuning of machineries is at the final stage and trial production will commence in the near future though no date has been set as at the Latest Practicable Date. The commercial production is anticipated to start in the third (3rd) quarter of 2017.

Funding

As represented and confirmed by Management, the Group anticipates shortfall of cash and cash equivalents with the unpaid capital expenditure of approximately RMB98.8 million as at the Latest Practicable Date, the Group had obtained a written confirmation from its principal banker in the PRC in March 2017, who confirmed the availability of a credit line up to RMB300 million, the terms and conditions will be finalised at a later date of agreement but will include a pledge of the Group's plant and equipment.

Risk factors

The following is a list of key risk factors that are associated with the Nylon-6 Chip Diversification and had been confirmed by the Directors that all the risk factors that are material have been included below. This list is by no means exhaustive. There may be additional risks not presently known to the Company or are currently not deemed to be material. If any of the following considerations, risks and uncertainties develops into actual events, the Group's financial position, results, business operations, prospects (collectively referred to as the “**Business**” in this section) and any investment in the Company's Shares could be, directly or indirectly, adversely affected.

- i) **The Group may not be able to generate positive cash flows from the operations of the Nylon-6 Chip Business until after commercial operation of the Nylon-6 Chip Plant and the Group may suffer loss if it is unable to generate sufficient profits from its existing businesses and the Nylon-6 Chip Business**

The Nylon-6 Chip Development required substantial capital expenditure and costs of investment prior to the commercial operation of the Nylon-6 Chip Plant. As at the Latest Practicable Date, an aggregate of RMB1.11 billion had already been spent or committed for the construction of the Nylon-6 Chip Development which commenced in 2014. Except for FY2016, the Group had generated positive cash flows from its operating activities. As the cost for the Nylon-6 Chips Development was financed from the Group's internal resources, the aggregate amounts of cash and cash equivalents, and deposits for the Group declined from approximately RMB964.7 million as at end of FY2014 to approximately RMB93.0 million as at end of FY2016 and approximately RMB42.1 million as at end of 1Q2017.

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The Group intends to continue its current activities and engage principally in Nylon-6 Chips business, however, the Group may not be able to generate any positive cash flows from the operations until after the full commercial operation of the Nylon-6 Chip Plant. Such cash flow deficit may have a negative impact on the working capital and the financial position of the Group. In addition, the Group may suffer losses if it is unable to generate sufficient profits from its existing businesses and the Nylon-6 Chip Business to cover its operating costs. Furthermore, as the Group will borrow to finance the working capital requirements for the Nylon-6 Chip Business, the Group financial position will change from “net cash” to “net borrowings”.

ii) **The Group is subject to risks associated with technological changes**

The chemical fibre industry is characterised by rapid technological changes and advancements. The Group’s future success depends on its ability to address the rapidly changing trends in the polyamide markets by developing and introducing Nylon-6 chips with new properties on a timely basis and in accordance with the customers’ changing needs. Advances in technology typically lead to rapid and significant price declines and decreased margins for older products. If the Group’s competitors are able to produce products with new properties and greater characteristics to compete with the Group’s products, their business will be adversely affected. The Directors confirmed that the technology used or applied in the Group’s Nylon-6 Chips are proprietary to the Group; there are trademarks registered for the Group’s products or process in its Nylon-6 Chips business with the relevant government authorities in the PRC. The Directors have also represented and confirmed that in view that the value of trademarks are immaterial. Thus, no valuation is required and accordingly, no valuation has been conducted.

iii) **The Group may fail to implement successfully its development plans**

As part of the Nylon-6 Chip Diversification, the Group has constructed the Nylon-6 Chip Plant, with investments in the form of the acquisition of land of approximately 100 mu in Fujian Province, the construction of plant and purchase of equipment and machinery for the production of Nylon-6 chips (with an annual production capacity of approximately 110,000 mt) and building facilities and infrastructure to house them, as well as conducting the related development activities.

The Group’s growth and future success will be dependent on, *inter alia*, the successful and timely completion of its trial production, commencement of full-scale production with acceptable yields and cost, and the sufficiency of demand for the new products. In the event that the Group fails to implement such plans satisfactorily or there is insufficient demand for the new products, the Group’s Business and any investment in the Shares will be adversely affected. As at the Latest Practicable Date, the Group is still in the midst of fine-tuning its production and have not started trial or full-scale production. Thus there is no assurance that Group can implement its business plans satisfactorily with cost-efficient products that meets the requirements of the market.

iv) **The operations of the Nylon-6 Chip Business is subject to the PRC laws and regulations**

The operations of the Nylon-6 Chip Business are generally subject to the PRC laws and regulations. The Group may face constraints on its ability to implement its development plans and business strategies to develop the Nylon-6 Chip Business or to maximise its profitability. Any changes in the interpretation or implementation of existing laws and regulations or the introduction of new laws or regulations could result in higher compliance costs and adversely affect the Business of the Group.

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v) **The business, revenue and profits of the Nylon-6 Chip Business are affected by the volatility of prices for Nylon-6 chips**

The business, revenue and profits of the Nylon-6 Chip Business are dependent upon the demand and prices of Nylon-6 chips. The demand for, and price of, Nylon-6 chips, is highly dependent on a variety of factors, such as international supply and demand, the level of consumer product demand, the product quality, weather conditions, distribution problems, labour disputes, the price and availability of alternatives, policies and actions of governments and regulatory authorities. The prices of the Nylon-6 chips may also be affected by macroeconomic factors, such as expectations concerning inflation, interest rates and global and regional demand for and supply of Nylon-6 chips as well as general economic conditions. Fluctuations and, particularly a material or extended decline, in prices of Nylon-6 chips may have an adverse effect on the Group's Business and any investment in the Shares.

vi) **The Group is affected by the availability of and increases in prices of raw material**

Caprolactam is the main raw material used in the production of Nylon-6 chips. Caprolactam is a single monomer (or 6-amino-caproic acid) used in the production of Nylon-6. This colourless solid is a lactam or a cyclic amide of caproic acid. The price of caprolactam may fluctuate due to changes in supply and demand conditions. Any sudden decrease in availability of caprolactam in the market may result in the Group having to incur higher production cost. In addition, in the event that there is a significant increase in the cost of caprolactam and the Group is unable to pass on such price increase to the Group's customers and the Group is unable to find alternative sources for caprolactam at a competitive price and on a timely basis for the Group's production, the Group's Business may be adversely affected.

vii) **The Group may require further financing in the future**

Whilst as at the Latest Practicable Date, the Company had funded the costs of the investments for capital expenditure and property required for the Nylon-6 Chip Development from its own resources, the Group may need further financing in addition to the RMB financing facility that it has secured or about to secure, through external bank borrowings, equity or debt financing as appropriate. Funding through the new issue of equity will lead to a dilution in the interests of the Shareholders, whereas an increase in debt financing may restrict its ability to pay dividends and change its risk profile, given the past losses incurred and substantial amounts of cash used. There is no assurance that the Company will be able to obtain additional financing on terms that are favourable and acceptable to the Company.

viii) **The Group faces intense competition from other chemical fibre producers and new entrants to the industry**

The chemical fibre industry is highly competitive in the PRC. Some of the chemical fibre producers which produce Nylon-6 chips may have a longer track record and operating history, larger customer base, stronger relationships with customers and suppliers and greater financial resources, technical, marketing and public relations. In the event that the Group is unable to respond effectively to the intense competition, in terms of price cuts and rapid new production systems, the Group's Business will be adversely affected. In addition, the chemical fibre industry has no strong barriers to entry against new entrants. Accordingly, there is no assurance that the Group will not face competition from new entrants. In the event that the Group is unable to compete against the new entrants, the Group's Business will be adversely affected.

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Status of the Nylon-6 chips

Directors and Management have represented and confirmed that as at the Latest Practicable Date, the Group has not commence production of Nylon-6 chips for the following reasons, *inter alia*:-

- (i) The Group is fine-tuning the production lines which are at the final stage. Upon satisfactory results of fine-tuning, the trial production will be commenced immediately. As at the Latest Practicable Date, the Directors confirm and represent that trial production has not commenced and production yields and efficiency for the Nylon-6 Chips plant for full-scale production has yet to be ascertained. Subject to the satisfactory trial run (whereby the Nylon-6 Chips samples can meet the basic quality level of general customers and specific quality requirements for some potential customers), the Group anticipates the commercial production and sales to commence in the third (3rd) quarter of 2017.
- (ii) The Group has not secured any order books/contracts for Nylon-6 chips at the Latest Practicable Date. Furthermore, whilst the Group is in discussions with potential customers, no contracts has been executed for the supply of Nylon-6 Chips products as no trial samples are available for end-customer verification and testing.
- (iii) As the production line is nearly 100% automated, the efficiency and quality of the product is mostly relied on the machine performance. Hence, the Company needs to ensure that the production lines are properly installed and fine-tuned for optimal performance.

The Directors have confirmed to ACA that to the best of their knowledge and belief, all material information including, *inter alia*, the Nylon-6 Chip Development or the Patents or Trademarks available to them and the Management in connection with the Nylon-6 Chip Development, the Company, the Group, the Offer or the Offeror or such other parties has been disclosed to ACA in its entirety and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the financial performance or expected future performance or future growth prospects or restructuring plans (if applicable) of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular or this Letter to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

It is not within our scope to opine on the Nylon-6 Chip project (including, *inter alia*, commercial viability, market demand, overall profitability). In addition, the Directors have confirmed that in view of the absence of any order book/contract for Nylon-6 chips and the commercialisation of the Nylon-6 Chip project is still uncertain and subject to the availability of funding, the impact of the Nylon-6 Chip project on the Company's financial performance and financial position (including the estimated future profit or loss as well as the estimated costs to be incurred) cannot be measured with certainty as at the Latest Practicable Date. Accordingly, no views are being expressed with regard to the impact of the Nylon-6 Chip project on the NTA and the prospects of the Group in terms of, *inter alia*, the estimated future profit or loss as well as the estimated costs to be incurred. Accordingly, we also expressed no views with regards to the impact of the Nylon-6 Chip project on the NAV or NTA or the prospects of the Group in terms of, *inter alia*, the successful commercialisation of Nylon-6 chips or profits or loss as well as the estimated future investments to be incurred and our assessment, opinion and recommendations are necessarily limited and subject to it.

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The Directors have also confirmed that Nylon-6 Chip Development was delayed by various reasons *inter alia*, the following:

- (i) time consumed on obtaining the governmental approvals for the acquisition of land premises in Fujian Province in first half of FY2013;
- (ii) the Company was requested to suspend the construction work at the site in early 2014 and obtain the demand from the local government to withdraw the stated-owned construction land use right transfer agreement;
- (iii) an alternative piece of land in the proximity of the original land in dispute was obtained by the Group via in-principle approval from the local government in May 2014; and
- (iv) the poor weather affecting the progress of construction works in the second and third quarter of FY2016.

The Directors also confirmed that, save as disclosed in the Company's announcements on the SGX-ST, annual reports as well as the Circular, the Group are not pursuing any other projects.

7.3. The Group's NAV and NTA analysis

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

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

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NAV and NTA of the Group

In assessing the Offer Price of S\$1.30 for each Offer Share, in relation to the NAV and NTA per Share of the Group as at 31 March 2017, we have reviewed the unaudited statement of financial position of the Group as at 31 March 2017 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. For computational purpose, we have considered prepaid premium for leasehold land under operating leases as a tangible asset. The Directors and Management have represented and confirmed that whilst there were Trademarks and Patents registered with the relevant authorities in PRC the value of Patents and Trademarks are immaterial. Thus, no valuation is required and accordingly, no valuation has been conducted. Save as disclosed in the unaudited balance sheet of the Group as at 31 March 2017 as well as the Circular, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such unaudited statement of financial position as at 31 March 2017 in accordance with International Financial Reporting Standards (“IFRS”) and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 31 March 2017, save as disclosed in the unaudited financial statements of the Group as at 31 March 2017 and the Circular. In addition, the Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted, where applicable), and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the unaudited financial statements of the Group as at 31 March 2017 are true and fair. Lastly, the Directors confirmed that, to the best of their knowledge or belief, such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete or misleading in any respect.

Consolidated unaudited balance sheet as at 31 March 2017 ⁽¹⁾		RMB'000
<u>Non-Current Assets</u>		
Property, plant and equipment (“PPE”)		986,266
Prepaid premium for leasehold land under operating leases (“Leasehold Land”)		19,287
Deposits ⁽²⁾		337
		1,005,890
<u>Current Assets</u>		
Inventories		2,025
Trade receivables		11,700
Prepayments, deposits and other receivables		104,685
Current tax assets		43
Cash and cash equivalents (“Cash”)		41,780
		160,233
<u>Current Liabilities</u>		
Trade payables		2,074
Accruals and other payables		117,582
Current tax liabilities		2,350
		122,006
<u>Non-Current Liabilities</u>		
Deferred tax liabilities		4,650
		4,650

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Consolidated unaudited balance sheet as at 31 March 2017 ⁽¹⁾	RMB'000
NAV attributable to owners of the Company	1,039,467
Less: Intangible assets	—
NTA as at 31 March 2017	1,039,467
NAV/NTA per Share (RMB)⁽³⁾	15.75
NAV/NTA per Share (S\$)^{(3) (4)}	3.20
Offer Price (S\$)	1.30
Discount of Offer Price from the Group's NAV per Share and/or NTA per Share	(59.4)%
Cash (RMB'000)	41,780
Cash per Share (RMB) ⁽³⁾	0.63
Cash per Share (S\$) ^{(3) (4)}	0.13
Offer Price less Cash per Share (S\$)	1.17
NAV/NTA less Cash per Share (RMB)	15.12
NAV/NTA less Cash per Share (S\$)	3.07
Discount of Offer Price less Cash per Share from the Group's NAV/NTA less Cash per Share	(61.9)%

Notes:

- (1) The figures above are based on the Group's unaudited financial statements for 1Q2017. Figures and computations above are subject to rounding.
- (2) Management has represented and confirmed that the non-current deposits represents the balance paid to suppliers for certain production machinery on the Nylon-6 Chip Plant and are not "freely available" for use.
- (3) Figures are computed based on the Company's issued Share capital of 65,999,998 Shares as at the Latest Practicable Date.
- (4) Based on exchange rate of S\$:RMB of approximately 4.9211 as at the Latest Practicable Date.

For illustrative purposes only, the Offer Price represents a discount of approximately 59.4% from the Group's NAV and/or NTA per Share as at 31 March 2017. We note that as at 31 March 2017, the Group had no borrowings and its Cash amounted to approximately RMB41.8 million or approximately RMB0.63 per Share (S\$0.13 per Share). If the Cash per Share is deducted from the Offer Price and likewise from the Group's NAV and/or NTA per Share, the Offer Price less Cash per Share represents a discount of approximately 61.9% from the Group's NAV and/or NTA per Share less Cash per Share.

Group's revalued NAV ("RNAV") and revalued NTA ("RNTA")

In our evaluation of the Offer Price, we have also considered whether there are any assets which should be valued at an amount that is materially different from that which recorded in the unaudited balance sheet of the Group as at 31 March 2017. We understand from the Directors that the Company has commissioned the Independent Valuer to determine the market value of the Appraised Assets as at the Valuation Date. Directors and Management have represented and confirmed that between 31 March 2017 (being the balance sheet date) and the Valuation Date, there were no material additions or disposal of the PPE and Leasehold Land. There were also no material differences for (i) the Group's NAV and NTA and (ii) the Group's Appraised Assets between 31 March 2017 (being the balance sheet date) and the Valuation Date. Accordingly, we have used the Group's net book value as at 31 May 2017 for the Appraised Assets. We recommend that the Independent Directors advise Shareholders to note and review carefully the Property Valuation Report and the Equipment and Machinery Summary Report (attached as Appendix D and E of the Circular) and the Equipment and Machinery Valuation Report (made available for inspection) in their entirety including the assumptions made and the basis for the assumptions.

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The details of the Appraised Assets, valuation methods the Independent Valuer has used, respective market value ascribed by the Independent Valuer and net book value as at the Valuation Date and the corresponding revaluation surplus are tabulated below and should be read in conjunction with the full text of the Property Valuation Report and Equipment and Machinery Summary Report (attached as Appendix D and E of the Circular), and the Equipment and Machinery Summary Report (made available for inspection).

Appraised Assets	Method of Valuation	Market value as at the Valuation Date (RMB'000)	Net book value as at the Valuation Date (RMB'000)	Revaluation surplus ⁽⁴⁾ (RMB'000)
A. Under Changtian Enterprise, a wholly owned subsidiary of the Company				
A warehouse and various structures located at No. 18 Xinsheng Road, Xinyang Industrial Zone Haicang District Xiamen City Fujian Province, the PRC	Depreciated replacement cost	13,303 ⁽¹⁾	574	12,729
Plant and machinery, equipments and motor vehicles	Cost approach	5,382	4,974	408
B. Under Zhong Lun Su Ye (Fujian) Co Ltd. ("Zhong Lun"), a wholly-owned subsidiary of the Company				
A parcel of land, 15 buildings and various structures located at Huiquan Petro-Chemical Industrial Park, Dongqiao Town Huian County Quanzhou City Fujian Province, the PRC	Depreciated replacement cost	313,029 ⁽²⁾⁽³⁾	303,628	9,401
Plant and machinery, equipments and motor vehicles	Cost approach	693,288	693,034	254
TOTAL		1,025,002	1,002,210⁽⁵⁾	22,792⁽⁶⁾

Notes:

- (1) The Independent Valuer attributed no commercial value to the property due to the leased land nature and the building has not obtained any title certificate. However, for reference purpose, the Independent Valuer has indicated in the Property Valuation Report and the Equipment and Machinery Summary Report that they are of the opinion that the depreciated replacement cost of the building and structures (excluding the land) as at the Valuation Date would be RMB13,303,000.
- (2) The Independent Valuer attributed no commercial value to 15 buildings of the property with a total gross floor area of approximately 33,336.79 sq.m. which have not obtained building ownership certificate. However, for reference purpose, the Independent Valuer has indicated in the Property Valuation Report and the Equipment and Machinery Summary Report that they are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be RMB250,476,000.
- (3) It comprised the market value of the land of RMB 62,553,000 and the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be RMB250,476,000.
- (4) For illustrative purpose only, the revaluation surplus for the Appraised Assets has been calculated and presented in the table above assuming a hypothetical sale of the Appraised Assets at the value ascribed by the Independent Valuer.
- (5) Figures presented are based on IFRS. In the event the net book value of the Appraised Assets as at 31 May 2017 are computed based on the PRC Generally Accepted Accounting Principles ("PRC GAAP"), the net book value of the Appraised Assets would be approximately RMB1,033,640,000.
- (6) Figures presented are based on IFRS. In the event the revaluation surplus/deficit is computed based on the net book value of the Appraised Assets, based on the PRC GAAP, there would be a revaluation deficit of approximately RMB8.6 million.

The Appraised Assets with a net book value of approximately RMB1.0 billion accounted for 100.0% of the Group's aggregate PPE and Leasehold Land, close to 100.0% of the Group's non-current assets and approximately 86.2% of the Group's total assets as at 31 March 2017. Directors and Management have represented and confirmed that between 31 March 2017 (being the balance sheet date) and the Valuation Date, there were no material additions or disposal of the PPE and Leasehold Land and as such there were no material differences for the Appraised Assets.

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The Directors and Management have represented and confirmed that whilst there were Trademarks and Patents registered with the relevant authorities in PRC the value of Patents and Trademarks are immaterial as such no valuation is required for the Patents and Trademarks.

We would like to highlight that in valuing the properties, due to the nature of the buildings and structures of the properties and the particular location which they are situated, the Independent Valuer have stated that the property interests have been valued by the cost approach with reference to their depreciated replacement cost as there are unlikely to be relevant market comparable sales readily available.

We understand based on the discussion with the Directors that:-

- (a) For Changtian Enterprise - The Independent Valuer have attributed no commercial value to the building and several structures erected on a parcel of leased land for Changtian Enterprise as the land use rights does not belongs to the Group. Changtian Enterprise can use the building and structure within the duration of the lease term but it cannot apply for the relevant title certificate under its name.
- (b) For Zhong Lun, the Independent Valuer attributed commercial value to the land use rights and structures but not to the buildings without building ownership certificates. As highlighted by the Independent Valuer, buildings without certificates cannot be freely transferred. The Directors and Management have also confirmed that there is no indication of when the expected dates of the building ownership certificates for Zhong Lun can be obtained.

For purpose of this Letter and for illustrative purpose only, with the Directors' concurrence, in arriving at the aggregate market value of the Appraised Assets, we have considered the depreciated replacement cost of the buildings and structures (excluding land) for both Changtian Enterprise and Zhong Lun (as provided by the Independent Valuer) as an indicative market value of such assets based on the assumptions that proper title certificates and/or building ownership certificates had been obtained.

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

The Directors have represented that they had reviewed the Valuation Reports to understand the assumptions used by the Independent Valuer and the information relied upon by the Independent Valuer in arriving at the market value of the Appraised Assets. The Directors have reviewed the information made available to them as a whole and are of the opinion that the assumptions used by the Independent Valuer are reasonable and confirmed that the Independent Valuer has been provided with information that to the best of their knowledge or belief is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render the assumptions used by the Independent Valuer to be untrue, inaccurate or incomplete in any respect or misleading.

As stated in Section 10 of the Circular, based on the Valuation Reports, the potential tax liabilities that may be incurred by the Group on the hypothetical disposal of the PPE and the Leasehold Land on an "as is" basis is approximately RMB31,491,000. The aforesaid tax liabilities will not crystallise if the Group does not dispose of its interests in the PPE and the Leasehold Land. As at the Latest Practicable Date, the Company has no immediate plan to dispose of its interests in the PPE and the Leasehold Land.

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We understand from the Management that the said potential tax liabilities was computed based on the PRC GAAP, which is more appropriate as the Appraised Assets are held by PRC subsidiaries of the Group. In addition, the Management has represented to us that in the event the computation for the potential tax liabilities for the hypothetical sale of the Appraised Assets is calculated based on IFRS, the potential tax liabilities that may be incurred is approximately RMB34.3 million.

Based on the above, we set out below the computation of the Group's RNAV and/or RNTA:-

Group's RNAV and/or RNTA	RMB'000
Market Value of the Appraised Assets (as at the Valuation Date)	1,025,002
Less: Net book value of the Appraised Assets (as at the Valuation Date)	1,033,640
Revaluation surplus	(8,638)
NAV and/or NTA of the Group as at 31 March 2017	1,039,467
Add: Revaluation surplus of the Appraised Assets	(8,638)
Less: Potential tax liabilities ⁽¹⁾	(31,491)
RNAV and/or RNTA of the Group	999,338
RNAV/RNTA per Share (RMB)⁽²⁾	15.14
RNAV/RNTA per Share (S\$)^{(2) (3)}	3.08
Offer Price (S\$)	1.30
Discount of Offer Price from the Group's RNAV/RNTA per Share	(57.7)%
RNAV and/or RNTA per Share less Cash per Share (S\$)	2.95
Discount of Offer Price less Cash per Share from the Group's RNAV/RNTA less Cash per Share	(60.3)%

Notes:

- (1) *Figures have been provided and confirmed by the Management. As stated in Section 10 of the Circular, based on the Valuation Reports, the potential tax liabilities that may be incurred by the Group on the hypothetical disposal of the PPE and the Leasehold Land on an "as is" basis is approximately RMB31,491,000. The aforesaid tax liabilities will not crystallise if the Group does not dispose of its interests in the PPE and the Leasehold Land. As at the Latest Practicable Date, the Company has no immediate plan to dispose of its interests in the PPE and the Leasehold Land.*

We understand from the Management that the said potential tax liabilities was computed based on the PRC GAAP, which is more appropriate as the Appraised Assets are held by PRC subsidiaries of the Group. In addition, the Management has represented to us that in the event the computation for the potential tax liabilities for the hypothetical sale of the Appraised Assets is calculated based on IFRS, the potential tax liabilities that may be incurred is approximately RMB34.3 million.

- (2) *Figures are computed based on the Company's issued Share capital of 65,999,998 Shares as at the Latest Practicable Date.*

- (3) *Based on exchange rate of S\$:RMB of approximately 4.9211 as at the Latest Practicable Date.*

Based on the table above, the Group's RNAV and/or RNTA per Share is approximately S\$3.08 and the Offer Price represents a discount of approximately 57.7% from the Group's RNAV and/or RNTA per Share. Independent Directors should note that the discount of the Offer Price from the Group's RNAV or RNTA per Share should also be assessed in the context of the fact that the Selected Comparable Companies (defined later) as set out in Section 7.4 of this Letter are traded on average discounts to NTA of approximately 50.4% (excluding Daoming Optics (defined later)). For illustrative purposes only, in the event that the potential tax liabilities for the hypothetical sale of the Appraised Assets is computed under the IFRS, the RNAV and/or RNTA of the Group will be approximately RMB1.0 billion, and the Offer Price will represent a discount of approximately 58.9% from the Group's RNAV and/or RNTA per Share.

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If the Cash per Share is deducted from the Offer Price and likewise from the Group's RNAV and/or RNTA per Share, the Offer Price less Cash per Share represents a discount of approximately 60.3% from the Group's RNAV and/or RNTA per Share less Cash per Share. For illustrative purposes only, in the event that the potential tax liabilities for the hypothetical sale of the Appraised Assets is computed under the IFRS and if the Cash per Share is deducted from the Offer Price and likewise from the Group's RNAV and/or RNTA per Share, the Offer Price less Cash per Share represents a discount of approximately 61.4% from the Group's RNAV and/or RNTA per Share less Cash per Share.

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

In addition, as set out in Section 9 of the Offer Document, although the Offeror has no current intention of (a) making material changes to the Group's existing business ; (b) re-deploying the Group's fixed assets ; or (c) discontinuing the employment of the employees of the Group, other than in the ordinary course of business, nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company. Following the close of the Offer, the Offeror will conduct a comprehensive review of the operations, management and financial position of the Group, and will evaluate various strategic options following the delisting.

The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Group is as stated above. It also does not imply that the assets or properties of the Group can be disposed of at the estimated values indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated is realisable or distributable to Shareholders.

It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable period of time and is only relevant in the event that the Group decides to change the nature of its business or to release or convert the uses of all its assets. The NTA basis of valuation, however, does not necessarily reflect the value of the Group as a going concern nor can it capture or illustrate any value for the Group's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realized or disposed.

7.4. Relative valuation analysis

In evaluating the Offer Price, we have considered the financial performance, financial positions and valuation statistics of selected comparable companies (the **"Selected Comparable Companies"**) that may, in our view, be broadly comparable to the core businesses of the Group, which are principally in the business of manufacturing and sale of adhesive tapes.

The Selected Comparable Companies have been identified after a search was carried out on SGX-ST, Shenzhen Stock Exchange (**"SZSE"**) and Taiwan Stock Exchange (**"TWSE"**) and evaluation of the companies operating in the same industry as the Group. We have had discussions with Directors and Management about the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the Group. Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. Notwithstanding our use of these companies for peer analysis, the Selected Comparable Companies may or may not have exactly similar businesses or operations or assets as the Group, and their accounting policies with respect to the values for which assets or revenue or cost are recorded or the relevant financial period compared may differ from the Group.

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

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

Selected Comparable Companies	Market Capitalisation (S\$ 'million)	Principal Activities
Luxking Group Holdings Limited ("Luxking") <i>Listed on SGX-ST</i>	7.3	The company is principally engaged in the research, development, production, and distribution of adhesive tapes in the PRC.
Daoming Optics & Chemical Co Ltd ("Daoming Optics") <i>Listed on SZSE</i>	967.9	The company is principally engaged in the development, design and manufacturing of reflective materials and products. The Company's main products include reflective films, reflective fabrics, and products that are manufactured from these reflective films and fabrics.
Achem Technology Corporation ("Achem Tech") <i>Listed on TWSE</i>	190.1	The company is principally engaged in the manufacturing of pressure sensitive tapes. The company produces packaging, electronics, stationery, protection, and double-sided tapes.

Source: Bloomberg, SGX-ST, SZSE, TWSE and respective companies' website

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

Selected Comparable Companies	LTM ROE ⁽¹⁾ (%)	LTM net profit margin ⁽²⁾ (%)	LTM asset turnover ⁽³⁾ (times)	Total liabilities ^{(4)/} shareholder equity ⁽⁵⁾ (times)	Total borrowings ^{(6)/} shareholder equity ⁽⁵⁾ (times)
Luxking	2.2%	0.8%	1.4	1.2	0.9
Daoming Optics	4.0%	10.3%	0.3	0.1	0.001
Achem Tech	n.m. ⁽⁷⁾	n.m. ⁽⁷⁾	0.8	1.5	0.7
MAXIMUM	4.0%	10.3%	1.4	1.5	0.9
MINIMUM	2.2%	0.8%	0.3	0.1	0.001
MEDIAN	3.1%	5.5%	0.8	1.2	0.7
SIMPLE AVERAGE	3.1%	5.5%	0.8	0.9	0.5
Group	n.m.⁽⁸⁾	n.m.⁽⁸⁾	0.03	0.1	No borrowing

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

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Notes:

- (1) *The last twelve months (“LTM”) return on equity (“ROE”) is based on the ratio of the most recent twelve months consolidated net profits after tax attributable to the equity holders to the consolidated equity holders excluding minority interest of the respective companies.*
- (2) *LTM net profit margin is the ratio of the most recent twelve months consolidated net profits after tax attributable to shareholders to the most recent twelve months total consolidated revenue of the respective companies.*
- (3) *LTM asset turnover is the ratio of the most recent twelve months total consolidated revenue to the total consolidated assets of the respective companies.*
- (4) *Total liabilities include all the liabilities of the respective companies but exclude any contingent liabilities, if any.*
- (5) *Shareholders’ equity is the consolidated shareholders’ funds excluding minority interest of the respective companies.*
- (6) *Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts, where applicable.*
- (7) *Achem Tech incurred a loss after tax attributable to owners of approximately TWD204.8 million for the LTM ended 31 March 2017. Hence, the Achem Tech’s LTM ROE and LTM net profit margin ratios are negative and not meaningful.*
- (8) *The Group incurred a loss after tax attributable to owners of the Company of approximately RMB15.0 million for the LTM ended 31 March 2017. Hence, the Group’s LTM ROE and LTM net profit margin ratios are negative and not meaningful.*

For illustrative purposes only, we note the following:-

- (i) The Group incurred a loss after tax attributable to owners of the Company of approximately RMB15.0 million for the LTM ended 31 March 2017. Accordingly, the Group’s LTM ROE and LTM net profit margin are negative and not meaningful. For comparison purposes only, among the Selected Comparable Companies, Achem Tech was loss making, Luxking and Daoming Optics were profitable for the period under review with LTM ROE ranging between approximately 2.2% to 4.0% and LTM net profit margin ranging between approximately 0.8% to 10.3%.
- (ii) The Group’s LTM asset turnover is lower and less favourable than any of the Selected Comparable Companies.
- (iii) The Group’s total liabilities to shareholders’ equity ratio is within the range and in line with the minimum of the Selected Comparable Companies.
- (iv) There were no borrowings for the Group’s LTM ended 31 March 2017. For comparison purposes only, the total borrowings to shareholders’ equity ratio for the Selected Comparable Companies ranges between 0.001 times and 0.9 times.

In summary, the historical financial performance of the Group as reflected by its negative LTM ROE and LTM net profit margin as well as low LTM asset turnover appears to be less favourable than any of the Selected Comparable Companies (save for Achem Tech’s LTM ROE and net profit margin as it was also loss making). In terms of financial positions, the Group had no borrowings as at 31 March 2017 and the Group’s total liabilities to shareholders’ equity and total borrowings to shareholders’ equity appears to be lower and more favourable than the median and simple average of the Selected Comparable Companies.

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

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

Selected Comparable Companies	Market capitalisation (S\$ m)	LTM EV/EBITDA ⁽¹⁾ (times)	LTM PER ⁽²⁾ (times)	P/NAV ⁽³⁾ (times)	P/NTA ⁽⁴⁾ (times)	Premium/ (discount) over/ from NTA (%)
Luxking	7.3	5.3	9.6	0.2	0.2	(78.7)%
Daoming Optics	967.9	31.5	83.0	3.3	3.6	257.9%
Achem Tech	190.1	15.9	n.m. ⁽⁵⁾	0.8	0.8	(22.1)%
MAXIMUM	967.9	31.5	83.0	3.3	3.6	257.9%
MINIMUM	7.3	5.3	9.6	0.2	0.2	(78.7)%
MEDIAN	190.1	15.9	46.3	0.8	0.8	(22.1)%
SIMPLE AVERAGE	388.5	17.5	46.3	1.4	1.5	52.4%
Group⁽⁶⁾	85.8	n.m.⁽⁷⁾	n.m.⁽⁷⁾	0.4	0.4	(59.4)%

Notes:

- (1) The LTM EV/EBITDA for the Selected Comparable Companies are based on the most recent twelve months EBITDA as reported by the respective companies. The EBITDA for Luxking is based on the most recent twelve months period ended 31 December 2016. The EBITDA for Daoming Optics and Achem Tech are based on the most recent twelve months period ended 31 March 2017.
- (2) The LTM PERs for the Selected Comparable Companies are based on the most recent twelve months earnings after tax as reported by the respective companies. The earnings after tax for Luxking is based on the most recent twelve months period ended 31 December 2016. The earnings after tax for Daoming Optics and Achem Tech are based on the most recent twelve months period ended 31 March 2017.
- (3) The P/NAV ratios for the Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced audited or unaudited financial statements. The NAV for Luxking is based on the most recent twelve months period ended 31 December 2016. The NAV for Daoming Optics and Achem Tech are based on the most recent twelve months period ended 31 March 2017.
- (4) The P/NTA ratios for the Selected Comparable Companies are based on their respective NTA values as set out in their latest available announced audited or unaudited financial statements. The NTA for Luxking is based on the most recent twelve months period ended 31 December 2016. The NTA for Daoming Optics and Achem Tech are based on the most recent twelve months period ended 31 March 2017.
- (5) Achem Tech incurred a loss after tax attributable to owners of approximately TWD204.8 million for the LTM ended 31 March 2017. Hence, the Achem Tech's LTM PER ratio is negative and not meaningful.
- (6) For the Group, the computations for LTM PER, LTM EV/EBITDA, P/NAV and P/NTA ratios are based on the market capitalisation as implied by the Offer Price for the Shares. The earnings after tax, EBITDA, NAV and NTA for the Group are based on the most recent twelve months period ended 31 March 2017.
- (7) The Group recorded a loss after tax attributable to owners of the Company of approximately RMB15.0 million and LTM EBITDA of approximately negative RMB9.1 million for the LTM ended 31 March 2017. Hence, the Group's LTM PER and LTM EV/EBITDA ratios are negative and not meaningful.

For illustrative purposes only, we note the following:

- (i) The market capitalisation of the Group (as implied by the Offer Price) is within the range but lower than both the median and simple average of the Selected Comparable Companies. The market capitalisation of the Group (as implied by the Offer Price) is higher than Luxking which is also listed on SGX-ST. We note that the trading statistics for companies with higher capitalisation may be different than those with lower market capitalisation and this may be attributable to the relative liquidity in terms of number or value of shares traded as well as relative interest in shares of companies with larger market capitalisations. It should also be noted that two out of the three Selected Comparable Companies are listed on other exchanges (SZSE and TWSE).

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- (ii) The valuation of the Group (as implied by the Offer Price) in terms of LTM PER and LTM EV/EBITDA are negative and not meaningful as the Group incurred a loss after tax attributable to owners of the Company of approximately RMB15.0 million and EBITDA of approximately negative RMB9.1 million for the LTM ended 31 March 2017. For comparison purposes only, the Selected Comparable Companies were profitable for the period under review (save for Achem Tech) with LTM PER ranging between 9.6 times to 83.0 times and LTM EV/EBITDA ranging between 5.3 times to 31.5 times.
- (iii) The valuation of the Group in terms of P/NAV and P/NTA (as implied by the Offer Price and the Group's NAV and NTA per Share as at 31 March 2017) is still within the range, but lower than both the median and simple average for the Selected Comparable Companies. As set out in Section 7.3 of this Letter, there is no material difference between the Group's NAV and NTA per Share as at 31 March 2017 and the Group's RNAV and RNTA per Share.
- (iv) We note that the market capitalisation and the valuation multiples of Daoming Optics are substantially higher than the Company, Luxking and Achem Tech. In the event that Daoming Optics is considered as an outlier, the simple average of P/NAV and P/NTA for the Selected Comparable Companies would be 0.5 times, which is slightly higher than the P/NAV and P/NTA multiples for the Group as implied by the Offer Price.

In summary, the valuation of the Group (as implied by the Offer Price) in terms of LTM EBITDA and LTM PER is not meaningful as the Group recorded losses and negative EBITDA for the LTM ended 31 March 2017. In addition, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price) appears to be slightly lower than the simple average of the Selected Comparable Companies (excluding Daoming Optics).

Independent Directors are advised to review the Offer and the comparison of the valuation ratios above in conjunction with the Group's weaker historical financial performance but better financial position as compared to the Selected Comparable Companies. It is also noted that the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in acquisition of control. At the same time, we note that as at the Offer Announcement Date, the Offer is unconditional and the Offeror and its concert parties (including the Undertaking Shareholders) own, in aggregate, approximately 79.93% of the issued Share capital. As at the Latest Practicable Date, the total number of (a) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (b) valid acceptances of the Offer, amount to an aggregate of 55,779,030 Shares, representing approximately 84.51% of the total number of issued Shares.

Based purely on the comparison of P/NTA and P/NAV multiples between the Group and the Selected Comparable Companies and despite the weaker historical financial performance of the Group vis a vis the Selected Comparable Companies, the Offer Price appears to be not compelling in terms of comparing the implied valuation ratios (P/NTA and P/NAV) against the Selected Comparable Companies.

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

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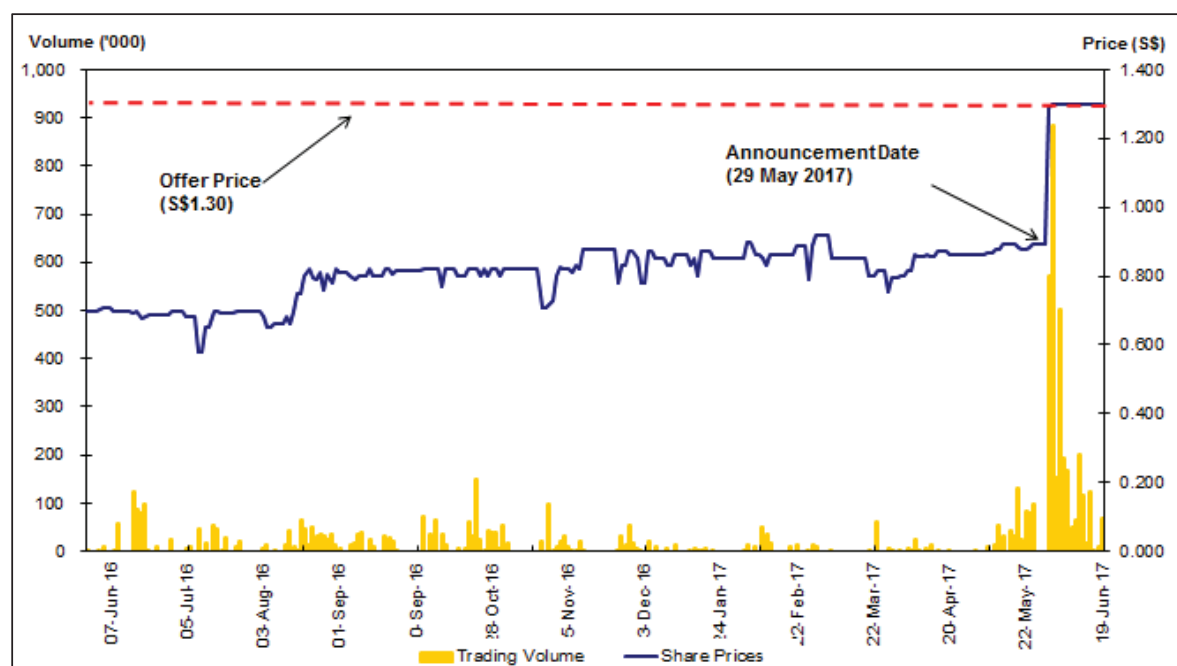
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Independent Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of financial performance or historical share price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

7.5. Market quotation and trading activities for the Shares

The Company announced on 19 March 2015, *inter alia*, a proposed share consolidation for every ten (10) existing Shares to one (1) consolidated Share and was approved by Shareholders on 28 April 2015 (“**Share Consolidation**”). The Share Consolidation exercise was completed on 21 May 2015. Theoretically, the post-Share Consolidation Share price should have been in the region of about S\$4.0 per Share subsequent to the completion of the Share Consolidation exercise. However, we noted that the Share prices on 21 May 2015 was only at S\$0.625 per Share.

The historical price and volume charts for the Shares (based on the closing prices together with the number of Shares traded on a daily basis) for the period commencing from 30 May 2016 (being the Market Day 12 months prior to the Offer Announcement Date) and ending on the Latest Practicable Date is set out below:—



Source: SGX-ST

For the period commencing from 30 May 2016 and ending on 29 May 2017, being the Offer Announcement Date (both dates inclusive), we note that the Shares were only traded for 133 Market Days out of a total 252 Market Days during the period (or approximately 52.8%) and the closing prices for the Shares were always lower than the Offer Price. The trading of the Shares was halted on the Offer Announcement Date. For the said period, the highest transacted price for the Shares was S\$0.92 on 1 March 2017, which is approximately 29.2% below the Offer Price.

We note that for the period commencing from 30 May 2017 (being the Market Day immediately after the Offer Announcement Date) till 19 June 2017 (being the Latest Practicable Date), the closing prices for the Shares were in line with the Offer Price for 14 Market Days out of a total 15 Market Days and lower than the Offer Price on 1 Market Day out of a total 15 Market Days. The price for the Shares closed at S\$1.30 as at the Latest Practicable Date.

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As a general market comparison and observation, the FTSE Straits Times Index (“FTSI STI”) increased by approximately 14.9% for the period commencing from 30 May 2016 and ending on 29 May 2017, being the Offer Announcement Date, and subsequently increased by approximately 1.0% from 29 May 2017 to the Latest Practicable Date. For the same period commencing from 30 May 2016 and ending on 29 May 2017, being the Offer Announcement Date, the prices for the Shares increased by approximately 27.9% and subsequently increased by approximately 45.3% from 29 May 2017 till the Latest Practicable Date. We observed that the Shares appear to have outperformed the FTSE STI for both the 12 months period prior to the Offer Announcement Date and for the period after the Offer Announcement Date till the Latest Practicable Date.

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

The volume-weighted closing price (“VWCP”), the highest and lowest transacted prices and trading volume for the Shares from 30 May 2016 to the Latest Practicable Date are set out below:–

	VWCP per Share (S\$) ⁽¹⁾	Premium of the Offer Price over VWCP per Share (%)	Lowest transacted price (S\$)	Highest transacted price (S\$)	Average daily trading volume ⁽²⁾ (’000 Shares)	Average daily trading volume as % of free-float ⁽³⁾ (%)
For the period prior to the Offer Announcement Date (29 May 2017)						
Last 12 months	0.794	63.7%	0.580	0.920	13	0.13%
Last 6 months	0.869	49.5%	0.750	0.920	9	0.09%
Last 3 months	0.877	48.2%	0.750	0.920	12	0.12%
Last 1 month	0.886	46.6%	0.860	0.910	33	0.33%
Last transacted price on 24 May 2017 (being the last Trading Day prior to the Offer Announcement Date) ⁽⁴⁾	0.895	45.3%	0.895	0.895	98	0.96%
For the period after the Offer Announcement Date up to the Latest Practicable Date (19 June 2017)						
Till the Latest Practicable Date	1.298	0.1%	1.290	1.300	209	2.04%
Latest Practicable Date ⁽⁵⁾	1.300	0.0%	1.300	1.300	67	0.66%

Source: SGX-ST

Notes:

- (1) The VWCP had been weighted based on the last transacted prices of the Shares and traded volumes for the relevant trading days for each of the periods.
- (2) The average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period divided by the number of Market Days during that period.
- (3) Free float refers to approximately 10,220,968 Shares or approximately 15.49% of the issued Shares held by Shareholders, other than the Substantial Shareholders (including the Offeror and Undertaking Shareholders) and Directors as at the Latest Practicable Date.
- (4) This represents the last transacted price instead of VWCP for the Shares on 24 May 2017, being the last Trading Day prior to the Offer Announcement Date.
- (5) This represents the last transacted price instead of VWCP and trading volume for the Shares on 19 June 2017, being the Latest Practicable Date.

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

- (i) represents a premium of approximately 45.3% over the last transacted price of S\$0.895 per Share on the SGX-ST on 24 May 2017 (being the last Trading Day prior to the Offer Announcement Date);

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- (ii) represents a premium of approximately 63.7%, 49.5%, 48.2% and 46.6% over the VWCP for the Shares for the period 12-month, 6-month, 3 month and 1 month prior to the Offer Announcement Date;
- (iii) represents a premium of approximately 0.1% over the VWCP for the Shares for the period commencing immediately after the Offer Announcement Date and ending on the Latest Practicable Date; and
- (iv) is in line with the last transacted price of S\$1.30 per Share on the SGX-ST on 19 June 2017, being the Latest Practicable Date.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from 30 May 2016 and ending on the Latest Practicable Date, we note that:–

- (i) from 30 May 2016 to 29 May 2017, being the Offer Announcement Date (both dates inclusive), Shares were traded on 133 Trading Days out of the total 252 Market Days during the period, with the total number of Shares traded being approximately 3.4 million Shares and an average daily trading volume (based on a total of 252 Market Days) of approximately 13 thousand Shares, which represents approximately 0.02% of the issued Share capital as at the Latest Practicable Date or approximately 0.13% of the issued Share capital held by Shareholders other than the Substantial Shareholders (including the Offeror and the Undertaking Shareholders) and Directors as at the Latest Practicable Date.
- (ii) for the period commencing from 30 May 2017, being the Market Day immediately following the Offer Announcement Date till the Latest Practicable Date (both dates inclusive), Shares were traded on 15 Market Days out of the total 15 Market Days during the period, with the total number of Shares traded being approximately 3.1 million Shares and an average daily trading volume of approximately 0.2 million Shares, which represents approximately 0.32% of the issued Share capital as at the Latest Practicable Date or approximately 2.04% of the issued Share capital held by Shareholders other than the Substantial Shareholders (including the Offeror and the Undertaking Shareholders) and the Directors as at the Latest Practicable Date.

We note that trading for the Shares is erratic and that the daily average number of Shares traded for the 1 year period prior to the Offer Announcement Date is significantly low as compared to the number of issued Shares as at the Latest Practicable Date. Likewise, the Shares appear to be relatively inactive in the context that the Shares were only traded on 133 Trading Days out of the 252 Market Days during the 1 year period prior to the Offer Announcement Date. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value in view of the lack of liquidity for the Shares, they nonetheless represent prices for transactions between willing buyer and willing seller.

We also note that the number of Shares that were traded on a daily basis for the period commencing on the Market Day after the Offer Announcement Date till the Latest Practicable Date is significantly higher than the number of Shares that were traded on a daily basis during the 1 year period prior to the Offer Announcement Date, but remained low when compared to the number of issued Shares as at the Latest Practicable Date. In addition, we observed that the prices for the Shares increased by approximately 45.3% from the closing price as at 29 May 2017 to close at S\$1.30 on the Latest Practicable Date. As mentioned earlier, the prices for the Shares had from 30 May 2017 till the Latest Practicable Date outperformed the FTSE STI. The substantial increase in prices for the Shares subsequent to the Offer Announcement Date and the higher average daily trading volume for the Shares subsequent to the Offer Announcement Date as compared to the 1-year period prior to the Offer Announcement Date may have been underpinned by the Offer. As such, there is no assurance that the observed increase in the average number of

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Shares traded on a daily basis or the trading activities for the Shares will be maintained or that the transacted prices for the Shares will be the same and at the levels prevailing during the period commencing after the Announcement Date and ending on the Latest Practicable Date in the event that the Offer closes.

Independent Directors should note that given the fairly inactive trading of Shares during the periods observed, the Offer represents a realistic exit opportunity for the Shareholders to realise their entire investment for cash and that the Offer Price is generally at a premium above market prices of Shares for periods prior to the Offer Announcement Date. In the absence of the Offer with an Offer Price which is at a premium of approximately 63.7% above the VWCP for the last 12-months, such an exit for all shareholders other than the Offeror and its concert parties (including the Undertaking Shareholders) may not be readily available due to the low trading liquidity for the Shares.

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

7.6. Comparison with successful privatisations via voluntary takeover transactions of companies listed on the SGX-ST

For the purpose of providing an illustrative guide as to whether the financial terms of the Offer are fair and reasonable, we have compared the financial terms of the Offer with selected recently completed voluntary general offer for companies listed on SGX-ST, which were announced since January 2015 to the Latest Practicable Date and wherein offerors had indicated their intentions to privatise the target companies ("**Selected VGO Privatisation Transactions**").

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

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

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

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Selected VGO Privatisation Transactions

Selected Takeover Companies	Date of announcement	% shareholding of the offeror and concert parties at the start of transaction ⁽¹⁾ (%)	Premium/(Discount) of offer price over/(from)				P/NTA ⁽²⁾ (times)
			Last transacted price prior to announcement (%)	VWAP for 1 month period prior to announcement (%)	VWAP for 3 month period prior to announcement (%)		
Popular Holdings Limited	14-Jan-15	61.3	39.1	39.7	37.3	1.2 ⁽³⁾	
Keppel Land Limited	23-Jan-15	54.6	20.0 ⁽⁴⁾	25.0 ⁽⁴⁾	29.0 ⁽⁴⁾	0.9 ⁽⁴⁾⁽⁵⁾	
Lizhong Wheel Group Ltd.	17-Aug-15	69.9	96.1	90.8	74.8	0.6 ⁽⁶⁾	
Chosen Holdings Limited	1-Sep-15	51.0	21.2	26.3	27.0	0.8 ⁽⁷⁾	
Tiger Airways Holdings Limited	6-Nov-15	55.8	32.3	35.3	42.4	4.9	
Neptune Orient Lines Limited ⁽⁸⁾	7-Dec-15	66.8	48.6	51.0	32.9	1.0	
Li Heng Chemical Fibre Technologies Limited	22-Dec-15	81.0	115.1	100.8	104.5	0.4 ⁽⁹⁾	
Interplex Holdings Ltd. ⁽¹⁰⁾	23-Dec-15	57.7	15.5	10.8	12.9	1.7 ⁽¹¹⁾	
China Yongsheng Limited	24-Feb-16	68.1	52.4	67.5	62.4	0.7	
Xinren Aluminium Holdings Limited	25-Feb-16	75.5	66.7	63.9	63.5	1.5 ⁽¹²⁾	
OSIM International Ltd ⁽¹³⁾	7-Mar-16	70.2	27.0	40.9	42.5	2.6 ⁽¹⁴⁾	
Select Group Limited	23-Mar-16	61.3	23.5	38.2	43.4	3.9	
Pteris Global Limited	21-Apr-16	75.6	15.8	19.3	24.6	1.1 ⁽¹⁵⁾	
China Merchants Holdings (Pacific) Limited	9-May-16	83.0	22.9	21.9	25.5	1.1	
Eu Yan Sang International Limited	16-May-16	63.1	2.6	8.5	16.5	1.7 ⁽¹⁶⁾	
Sim Lian Group Limited	8-Aug-16	80.4	14.9	16.8	19.5	0.8 ⁽¹⁷⁾	
China Minzhong Food Corporation Limited ⁽¹⁸⁾	6-Sep-16	87.8	25.0	24.8	23.1	0.7 ⁽¹⁹⁾	
Super Group Limited	3-Nov-16 ⁽²⁰⁾	60.0	62.5 ⁽²¹⁾	60.5 ⁽²¹⁾	62.5 ⁽²¹⁾	2.7	
Auric Pacific Group Limited	7-Feb-17	80.0	13.4	17.8	23.8	1.5 ⁽²²⁾	
MAXIMUM		87.8	115.1	100.8	104.5	4.9	
MINIMUM		51.0	2.6	8.5	12.9	0.4	
MEDIAN		68.1	25.0	35.3	32.9	1.1	
SIMPLE AVERAGE		68.6	37.6	40.0	40.4	1.6	
Group	29-May-17	79.9	45.3	46.6	48.2	0.4 ⁽²³⁾	

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

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Notes:

- (1) *Where applicable, it includes the percentage shareholding of the undertaking shareholder(s) as at the date of the offer document.*
- (2) *P/NTA ratios are based on the offer price and NTA per share for the respective companies.*
- (3) *Based on the revalued NTA per share of S\$0.2957 as at 31 October 2014.*
- (4) *Based on base offer price of S\$4.38 per share.*
- (5) *Based on NAV per share of S\$4.95 per share as at 31 December 2014.*
- (6) *Based on the revalued NTA per share of S\$0.86 as at 30 June 2015.*
- (7) *Based on the revalued NAV per share of S\$0.2826 as at 30 June 2015.*
- (8) *Based on the pre-conditional offer announcement date, being 7 December 2015.*
- (9) *Based on the revalued NAV per share of RM10.56 as at 30 September 2015.*
- (10) *Based on the pre-conditional offer announcement date, being 23 December 2015.*
- (11) *Based on NAV per share of S\$0.474 per share at 31 December 2015.*
- (12) *Based on the revalued NAV per share of S\$0.405 per share at 31 December 2015.*
- (13) *Based on revised offer price of S\$1.41 per share.*
- (14) *Based on NAV per share of S\$0.54 per share at 31 December 2015.*
- (15) *Based on the revalued NAV per share (excluding non-controlling interest) of S\$0.686 as at 31 March 2016*
- (16) *Based on the revalued NAV per share of S\$0.353 per share as at 31 March 2016.*
- (17) *Based on the revalued NAV per share of S\$1.381 per share as at 30 June 2016.*
- (18) *Based on the pre-conditional offer announcement date, being 6 September 2016.*
- (19) *Based on NAV per share of S\$1.66 per share at 30 September 2016.*
- (20) *Based on the pre-conditional offer announcement date, being 3 November 2016.*
- (21) *Based on the trading of the shares prior to the first SGX query date, being 4 October 2016.*
- (22) *Based on the revalued NTA per share of S\$1.126 per share as at 31 December 2016.*
- (23) *Based on the Group's revalued NTA per Share of S\$3.08 per Share.*

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

- (i) The Offeror and the concert parties (including the Undertaking Shareholders) own, in aggregate approximately 79.9% in the capital of the Company as at the Offer Announcement Date. This is within the range and higher than both the median and simple average for the percentage of shareholding interest for each of the offeror and parties acting in concert as at the start for the relevant Selected VGO Privatisation Transactions.
- (ii) The premium of approximately 45.3%, 46.6% and 48.2% as implied by the Offer Price over the last transacted price for Shares prior to the Offer Announcement Date, the VWAP for the Shares for 1-month period and 3-month period prior to the Offer Announcement Date respectively are within the range, and higher than both the median and the simple average for the Selected VGO Privatisation Transactions.
- (iii) The valuation of the Group in terms of P/NTA as implied by the Offer Price and the Group's NTA per Share of approximately 0.4 times is within the range, lower than both the median and simple average, and in line with the minimum for the Selected VGO Privatisation Transactions.

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In summary, the valuation of the Group as implied by the Offer Price appears to be more favourable than the median and the simple average for the Selected VGO Privatisation Transactions in terms of premiums over historical prices.

However, in terms of P/NTA multiple, the valuation of the Group as implied by the Offer Price is within the range, lower than the median and simple average, and in line with the minimum for the Selected VGO Privatisation Transactions. When considered in the context of the shareholding of the Offeror and its concert parties as at the Offer Announcement Date which is within the range and higher than both the median and simple average of the percentage of shareholding interest for each of the offeror and parties acting in concert at the start for the Selected VGO Privatisation Transactions, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices and P/NTA multiple, appears to be fairly comparable to the other offers under the Selected VGO Privatisation Transactions.

8. OTHER RELEVANT CONSIDERATIONS

8.1. Existing shareholding structure of the Company

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

	Direct Interests	Deemed Interests	Total interests	% of the issued Share Capital as at the Latest Practicable Date ⁽¹⁾
Offeror				
United Tech Industries Limited	–	3,025,900 ⁽¹⁾	3,025,900	4.58%
Yang Qingjin ⁽³⁾⁽⁴⁾	–	20,005,900	20,005,900	30.31%
Chen Yongfu ⁽⁴⁾⁽⁵⁾	–	22,880,900	22,880,900	34.67%
Undertaking Shareholders				
Eastline Investments Holding Limited ⁽³⁾	16,980,000	–	16,980,000	25.73%
Goodwise Investments Limited ⁽⁶⁾	19,855,000	–	19,855,000	30.08%
Chen Chuanzhong	3,145,600	–	3,145,600	4.77%
Zhu Chong Dong	3,073,300	–	3,073,300	4.66%
Zhou Xianhui ⁽⁶⁾	–	3,246,630	3,246,630	4.92%
Zhou Xin ⁽⁶⁾	–	3,165,400	3,165,400	4.80%
Tang Jiang ⁽⁶⁾	–	3,287,200	3,287,200	4.98%
Total Shares for Undertaking Shareholders			52,753,130	79.93%
Directors other than the Offeror				
Yang Junqing	–	–	–	0.00%
Qiu Wei Cai	–	–	–	0.00%
Chan Yin David	–	–	–	0.00%
Tan Siok Sing	–	–	–	0.00%
Liao Quanwen	–	–	–	0.00%
Substantial Shareholders (other than the Offeror and Undertaking Shareholders)				
Nil				
Public Shareholders			10,220,968	15.49%
Total			65,999,998	100.00%

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Notes:

- (1) Based on 65,999,998 issued shares as at the Latest Practicable Date.
- (2) Shares are held on the Offeror's behalf by OCBC Securities Private Limited as nominee.
- (3) Eastline Investments Holding Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Yang Qingjin. Yang Qingjin is deemed to have an interest in all the Shares held by Eastline Investments Holding Limited.
- (4) The shareholders of the Offeror are Yang Qijin (46.1%) and Chen Yongfu (53.9%). They are deemed to have an interest in all of the Shares held by the Offeror.
- (5) Goodwise Investments Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Chen Yongfu. Chen Yongfu is deemed to have an interest in all the Shares held by Goodwise Investments Limited.
- (6) Shares are held on the Undertaking Shareholder's behalf by UOB Kay Hian Private Limited as nominee.

We note from Section 7.1 of the Circular that, RHT Capital had on 29 June 2017 (subsequent to the Latest Practicable Date) announced on behalf of the Offeror, *inter alia*, that as at 5.00 p.m. (Singapore time) on 29 June 2017, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 60,903,805 Shares, representing approximately 92.28% of the total number of issued Shares.

Shareholders should note that pursuant to Rule 1303(1) of the Listing Manual, in a take-over situation, where the offeror succeeds in garnering acceptances exceeding 90% of the issuer's total number of issued shares (excluding treasury shares), thus causing the percentage of an issuer's total number of issued shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the listed securities of the issuer only at the close of the take-over offer. Accordingly, trading of the Company's listed securities will be suspended by the SGX-ST at the close of the Offer.

Shareholders should note that Offeror does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted. Further, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual. The Offeror has stated in the Relevant Announcement that it intends to take steps to delist the Company from the SGX-ST following the close of the Offer.

We understand from the discussion with the Directors and Paragraph 5 of the Offer Document that the Offeror has obtained irrevocable undertakings (the **"Irrevocable Undertakings"**) from the Undertaking Shareholders prior to the Offer Announcement Date stating that they shall, *inter alia*:

- (a) waive their rights to receive the Offer in respect of their respective Shares as set out in Paragraph 5.2 of the Offer Document;
- (b) not transfer or otherwise dispose of any of their respective Shares as set out in Paragraph 5.2 of the Offer Document during the period commencing from the date of the Irrevocable Undertakings and ending on the closing date of the Offer (as may be extended from time to time by or on behalf of the Offeror) or the abortion of the Offer, whichever is applicable;
- (c) not acquire any further Shares;
- (d) give and/or procure the giving of notice pursuant to Section 103 of the Companies Act 1981 of Bermuda (**"Bermuda Companies Act"**), in order to assist the Offeror in exercising its (or their) rights of compulsory acquisition (if so entitled); and
- (e) vote and/or procure the voting of all of their Shares in favour of a delisting, if the Offeror makes a subsequent exit offer pursuant to Rules 1307 and 1309 of the Listing Manual.

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As at the Latest Practicable Date, the Offeror and parties acting in concert with it (including the Undertaking Shareholders) has statutory control of the Company, which places the Offeror in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and is in a position to pass all ordinary and special resolutions on matters in which the Offeror and its concert parties (including the Undertaking Shareholders) do not have an interest or any ordinary resolutions that do not require the Offeror and its concert parties (including the Undertaking Shareholders) to abstain from voting, at general meetings of Shareholders.

8.2. Comparison with IPO

Comparison with IPO

The Company was listed on the Mainboard on 9 November 2007 (“**IPO Date**”) via an invitation to subscribe for 160,000,000 new Shares (“**New Shares**”) and an offer of 55,000,000 vendor Shares for an aggregate of 215,000,000 Shares (collectively, the “**IPO Shares**”) at S\$0.47 for each IPO Share (“**IPO Price**”). We note that save for the Share Consolidation exercise on 21 May 2015, the Company did not conduct any other corporate exercise which causes a change in the number of Shares for the period commencing from the IPO Date to the Latest Practicable Date. For illustrative purpose only, we note the following:-

- (i) In nominal terms, the IPO Price after adjusting for the Share Consolidation of S\$4.70 is approximately 261.5% higher than the Offer Price of S\$1.30 per Offer Share.
- (ii) Based on the IPO Price, the Company was valued at P/NTA of approximately 7.6 times (based on the audited financial statements of the Group as at 31 December 2006 and adjustments for the restructuring exercise prior to listing, but before adjusting for the estimated net proceeds from the New Shares) to 3.1 times (based on the audited financial statements of the Group as at 31 December 2006, adjustments for the restructuring exercise prior to listing, and after adjusting for the estimated net proceeds from the New Shares), which is significantly higher as compared to the P/NTA (as implied by the Offer Price and based on the Group’s unaudited NTA as at 31 March 2017) of approximately 0.4 times.
- (iii) Based on the IPO Price, the Company was valued at PER of approximately 7.9 times whilst for the Offer as the Group was loss making, its implied PER is negative and not meaningful.

In summary, the P/NTA multiple for the Company as implied by the Offer Price appears to be less favourable than the P/NTA multiple as implied by the IPO Price. The less favourable pricing for the Company based on the Offer Price and as implied by the P/NTA multiple should be assessed in conjunction with the following:-

- (i) The Group recorded declining revenue and had been in the loss making position since FY2012, save for FY2014 whereby the Group recorded a profit after tax attributable to owners of the Company of approximately RMB23.6 million,
- (ii) Changes in the business - the Company diversified into the Nylon-6 Chip since 2012 as well as the delays in the Nylon-6 Chip Development and cost incurred of approximately RMB1.11 billion and the fact that the Group has yet to commercialise the production as at the Latest Practicable Date. The Company disposed off its 2-A2MPS Assets in February 2015

The above comparison also has to be assessed in the context of the economic or general market conditions for the Shares or the prices for which the Shares were traded at the time then prevailing. Hence, any comparisons between the Offer Price pursuant to the Offer with the IPO Price above is necessarily limited and meant for illustration purpose.

8.3. Dividend Track Record

For the purpose of assessing the Offer, we have considered the dividend track record of the Company against the potential returns which a Shareholder may potentially obtain by re-investing the proceeds from the Offer in other comparable investments.

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The Company had not declared any dividends for the last five (5) financial years. Based on our discussions with the Directors, we understand that the Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

As at the Latest Practicable Date, local commercial banks in Singapore offered gross interest rates of approximately 0.28% per annum to depositors who deposit an amount of up to S\$100,000 for a period of 12 months. For illustrative purposes only, a Shareholder who accepts the Offer for 10,000 Offer Shares at the Offer Price of S\$1.30 and who decide to reinvest the proceeds in a 12-month Singapore Dollar fixed deposit with a local commercial bank in Singapore should expect to receive gross interest income of approximately S\$36.83 per annum as at the Latest Practicable Date. On the basis that no dividends have been declared with respect to the last few financial years, the Shareholders should therefore expect an increase in their investment income by accepting the Offer and depositing the proceeds from the Offer in a 12-month Singapore Dollar fixed deposit account with a local commercial bank in Singapore. The dividend paid for any share is dependent, *inter alia*, on the financial performance, growth rates, prospect, and financial performance of the company.

8.4. The Offer is unconditional

We note from Paragraph 2.4 of the Offer Document, the Offer is unconditional in all respects.

Shareholders who accept the Offer before the close of the Offer will be paid the Offer Price in cash within seven (7) Business Days after the receipt by the Offeror of valid and complete acceptances of the Offer.

8.5. No revision of the Offer Price

We note from Paragraph 2.1 of the Offer Document that the Offeror does not intend to revise the Offer Price of S\$1.30 per Share, save that the offeror reserves the right to do so in a competitive situation.

We note from Section 7.1 of the Circular that, RHT Capital had on 29 June 2017 (subsequent to the Latest Practicable Date) announced on behalf of the Offeror, *inter alia*, that as at 5.00 p.m. (Singapore time) on 29 June 2017, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 60,903,805 Shares, representing approximately 92.28% of the total number of issued Shares. Accordingly, the possibility of the Offeror to revise the Offer Price in a competitive situation is unlikely and the likelihood of compulsory acquisition being exercised by the Offeror is increased. Thus, the Offer represents an opportunity for Shareholders to liquidate their investments.

8.6. Offeror's intention for the Company

We note from Paragraph 9.1 of the Offer Document that the Offeror does not intend to preserve the listing status of the Company, and the Offeror (together with the parties acting in concert with it where appropriate) when entitled, intends to exercise its (or their) rights of Compulsory Acquisition under the Bermuda Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10.0% of the Shares are held in public hands. In addition, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual.

In the event that the Offeror (together with the parties acting in concert with it where appropriate) is not entitled to exercise its (or their) rights of Compulsory Acquisition after the close of the Offer, the Offeror will instead seek the delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.

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Although the Offeror has no current intention of (a) making material changes to the Group's existing business, (b) re-deploying the Group's fixed assets, or (c) discontinuing the employment of the employees of the Group, other than in the ordinary course of business, nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company. Following the close of the Offer, the Offeror will conduct a comprehensive review of the operations, management and financial position of the Group, and will evaluate various strategic options following the delisting.

8.7. Alternative takeover offer

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

We note from Section 7.1 of the Circular that, RHT Capital had on 29 June 2017 (subsequent to the Latest Practicable Date) announced on behalf of the Offeror, *inter alia*, that as at 5.00 p.m. (Singapore time) on 29 June 2017, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 60,903,805 Shares, representing approximately 92.28% of the total number of issued Shares. Under such circumstances, competing offer for the Shares is unlikely to be forthcoming without the support of the Offeror in view of its super-majority control as represented by the percentage of the total number of Shares that the Offeror and its parties acting in concert hold as at 29 June 2017. Thus, the alternative offer from parties other than the Offeror may not be possible.

8.8. Control of the Company

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

8.9. Material Litigation

We note that as at the Latest Practicable Date, 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.

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

8.10. Listing Status and Compulsory Acquisition

We note from Paragraph 8 of the Offer Document that under Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that brings the Shares held by the Offeror and parties acting in concert with it to above 90.0% of the total number of issued Shares excluding treasury shares, the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least 10.0% of the total number of issued Shares excluding treasury shares are held by at least 500 shareholders who are members of the public. Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds

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in garnering acceptances exceeding 90.0% of the total number of issued Shares excluding treasury shares, thus causing the percentage of the total number of issued Shares excluding treasury shares held in public hands to fall below 10.0%, the SGX-ST will suspend the trading of the Shares only at the close of the Offer.

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total Shares held in public hands falls below 10.0%, the Company must as soon as practicable, announce the fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10.0%, failing which the Company may be delisted.

In the event that the trading of the 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 trading suspension by the SGX-ST to be lifted. It is the intention of the Offeror to privatise the Company and to delist the Company from the SGX-ST, should the option be available to the Offeror.

Under Section 103 of the Bermuda Companies Act, purchasers may give the s103 Acquisition Notice to the remaining shareholders of their intention to acquire the remaining shareholders' shares on the terms set out in the s103 Acquisition Notice. When such s103 Acquisition Notice is given, the purchasers shall be entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the s103 Acquisition Notice unless a remaining shareholder applies to the Court to have the Court appraise the value of such shares.

Shareholders who are in doubt of their position under the Bermuda Companies Act are advised to seek their own independent legal advice.

8.11 Implications of Delisting

Shareholders should note that shares of unquoted companies are generally valued at a discount to the shares of comparable listed companies as a result of the lack of marketability. **If the Company is delisted from the Official List of the SGX-ST, it is likely to be difficult for Shareholders who do not accept the Offer to sell their Shares in the absence of a public market for the Shares as there is no arrangement for Shareholders to exit. Even if such Shareholders were able to sell their Shares, they may receive a lower price as compared to the Offer Price and where such transfer or sale of Shares involves a change in the beneficial ownership of those Shares, the prior written consent of (or, depending on the circumstances, notice to) the Bermuda Monetary Authority will be required.**

Shareholders should also note that, under the Code, except with the consent of the Securities Industry Council of Singapore ("SIC"), neither the Offeror nor any person acting in concert with it may, within six (6) months of the closure of the Offer, make a second offer to, or acquire any Shares from, any Shareholder on terms better than those made available under the Offer.

As an unquoted company, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 and Appendices 7.1 to 7.4 of the Listing Manual. Nonetheless, as a company incorporated in Bermuda, the Company will still need to comply with the Bermuda Companies Act, the memorandum of association of the Company and its bye-laws of the Company ("**Bye-Laws**"), and the interests of Shareholders who do not accept the Offer will be protected to the extent provided for by the Bermuda Companies Act, the memorandum of association of the Company and the Bye-Laws. If the Company is delisted from the Official List of the SGX-ST, each depositor who holds Shares that are deposited with The Central Depository (Pte) Limited and does not accept the Offer will be entitled to one (1) share certificate representing his delisted Shares. The Company's Singapore share registrar and Share Transfer Agent will arrange to forward the share certificates to such depositors for their physical safekeeping.

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

9. OPINION

In arriving at our opinion in respect of the Offer, we have taken into account, *inter alia*, the following factors which we consider to have a significant bearing on our assessment as summarised below and as elaborated elsewhere in this Letter. This is purely a summary of the factors that have been highlighted in this Letter and Shareholders should be advised to read the following in conjunction with, and in the context of, the full text of this Letter:-

- (a) The rationale for the Offer, intention of the Offeror, the listing status and compulsory acquisition as set out in Paragraph 7 to 9 of the Offer Document.
- (b) The historical financial performance and position of the Group. The Group has been loss making for the period FY2012 to 1Q2017 (save for FY2014 whereby the Group recorded a profit after tax attributable to owners of the Company of approximately RMB23.6 million) with a substantial decline in its revenue since FY2012. The Group's NWC declined significantly from approximately RMB926.1 million as at 31 December 2014 to approximately RMB579.0 million as at 31 December 2015 and approximately RMB48.5 million as at 31 December 2016. It subsequently decreased to approximately RMB38.2 million as at 31 March 2017. The Shareholders' equity for the Group was approximately RMB1,064.4 million as at 31 December 2014 and decreased marginally to approximately RMB1,056.3 million as at 31 December 2015. It subsequently decreased to approximately RMB1,039.5 million as at 31 December 2016 and as at 31 March 2017 due to the losses incurred. The net cash used in operating activities and investing activities for the period under review (FY2014 to 1Q2017) were mainly supplemented by the cash and cash equivalents of the Group, which saw it declining from approximately RMB961.1 million as at 31 December 2014 to approximately RMB41.8 million as at 31 March 2017.
- (c) As at the Latest Practicable Date, the Group has not commence production of Nylon-6 chips for the following reasons, *inter alia*:-
 - (i) The Group is fine-tuning the production lines which are at the final stage. Upon satisfactory results of fine-tuning, the trial production will be commenced immediately. As at the Latest Practicable Date, the Directors confirm and represent that trial production has not commenced and production yields and efficiency for the Nylon-6 Chips plant for full-scale production has yet to be ascertained. Subject to the satisfactory trial run (whereby the Nylon-6 Chips samples can meet the basic quality level of general customers and specific quality requirements for some potential customers), the Group anticipates the commercial production and sales to commence in the third (3rd) quarter of 2017.
 - (ii) The Group has not secured any order books/contracts for Nylon-6 chips at the Latest Practicable Date. Furthermore, whilst the Group is in discussions with potential customers, no contracts has been executed for the supply of Nylon-6 Chips products as no trial samples are available for end-customer verification and testing.
 - (iii) As the production line is nearly 100% automated, the efficiency and quality of the product is mostly relied on the machine performance. Hence, the Company needs to ensure that the production lines are properly installed and fine-tuned for optimal performance.

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- (d) The Directors have also confirmed that Nylon-6 Chip Development was delayed by various reasons *inter alia*, the following:
- (i) time consumed on obtaining the governmental approvals for the acquisition of land premises in Fujian Province in first half of FY2013;
 - (ii) the Company was requested to suspend the construction work at the site in early 2014 and obtain the demand from the local government to withdraw the stated-owned construction land use right transfer agreement;
 - (iii) an alternative piece of land in the proximity of the original land in dispute was obtained by the Group via in-principle approval from the local government in May 2014; and
 - (iv) the poor weather affecting the progress of construction works in the second and third quarter of FY2016.
- (e) The historical financial performance of the Group appears to be generally less favourable than those of the Selected Comparable Companies which operate in the same industry that the Group operates in. The historical financial performance of the Group as reflected by its negative LTM ROE and LTM net profit margin as well as low LTM asset turnover appears to be less favourable than any of the Selected Comparable Companies (save for Achem Tech's LTM ROE and net profit margin as it was also loss making). In terms of financial positions, the Group had no borrowings as at 31 March 2017 and the Group's total liabilities to shareholders' equity and total borrowings to shareholders' equity appears to be lower and more favourable than the median and simple average of the Selected Comparable Companies.
- (f) The Offer Price (as set out in Section 7 of this Letter) after taking into account, *inter alia*, the following factors:-
- (i) The Offer Price represents a discount of approximately 59.4% from the Group's NAV and/or NTA per Share as at 31 March 2017. Correspondingly, if Cash per Share is deducted from the Offer Price and likewise from the Group's NAV and/or NTA per Share, the Offer Price less Cash per Share represents a discount of approximately 61.9% from the Group's NAV and/or NTA per Share less Cash per Share.
 - (ii) The Offer Price represents a discount of approximately 57.7% from the Group's RNAV and/or RNTA per Share. If the Cash per Share is deducted from the Offer Price and likewise from the Group's RNAV and/or RNTA per Share, the Offer Price less Cash per Share represents a discount of approximately 60.3% from the Group's RNAV and/or RNTA per Share less Cash per Share.
 - (iii) The valuation of the Group (as implied by the Offer Price) in terms of P/NAV and P/NTA ratios appears to be slightly lower than the simple average of the Selected Comparable Companies (excluding Daoming Optics). The valuation of the Group (as implied by the Offer Price) in terms of LTM EBITDA and LTM PER is not meaningful as the Group recorded losses and negative EBITDA for the LTM ended 31 March 2017. It is also noted that the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in acquisition of control. At the same time, we note that as at the Offer Announcement Date, the Offer is unconditional and the Offeror and its concert parties (including the Undertaking Shareholders) own, in aggregate, approximately 79.93% of the issued Share capital. As at the Latest Practicable Date, the total number of (a) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (b) valid acceptances of the Offer, amount to an aggregate of 55,779,030 Shares, representing approximately 84.51% of the total number of issued Shares.

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- (iv) The Offer Price represents premium of approximately 45.3% over the last transacted price of S\$0.895 per Share on the SGX-ST on 24 May 2017 (being the last Trading Day prior to the Offer Announcement Date).
- (v) The Offer Price represents a premium of approximately 63.7%, 49.5%, 48.2% and 46.6% over the VWCP for the Shares for the period 12-month, 6-month, 3 month and 1 month prior to the Offer Announcement Date.
- (vi) The Offer Price represents a premium of approximately 0.1% over the VWCP for the Shares for the period commencing immediately after the Offer Announcement Date and ending on the Latest Practicable Date.
- (vii) The Offer Price is in line with the last transacted price of S\$1.30 per Share on the SGX-ST on 19 June 2017, being the Latest Practicable Date.
- (viii) Comparison with the Selected VGO Privatisation Transactions. The valuation of the Group as implied by the Offer Price appears to be more favourable than both the median and the simple average for the Selected VGO Privatisation Transactions in terms of premiums over historical prices. However, in terms of P/NTA multiple, the valuation of the Group as implied by the Offer Price is within the range, lower than the median and simple average, and in line with the minimum for the Selected VGO Privatisation Transactions. When considered in the context of the shareholding of the Offeror and its concert parties as at the Offer Announcement Date which is within the range and higher than both the median and simple average of the percentage of shareholding interest for each of the offeror and parties acting in concert at the start for the Selected VGO Privatisation Transactions, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices and P/NTA multiple, appears to be fairly comparable as compared to the other offers in the Selected VGO Privatisation Transactions.
- (ix) Comparison with IPO. The P/NTA multiple for the Company as implied by the Offer Price appears to be less favourable than the P/NTA multiple as implied by the IPO Price. The less favourable pricing for the Company based on the Offer Price and as implied by the P/NTA multiple should be assessed in conjunction with (i) the Group recorded declining revenue and had been in the loss making position since FY2012, save for FY2014 whereby the Group recorded a profit after tax attributable to owners of the Company of approximately RMB23.6 million, (ii) changes in the business - the Company diversified into the Nylon-6 Chip since 2012 as well as the delays in the Nylon-6 Chip Development and cost incurred of approximately RMB1.11 billion and the fact that the Group has yet to commercialise the production as at the Latest Practicable Date. The Company disposed off its 2-A2MPS Assets in February 2015.
- (g) We note from Section 7.1 of the Circular that, RHT Capital had on 29 June 2017 (subsequent to the Latest Practicable Date) announced on behalf of the Offeror, *inter alia*, that as at 5.00 p.m. (Singapore time) on 29 June 2017, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 60,903,805 Shares, representing approximately 92.28% of the total number of issued Shares. Under such circumstances, competing offer for the Shares is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares that the Offeror and its parties acting in concert hold as at 29 June 2017. Thus, the alternative offer from parties other than the Offeror may not be possible.

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- (h) The Offeror has stated in the Offer Document that it will not revise the Offer Price of S\$1.30 per Share, save that the offeror reserves the right to do so in a competitive situation.

We note from Section 7.1 of the Circular that, RHT Capital had on 29 June 2017 (subsequent to the Latest Practicable Date) announced on behalf of the Offeror, *inter alia*, that as at 5.00 p.m. (Singapore time) on 29 June 2017, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 60,903,805 Shares, representing approximately 92.28% of the total number of issued Shares. Accordingly, the possibility of the Offeror to revise the Offer Price in a competitive situation is unlikely and the likelihood of compulsory acquisition being exercised by the Offeror is increased. Thus, the Offer represents an opportunity for Shareholders to liquidate their investments.

- (i) The Directors confirmed that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.
- (j) The Offeror does not intend to undertake or support any action for any such trading suspension by the SGX-ST to be lifted. It is the intention of the Offeror to privatise the Company and to delist the Company from the SGX-ST, should the option be available to the Offeror.
- (k) Other considerations as set out in Section 8 or such other sections of this Letter.

In summary, having regard to our analysis and the consideration in this Letter (including *inter alia* its limitation and constraints) and after having considered carefully the information available to us and based on market, economic and other relevant considerations prevailing as at the Latest Practicable Date, save for successful commercialisation or realisation of future economic benefit from the Nylon-6 Chip project which we understand from the Directors, cannot be determined as at the Latest Practicable Date in view of the uncertainties highlighted in this Letter and subject to our terms of reference, **we are of the opinion that the financial terms of the Offer is, on balance, NOT FAIR BUT REASONABLE.**

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

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

Despite the premiums implied by the Offer Price over the historical prices for the Shares prior to the Offer Announcement Date which are more favourable than the Selected VGO Privatisation Transactions, we consider the financial terms of the Offer to be **NOT FAIR**, from a financial point of view after factoring, *inter alia*, the following: -

- (i) The Offer Price represents significant discount from both the Group’s NAV and NTA per Share as at 31 March 2017 and the Group’s RNAV and RNTA per Share.

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- (ii) The valuation of the Group (as implied by the Offer Price) in terms of P/NAV and P/NTA ratio appears to be:- (a) lower than the simple average of the Selected Comparable Companies (excluding Daoming Optics which is deemed to be an outlier); and (b) lower than the simple average and median and in line with the minimum for the Selected VGO Privatisation Transactions.

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

- (i) The weak historical financial performance and position of the Group. The Group has been loss making for the period FY2012 to 1Q2017 (save for FY2014 whereby the Group recorded a profit after tax attributable to owners of the Company of approximately RMB23.6 million) with substantial decline in the Group's revenue during the period under review.
- (ii) The uncertainty in relation to the commercialisation or realisation of future economic benefit from the Nylon-6 Chip project where the Directors have confirmed that in view of the absence of any order book/contract for Nylon-6 chips and the commercialisation of the Nylon-6 Chip project is still uncertain and subject to the availability of funding, the impact of the Nylon-6 Chip project on the Company's financial performance and financial position (including the estimated future profit or loss as well as the estimated costs to be incurred) cannot be measured with certainty as at the Latest Practicable Date.
- (iii) As at the Offer Announcement Date, the Offer is unconditional and the Offeror and its concert parties (including the Undertaking Shareholders) own, in aggregate, approximately 79.93% of the issued Share capital. We note from Section 7.1 of the Circular that, RHT Capital had on 29 June 2017 (subsequent to the Latest Practicable Date) announced on behalf of the Offeror, *inter alia*, that as at 5.00 p.m. (Singapore time) on 29 June 2017, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 60,903,805 Shares, representing approximately 92.28% of the total number of issued Shares. Under such circumstances, competing offer for the Shares is unlikely to be forthcoming without the support of the Offeror in view of its super-majority control as represented by the percentage of the total number of Shares that the Offeror and its parties acting in concert hold as at 29 June 2017. Thus, the alternative offer from parties other than the Offeror may not be possible.
- (iv) The closing prices of the Shares were always lower than the Offer Price for the last 12 months prior to the Offer Announcement Date and the Offer Price represents:- (a) a premium of approximately 45.3% over the last transacted price of S\$0.895 per Share on the SGX-ST on 24 May 2017 (being the last Trading Day prior to the Offer Announcement Date); and (b) premiums of 63.7%, 49.5%, 48.2%, and 46.6% over the VWCP for the Shares for the 12-month, 6-month, 3 month and 1 month period prior to the Offer Announcement Date, respectively. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value in view of the lack of liquidity for the Shares, they nonetheless represent for prices for transactions between willing buyer and willing seller.
- (v) Notwithstanding the less favourable valuation of the Group in terms of P/NTA multiple as compared to the Selected VGO Privatisation Transactions, it seems to be fairly comparable to the other offers under the Selected VGO Privatisation Transactions when considered in the context of:- (a) the shareholding of the Offeror and its concert parties (including the Undertaking Shareholders) as at the Offer Announcement Date which is within the range and higher than both the median and simple average of the percentage of shareholding interest for each of the offeror and parties acting in concert at the start for the Selected VGO Privatisation Transactions; and (b) the valuation of the Group as implied by the Offer Price appears to be more favourable than the median and the simple average for the Selected VGO Privatisation Transactions in terms of premiums over historical prices.

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

ACA's Recommendation on the Offer

Based on our assessment of the financial terms of the Offer as set out above, we advise the Independent Directors that they should recommend that Shareholders **ACCEPT** the Offer. Despite the Offer is not fair from the financial point of view (in particular the Offer Price and the implied P/NTA valuation multiple being generally less favourable than the Selected Comparable Companies and the Selected VGO Privatisation Transactions, the Offer represents a realistic opportunity for Shareholders to realise their entire investment in cash taking into account, *inter alia*, low trading liquidity for the Shares prior to the Offer Announcement Date.

The higher average daily trading volume subsequent to the Offer Announcement Date as compared to the 1-year period prior to the Offer Announcement Date may, *inter alia*, have been supported by the announcement of the Offer and the Offer. As such, there is no assurance that the observed increase in the average number of Shares traded on a daily basis or the trading activities for the Shares will be maintained or that the transacted prices for the Shares will be the same and at the levels prevailing during the period commencing after the Announcement Date and ending on the Latest Practicable Date in the event that the Offer closes.

As at 29 June 2017, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 60,903,805 Shares, representing approximately 92.28% of the total number of issued Shares. Shareholders should note that pursuant to Rule 1303(1) of the Listing Manual, in a take-over situation, where the offeror succeeds in garnering acceptances exceeding 90% of the issuer's total number of issued shares (excluding treasury shares), thus causing the percentage of an issuer's total number of issued shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the listed securities of the issuer only at the close of the take-over offer. Accordingly, trading of the Company's listed securities will be suspended by the SGX-ST at the close of the Offer. We also note that the Offeror does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted. Further, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual. The Offeror has stated in the Relevant Announcement that it intends to take steps to delist the Company from the SGX-ST following the close of the Offer. Shareholders who do not accept the Offer may end up with shares of an unquoted company.

In the event that Shareholders are concerned about the liquidity and the prices at which they can realise their investments in the Offer Shares (including whether they can realize their investments at prices higher than the Offer Price after deducting related expenses), acceptance of the Offer will provide certainty of exit at the Offer Price.

However, in the event that Shareholders are able to dispose the Offer Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling the Offer Shares in the open market.

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Matters to highlight

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

1. If the Shareholders are considering selling their Offer Shares in the open market, they should be aware that the current market prices and trading volumes for the Shares, may have been supported by the Offer and may not be maintained at current levels when the Offer closes.
2. The Directors further confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter and the unaudited financial statements for the Group for 1Q2017, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance or satisfactory results in the fine-tuning of production lines as well as the commencement date of the commercial production.
3. The Directors have confirmed to ACA that to the best of their knowledge and belief, all material information including, *inter alia*, the Nylon-6 Chip Development or the Patents or Trademarks available to them and the Management in connection with the Nylon-6 Chip Development, the Company, the Group, the Offer or the Offeror or such other parties has been disclosed to ACA in its entirety and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the financial performance or expected future performance or future growth prospects or restructuring plans (if applicable) of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular or this Letter to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.
4. Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or the Nylon-6 Chip Development or the Patents or Trademarks or appraisal of the Group's assets and liabilities (including without limitation, property, plant and equipment and prepaid premium for leasehold land under operating leases) or contracts entered into or to be entered into by the Group (where applicable) and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or the Nylon-6 Chip Development or the Patents or Trademarks or contracts entered into (where applicable) by the Group save for the Valuation Reports in respect of the market value of the Appraised Assets.
5. It is not within our scope to opine on the Nylon-6 Chip project (including, *inter alia*, commercial viability, market demand, overall profitability). In addition, the Directors have confirmed that in view of the absence of any order book/contract for Nylon-6 chips and the commercialisation of the Nylon-6 Chip project is still uncertain and subject to the availability of funding, the impact of the Nylon-6 Chip project on the Company's financial performance and financial position (including the estimated future profit or loss as well as the estimated costs to be incurred) cannot be measured with certainty as at the Latest Practicable Date. Accordingly, no views are being expressed with regard to the impact of the Nylon-6 Chip project on the NTA and the prospects of the Group in terms of, *inter alia*, the estimated future profit or loss as well as the estimated costs to be incurred. Accordingly, we also expressed no views with regards to the impact of the Nylon-6 Chip project on the NAV or NTA or the prospects of the Group in terms of, *inter alia*, the successful commercialisation of Nylon-6 chips or profits or loss as well as the estimated future investments to be incurred and our assessment, opinion and recommendations are necessarily limited and subject to it.

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6. The Directors have represented that they had reviewed the Valuation Reports to understand the assumptions used by the Independent Valuer and the information relied upon by the Independent Valuer in arriving at the market value of the Appraised Assets. The Directors have reviewed the information made available to them as a whole and are of the opinion that the assumptions used by the Independent Valuer are reasonable and confirmed that the Independent Valuer has been provided with information that to the best of their knowledge or belief is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render the assumptions used by the Independent Valuer to be untrue, inaccurate or incomplete in any respect or misleading.
7. The Directors represented and confirmed that, to the best of their knowledge and based on the information made available to them by the Management, there will be potential tax liability of approximately RMB31.5 million if the Appraised Assets which is subject to valuation were to be sold at the market value ascribed by the Independent Valuer.
8. The Directors and Management have also confirmed that there is no indication of when the expected dates of the building ownership certificates for Zhong Lun can be obtained.
9. We note from Section 7.1 of the Circular that, RHT Capital had on 29 June 2017 (subsequent to the Latest Practicable Date) announced on behalf of the Offeror, *inter alia*, that as at 5.00 p.m. (Singapore time) on 29 June 2017, the total number of (A) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (B) valid acceptances to the Offer, amount to an aggregate of 60,903,805 Shares, representing approximately 92.28% of the total number of issued Shares. Accordingly, the possibility of the Offeror to revise the Offer Price in a competitive situation is unlikely and the likelihood of compulsory acquisition being exercised by the Offeror is increased. Thus, the Offer represents an opportunity for Shareholders to liquidate their investments.
10. The Offeror is making the Offer with a view to delist the Company from the SGX-ST and if entitled to under the Bermuda Companies Act, the Offeror intends to compulsorily acquire all the Offer Shares.

The Offeror does not intend to preserve the listing status of the Company, and the Offeror (together with the parties acting in concert with it where appropriate) when entitled, intends to exercise its (or their) rights of Compulsory Acquisition under the Bermuda Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10.0% of the Shares are held in public hands. In addition, the Offeror will submit an application to the SGX-ST to seek a voluntary delisting of the Company from the SGX-ST pursuant to the Listing Manual.

Limitations

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

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

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LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

10. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. (Singapore time) on 17 July 2017 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

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

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

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

Yours faithfully,

For and on behalf of

ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

APPENDIX B

GENERAL INFORMATION

1. DIRECTORS

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

Name	Address	Designation
Yang Qingjin	Room 205, No. 197, Binlang Dongli, Siming District, Xiamen, Fujian Province, China	Chairman and Executive Director
Chen Yongfu	Room 504, No. 15, Huguangli, Siming District, Xiamen, Fujian Province, China	Deputy Chairman and Executive Director
Yang Junqing	Room 402, No. 43 Hongwen Yili, Siming District, Xiamen, Fujian Province, China	Executive Director
Qiu Wei Cai	No. 32, South Xinan Village, Haicang Town, Haicang District, Xiamen, Fujian Province, China	Finance Director and Executive Director
Chan Yin David	15 Dalkeith Road, Singapore 299634	Lead Independent Director
Tan Siok Sing	45 Greenfield Drive, Singapore 457945	Independent Director
Liao Quanwen	Room 202, No. 4 East Haibin Zone, Xiamen University, Siming District, Xiamen, Fujian Province, China	Independent Director

2. REGISTERED OFFICE

The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

3. PRINCIPAL ACTIVITIES

The principal activities of the Group include the manufacture and sale of adhesive tapes, release papers, ultraviolet cured release film and Nylon-6 chips (which was under development). The operations of the Group are principally conducted in the People's Republic of China, excluding Hong Kong and Macau ("PRC").

4. SHARE CAPITAL AND RIGHTS IN RESPECT OF VOTING, DIVIDENDS AND CAPITAL

4.1 Issued Share Capital

The authorised share capital of the Company is S\$75,000,000 and the issued and paid-up share capital of the Company as at the Latest Practicable Date is S\$33,000,000 comprising 65,999,998 issued shares with a par value of S\$0.50 each.

4.2 Capital, Dividends and Voting Rights

The rights of Shareholders in respect of capital, dividends and voting are contained in the Bye-Laws. The relevant provisions in the Bye-Laws relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted and reproduced in Appendix C to this Circular. The memorandum of association of the Company and Bye-Laws are available for inspection at the office of the Company's Singapore share registrar and Share Transfer Agent at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Bye-Laws and/or the Bermuda Companies Act.

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

As at the Latest Practicable Date, no new Shares have been issued since the end of FY2016, being the last financial year of the Company.

4.4 Options and Convertible Instruments

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

5. DISCLOSURE OF INTERESTS

5.1 Interests of the Company in Offeror Securities

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

5.2 Dealings in Offeror Securities by the Company

During the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date, the Company has not dealt for value in any Offeror Securities.

5.3 Interests of the Directors in Offeror Securities

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

Offeror Shares

Name	Direct Interest		Deemed Interest	
	No. of Offeror Shares	% ⁽¹⁾	No. of Offeror Shares	% ⁽¹⁾
Yang Qingjin	461	46.1	—	—
Chen Yongfu	539	53.9	—	—
Total	1,000	100	—	—

Note:

(1) Based on the total number of issued shares of the Offeror being 1,000.

5.4 Dealings in Offeror Securities by the Directors

The following Directors subscribed for and were allotted the following Offeror Shares on 20 March 2017:

Name of Director	Price per Offeror Share (US\$)	Total number of Offeror Shares acquired
Yang Qingjin	1.00	461
Chen Yongfu	1.00	539

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

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GENERAL INFORMATION

5.5 Interests of the Directors in Company Securities

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

Shares

Name	Direct Interest		Deemed Interest	
	Shares	% ⁽¹⁾	Shares	% ⁽¹⁾
Yang Qingjin ⁽²⁾⁽⁴⁾	–	–	20,005,900	30.31
Chen Yongfu ⁽³⁾⁽⁴⁾	–	–	22,880,900	34.67
Yang Junqing	–	–	–	–
Qiu Wei Cai	–	–	–	–
Chan Yin David	–	–	–	–
Tan Siok Sing	–	–	–	–
Liao Quanwen	–	–	–	–

Notes:

- (1) Based on the total number of issued Shares being 65,999,998 as at the Latest Practicable Date.
- (2) Eastline Investments Holding Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Yang Qingjin, the Company's Chairman and Executive Director. Yang Qingjin is deemed to have an interest in all the Shares held by Eastline Investments Holding Limited.
- (3) Goodwise Investments Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Chen Yongfu, the Company's Deputy Chairman and Executive Director. Chen Yongfu is deemed to have an interest in all the Shares held by Goodwise Investments Limited.
- (4) Yang Qingjin, the Company's Chairman and Executive Director, and Chen Yongfu, the Company's Deputy Chairman and Executive Director, are shareholders of the Offeror, holding 46.1% and 53.9% shareholding interests in the Offeror, respectively. Accordingly, each of Yang Qingjin and Chen Yongfu are deemed to have an interest in all of the Shares held by the Offeror.

5.6 Dealings in Company Securities by the Directors

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

Name of Director	Date of Transaction	Price per Share (\$)	Total number of Shares acquired
Yang Qingjin ⁽¹⁾	30 May 2017	At a price range of S\$1.295 to S\$1.30 per Share	513,600
	31 May 2017	At a price range of S\$1.295 to S\$1.30 per Share	840,600
	1 June 2017	At a price range of S\$1.295 to S\$1.30 per Share	152,000
	2 June 2017	S\$1.30 per Share	502,600
	5 June 2017	S\$1.30 per Share	193,800
	6 June 2017	S\$1.30 per Share	168,400
	7 June 2017	S\$1.30 per Share	50,000
	8 June 2017	S\$1.30 per Share	65,700
	9 June 2017	S\$1.30 per Share	199,500
	12 June 2017	S\$1.30 per Share	116,700
	13 June 2017	S\$1.30 per Share	18,200
	14 June 2017	S\$1.30 per Share	124,800
	15 June 2017	S\$1.30 per Share	3,000
	16 June 2017	S\$1.30 per Share	10,000
	19 June 2017	S\$1.30 per Share	67,000

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GENERAL INFORMATION

Name of Director	Date of Transaction	Price per Share (S\$)	Total number of Shares acquired
Chen Yongfu ⁽¹⁾	30 May 2017	At a price range of S\$1.295 to S\$1.30 per Share	513,600
	31 May 2017	At a price range of S\$1.295 to S\$1.30 per Share	840,600
	1 June 2017	At a price range of S\$1.295 to S\$1.30 per Share	152,000
	2 June 2017	S\$1.30 per Share	502,600
	5 June 2017	S\$1.30 per Share	193,800
	6 June 2017	S\$1.30 per Share	168,400
	7 June 2017	S\$1.30 per Share	50,000
	8 June 2017	S\$1.30 per Share	65,700
	9 June 2017	S\$1.30 per Share	199,500
	12 June 2017	S\$1.30 per Share	116,700
	13 June 2017	S\$1.30 per Share	18,200
	14 June 2017	S\$1.30 per Share	124,800
	15 June 2017	S\$1.30 per Share	3,000
	16 June 2017	S\$1.30 per Share	10,000
	19 June 2017	S\$1.30 per Share	67,000

Note:

- (1) These Shares were acquired and are held by the Offeror between 30 May 2017 and 19 June 2017. Yang Qingjin is deemed interested in such Shares.

5.7 Offeror Securities owned by or controlled by the IFA

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

5.8 Dealings in Offeror Securities by the IFA

During the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the IFA, or any of the funds whose investments are managed by the IFA on a discretionary basis, has dealt for value in the Offeror Securities.

5.9 Company Securities owned or controlled by the IFA

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

5.10 Dealings in Company Securities by the IFA

During the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the IFA, or any of the funds whose investments are managed by the IFA on a discretionary basis, has dealt for value in the Company Securities.

5.11 Intentions of the Directors in respect of their Shares

As at the Latest Practicable Date, in addition to their deemed interests in the Shares held by the Offeror:

- (a) Yang Qingjin has a deemed interest in an aggregate of 16,980,000 Shares, representing approximately 25.73% of the total number of issued Shares, which are held by Eastline Investments Holding Limited; and
- (b) Chen Yongfu has a deemed interest in an aggregate of 19,855,000 Shares, representing approximately 30.08% of the total number of issued Shares, which are held by Goodwise Investments Limited.

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Eastline Investments Holding Limited and Goodwise Investments Limited have each acknowledged that they are acting in concert with the Offeror, and have provided the Offeror with irrevocable undertakings stating that they shall, *inter alia*:

- (a) waive their rights to receive the Offer in respect of their respective Shares;
- (b) not transfer or otherwise dispose of any of their respective Shares as set out below during the period commencing from the date of the Irrevocable Undertakings and ending on the closing date of the Offer (as may be extended from time to time by or on behalf of the Offeror) or the abortion of the Offer, whichever is applicable;
- (c) not acquire any further Shares;
- (d) give and/or procure the giving of notice pursuant to Section 103 of the Bermuda Companies Act, in order to assist the Offeror in exercising its (or their) rights of compulsory acquisition (if so entitled); and
- (e) vote and/or procure the voting of all of their Shares in favour of a delisting, if the Offeror makes a subsequent exit offer pursuant to Rule 1307 and 1309 of the Listing Manual.

6. OTHER DISCLOSURES

6.1 Directors' Service Contracts

As at the Latest Practicable Date:

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

6.2 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 director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) save as disclosed in Section 3 of the Letter to the Shareholders from the Board of Directors and Paragraph 5.11 of Appendix B to this Circular, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and
- (c) none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries has entered into material contracts with persons who are interested persons as defined in Note 1 to Rule 23.12 to the Code (other than those entered into in the ordinary course of business) during the period beginning three (3) years before the Offer Announcement Date.

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8. MATERIAL LITIGATION

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

9. FINANCIAL INFORMATION

9.1 Consolidated Statements of Comprehensive Income

The audited consolidated statements of comprehensive income of the Group for the last three (3) financial years (FY2016, FY2015 and FY2014) of the Group and the unaudited consolidated financial statements of the Group for the three (3) months ended 31 March 2017 are set forth below. The consolidated income statements set out below should be read together with the annual reports, the audited consolidated statements of comprehensive income of the Group for the relevant financial periods, the Company's announcement on the unaudited consolidated financial statements of the Group for the three (3) months ended 31 March 2017 and their respective accompanying notes.

	1Q2017 RMB'000 (unaudited)	FY2016 RMB'000 (audited)	FY2015 RMB'000 (audited)	FY2014 RMB'000 (audited)
Continuing Operations				
Revenue	10,121	39,365	50,790	120,973
Cost of sales	(6,864)	(26,457)	(41,821)	(95,082)
Gross profit	3,257	12,908	8,969	25,891
Other income	8,996	3,222	12,696	16,980
Other gains and losses, net	—	—	(15,055)	4,810
Selling and distribution costs	(622)	(2,925)	(2,672)	(4,166)
Administrative expenses	(11,665)	(26,902)	(19,388)	(17,387)
Loss before income tax	(34)	(13,697)	(15,450)	26,038
Income tax expense	(11)	(3,083)	(3,862)	(2,420)
Loss for the year and attributable to owners of the Company	(45)	(16,780)	(19,312)	23,618
Discontinued Operations				
Profit for the year and attributable to owners of the Company	—	—	12,225	—
Loss for the year and attributable to owners of the Company	(45)	(16,780)	(7,087)	23,618
Other comprehensive income for the year	—	—	—	—
Total comprehensive income for the year and attributable to owners of the Company	(45)	(16,780)	(7,087)	23,618
Minority interests	—	—	—	—
(Loss) / earnings per share (RMB cents)				
From continuing operations	0.07	(25.40)	(29.30)	3.58
From discontinued operations	—	—	18.50	—
From continuing and discontinued operations	0.07	(25.40)	(10.80)	3.58
Dividends per share	—	—	—	—

APPENDIX B GENERAL INFORMATION

9.2 Consolidated Statements of Financial Position

The audited consolidated statements of financial position of the Group for the last financial year (FY2016) and the unaudited consolidated statement of financial position of the Group as at 31 March 2017 are set forth below. The consolidated income statements set out below should be read together with the annual reports and the audited consolidated statements of financial position of the Group for the relevant financial periods, the Company's announcement on the unaudited consolidated financial statements of the Group for the three months (3) ended 31 March 2017 and their respective accompanying notes.

	31/3/2017 RMB'000 (unaudited)	31/12/2016 RMB'000 (audited)
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	—	—
Property, plant and equipment	986,266	948,385
Prepaid premium for leasehold land under operating leases	19,287	19,391
Deposits	337	27,900
Deferred tax assets	—	—
	1,005,890	995,676
Current assets		
Inventories	2,025	1,917
Trade receivables	11,700	11,583
Prepayments, deposits and other receivables	104,685	92,926
Current tax assets	43	12
Cash and cash equivalents	41,780	65,098
	160,233	171,536
Current liabilities		
Trade payables	2,074	2,662
Accruals and other payables	117,582	118,038
Current tax liabilities	2,350	2,350
	122,006	123,050
Net current assets / (liabilities)	38,227	48,486
Non-current liabilities		
Deferred tax liabilities	4,650	4,650
Net assets	1,039,467	1,039,512
EQUITY		
Equity attributable to owners of the Company		
Share capital	166,295	166,295
Reserves	873,172	873,172
Total equity	1,039,467	1,039,512

APPENDIX B

GENERAL INFORMATION

9.3 Significant Accounting Policies

- (a) There were no significant accounting policies or any matter from the notes of the financial statements of the Group which are of any major relevance for the interpretation of the financial statements of the Group; and
- (b) as at the Latest Practicable Date, there is no change in the accounting policy of the Group which will cause the figures disclosed in this Circular not to be comparable to a material extent.

9.4 Material Changes in Financial Position

Save as disclosed in this Circular and in publicly available information on the Group (including but not limited to the Company's announcement on the unaudited consolidated financial statements of the Group for the three (3) months ended 31 March 2017), as at the Latest Practicable Date, there has been no known material change in the financial position of the Group since 31 December 2016, being the date of the Company's last published audited consolidated financial statements.

9.5 Material Change in Information

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

10. VALUATION ON PROPERTY INTERESTS, MACHINERY AND EQUIPMENT

The Company has commissioned independent valuations of the property interests of the Company, and the market value in continued use of the machinery and equipment of the Company (collectively referred to as the "PPE") up to 31 May 2017. The Property Valuation Report and the Equipment and Machinery Summary Report of the Independent Valuer are set out in Appendices D and E 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 PPE, 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 the Valuation Reports, the potential tax liabilities that may be incurred by the Group on the hypothetical disposal of the PPE on an "as is" basis is approximately RMB31,491,000. The aforesaid tax liabilities will not crystallise if the Group does not dispose of its interests in the PPE. As at the Latest Practicable Date, the Company has no immediate plan to dispose of its interests in the PPE.

11. GENERAL

- 11.1 All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.
- 11.2 The independent financial adviser, ACA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, its advice to the Independent Directors set out in Section 9.3 of this Circular, the IFA Letter set out in Appendix A to this Circular and all references thereto in the form and context in which they appear in this Circular.
- 11.3 The Independent Valuer has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, letters, the Property Valuation Report and the Equipment and Machinery Summary Report which are annexed hereto as Appendices D and E to this Circular, and all references thereto in the form and context in which they appear in this Circular.

APPENDIX B

GENERAL INFORMATION

12. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company's share registrar and Share Transfer Agent at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 during normal business hours for the period during which the Offer remains open for acceptance:

- (a) the memorandum of association the Company and its bye-laws;
- (b) annual reports of the Company for FY2014, FY2015 and FY2016 and the unaudited consolidated financial statements of the Group for the three (3) months ended 31 March 2017;
- (c) the IFA Letter as set out in Appendix A to this Circular;
- (d) the Property Valuation Report and the Equipment and Machinery Summary Report as set out in Appendices D and E to this Circular;
- (e) the Equipment and Machinery Valuation Report; and
- (f) the letters of consent referred to in Paragraph 11 above.

APPENDIX C

EXTRACTS FROM THE BYE-LAWS OF THE COMPANY

The relevant provisions in the Bye-Laws of the Company in respect of capital, dividends and voting in relation to the Shares have been extracted and set out below.

SHARES, WARRANTS AND MODIFICATION OF RIGHTS

3. *Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine) and any preference share may, subject to the Companies Act and with the sanction of a Special Resolution, be issued on the terms that it is liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so authorised by the Memorandum of Association of the Company, at the option of the holder.*
4. *The Board may, subject to the approval by the shareholders in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.*
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 of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six (6) months in arrears.*

(B) *The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.*
6. (A) *For the purposes of Section 47 of the Companies Act, if at any time the capital is divided into different classes of shares, all or any of the special rights attached to any class (unless otherwise provided for by the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths (3/4) in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of these Bye-Laws relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be not less than two (2) persons holding or representing by proxy or by corporate representative one-third (1/3) in nominal value of the issued shares of that class, and that any holder of shares of the class present in person or by proxy or by duly authorised corporate representative may demand a poll.*

(B) *The repayment of preference capital other than redeemable preference capital, or any alteration of preference shareholders' rights, may only be made pursuant to a Special Resolution passed at a general meeting of the holders of the shares of that class. Provided that, where the necessary majority for such a Special Resolution is not obtained at the general meeting, consent in writing if obtained from the holders of not less than three-fourths (3/4) in nominal value of the issued shares of that class within two (2) months of such general meeting, shall be valid and effectual as a Special Resolution carried at the general meeting.*

APPENDIX C
EXTRACTS FROM THE BYE-LAWS OF THE COMPANY

- (C) *The provisions of this Bye-Law shall apply to the variation or abrogation of the special rights attached to the shares of any class as if each group of shares of the class differently treated formed a separate class the rights whereof are to be varied or abrogated.*
- (D) *The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be altered or abrogated by the creation or issue of further shares ranking pari passu therewith.*

SHARES AND INCREASE OF CAPITAL

7. (A) *The authorised share capital of the Company at the date on which these Bye-Laws come into effect is S\$75,000,000 divided into 1,500,000,000 shares of S\$0.05 each.*
- (B) *Subject to the Statutes, the power contained in the Memorandum of Association for the Company to purchase or otherwise acquire its shares shall be exercisable by the Board upon such terms and subject to such conditions as it thinks fit.*
8. *The Company in general meeting may from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by Ordinary Resolution in accordance with Section 45 of the Companies Act, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such class or classes and of such amounts in Hong Kong dollars, Singapore dollars or United States dollars or such other currency as the shareholders may think fit and as the resolution may prescribe.*
9. *Any new shares shall be issued upon such terms and conditions and with such rights, privileges or restrictions annexed thereto as the general meeting resolving upon the creation thereof shall direct, and if no direction be given, subject to the provisions of the Statutes and of these Bye-Laws, as the Board shall determine; and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special right or without any right of voting.*
10. *Subject to any direction to the contrary that may be given by the Company in general meeting including, or except as permitted under the listing rules of the Designated Stock Exchange all new shares shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company in respect of General Meetings in proportion as nearly as the circumstances admit to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined. After the expiration of the aforesaid 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 Board may dispose of those shares in a manner they think most beneficial to the Company. The Board may likewise dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot in the opinion of the Board be conveniently offered in the manner herein before provided.*
11. *Except so far as otherwise provided by the conditions of issue or by these Bye-Laws, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company and such shares shall be subject to the provisions contained in these Bye-Laws with reference to the payment of calls and instalments, transfer and transmissions, forfeiture, lien, cancellation, surrender, voting and otherwise.*

APPENDIX C
EXTRACTS FROM THE BYE-LAWS OF THE COMPANY

12. (A) *Subject to the provisions of the Companies Act and to the provisions of these Bye-Laws and without prejudice to any special rights or restrictions for the time being allocated to any shares or any class of shares, all unissued shares shall be at the disposal of the Board and it may offer, allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount provided always that:-*

- (i) no shares shall be issued to transfer a controlling interest in the Company without the prior approval of the shareholders in general meeting;*
- (ii) (subject to any direction to the contrary that may be given by the Company in general meeting) any issue of shares for cash to shareholders holding shares of any class shall be offered to such shareholders in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of Bye-law 10 with such adaptations as are necessary shall apply;*
- (iii) any other issue of shares, the aggregate of which would exceed the limits set out in paragraph (B) below, shall be subject to the approval of the Members in General Meeting; and*
- (iv) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.*

The Directors shall, as regards any offer or allotment of shares, comply with the provisions of the Companies Act, if and so far as such provisions may be applicable thereto.

(B) *Notwithstanding Bye-law 12(A) above, the Company may by Ordinary Resolution give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to issue shares (whether by way of rights, bonus or otherwise) where:-*

- (i) the aggregate number of shares to be issued pursuant to such authority does not exceed 50 percent (or such other limit as may be prescribed by the Designated Stock Exchange) of the issued share capital of the Company for the time being, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20 percent (or such other limit as may be prescribed by the Stock Exchange) of the issued share capital of the Company for the time being; and*
- (ii) unless previously revoked or varied by the Company at a meeting, such authority to issue shares does not continue beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution or the date by which such Annual General Meeting is required to be held, or the expiration of such other period as may be prescribed by the Companies Act, whichever is the earliest date.*

(C) *Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such offer, option or shares to shareholders or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Shareholders affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of shareholders for any purpose whatsoever.*

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13. *The Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares in the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares in the Company, but so that the conditions and requirements of the Companies Act shall be observed and complied with.*
14. *Except as otherwise expressly provided by these Bye-Laws or as required by law or as ordered by a court of competent jurisdiction, no person shall be recognized by the Company as holding any share upon any trust and, except as aforesaid, the Company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or any other right or claim to or in respect of any shares except an absolute right to the entirety thereof of the registered holder.*
15. *Subject to the terms and conditions of any application for shares, the Board shall allot shares applied for within ten (10) market days of the closing date of any such application (or such other period as may be approved by the Designated Stock Exchange).*
16. *Subject to the Companies Act and these Bye-Laws, the Board may at any time after the allotment of shares but before any person has been entered in the Register as the holder, recognize a renunciation thereof by the allottee in right to effect such renunciation upon and subject to such terms and conditions as the Board considers fit to impose.*

ALTERATION OF CAPITAL

62. (A) *The Company may from time to time by Ordinary Resolution in accordance with Section 45 of the Companies Act-*
 - (i) *increase its capital as provided by Bye-Law 8;*
 - (ii) *consolidate or divide all or any of its share capital into shares of larger amount than its existing shares; and on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interest or may be paid to the Company for the Company's benefit;*
 - (iii) *divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;*
 - (iv) *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 Companies Act, 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 (1) or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;*

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- (v) *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 share capital by the amount of the shares so cancelled;*
 - (vi) *make provision for the issue and allotment of shares which do not carry any voting rights; and*
 - (vii) *change the currency denomination of its share capital.*
- (B) *The Company may by Special Resolution in accordance with the Companies Act reduce its share capital, any capital redemption reserve fund or any share premium account or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law.*

GENERAL MEETINGS

63. (A) *The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it; and not more than fifteen (15) months shall elapse between the date of one annual general meeting of the Company and that of the next. The annual general meeting shall be held in the Relevant Territory or elsewhere as may be determined by the Board and at such time and place as the Board shall appoint. A meeting of the shareholders or any class thereof may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.*
- (B) *Save where a general meeting is required by the Companies Act, a resolution in writing signed (in such manner as to indicate, expressly or impliedly, unconditional approval) by or on behalf of all persons for the time being entitled to receive notice of and to attend and vote at general meetings of the Company shall, for the purposes of these Bye-Laws, be treated as an Ordinary Resolution duly passed at a general meeting of the Company and, where relevant, as a Special Resolution so passed. Any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last shareholder to sign, and where the resolution states a date as being the date of his signature thereof by any shareholder the statement shall be prima facie evidence that it was signed by him on that date. Such a resolution may consist of several documents in the like form, each signed by one (1) or more relevant shareholders.*
64. *All general meetings other than annual general meetings shall be called special general meetings.*
65. *The Board may, whenever it thinks fit, convene a special general meeting, and special general meetings shall also be convened on requisition, as provided by the Companies Act, and, in default, may be convened by the requisitionists as provided by the Act.*
66. *An annual general meeting and a meeting called for the passing of a Special Resolution shall be called by at least twenty-one (21) clear days' notice in writing, and a meeting of the Company other than an annual general meeting or a meeting for the passing of a Special Resolution shall be called by at least fourteen (14) clear days' notice in writing to be given by advertisement in the Newspapers and in writing to the Designated Stock Exchange. The notice shall be given in clear days, and shall specify the place, the day and the hour of meeting and, in case of special business, must be accompanied by a statement regarding the general nature of that business and the effect of any proposed resolution in respect of such special business, the general nature of that business, and shall be given, in the manner hereinafter mentioned or in such other manner, if any, as may*

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be prescribed by the Company in general meeting, to such persons as are, under these Bye-Laws, entitled to receive such notices from the Company, provided that, subject to the provisions of the Companies Act, a meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in this Bye-Law be deemed to have been duly called if it is so agreed:-

- (i) in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote thereat; and*
 - (ii) in the case of any other meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right.*
67. (A) *The accidental omission to give any notice to, or the non-receipt of any notice by, any person entitled to receive notice shall not invalidate any resolution passed or any proceedings at any such meeting.*
- (B) *In the case where instruments of proxy are sent out with any notice, the accidental omission to send such instrument of proxy to, or the non-receipt of such instrument of proxy by, any person entitled to receive notice of the relevant meeting shall not invalidate any resolution passed or any proceeding at any such meeting.*

PROCEEDINGS AT GENERAL MEETINGS

68. *All business shall be deemed special that is transacted at a special general meeting, and also all business that is transacted at an annual general meeting with the exception of sanctioning dividends, the reading, considering and adopting of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheet, the election of Directors and appointment of Auditors and other officers in the place of those retiring, the fixing of the remuneration of the Auditors, and the voting of Directors' fees.*
69. *For all purposes the quorum for a general meeting shall be two (2) shareholders present in person or by duly authorised corporate representative or by proxy and entitled to vote. No business shall be transacted at any general meeting unless the requisite quorum shall be present at the commencement of the meeting.*
70. *If within fifteen (15) minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week and at such time and place as shall be decided by the Board. At the adjourned meeting, any one (1) or more shareholders present in person or by a duly authorised corporate representative or by proxy shall be a quorum.*
71. *The Chairman (if any) of the Board or, if he is absent or declines to take the chair at such meeting, the Deputy Chairman (if any) shall take the chair at every general meeting, or, if there be no such Chairman or Deputy Chairman, or, if at any general meeting neither of such Chairman or Deputy Chairman is present within fifteen (15) minutes after the time appointed for holding such meeting, or both such persons decline to take the chair at such meeting, the Directors present shall choose one of their number as Chairman, and if no Director be present or if all the Directors present decline to take the chair or if the Chairman chosen shall retire from the chair, then the shareholders present shall choose one (1) of their number to be Chairman.*
72. *The Chairman may, with the consent of any general meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned for fourteen (14) days or more, at least seven (7) clear days' notice, specifying the place, the day and the hour of the adjourned meeting shall be given in the same manner as in the case of an original meeting but it shall not be*

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necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting. Save as aforesaid, no shareholder shall be entitled to any notice of an adjournment or of the business to be transacted at an adjourned meeting. No business shall be transacted at an adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

73. *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 or on the withdrawal of any other demand for a poll) demanded:-*

- (i) by the Chairman of the meeting; or*
- (ii) by at least three (3) shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or*
- (iii) by any shareholder or shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth (1/10) of the total voting rights of all the shareholders having the right to vote at the meeting; or*
- (iv) by any shareholder or shareholders present in person or by duly authorised corporate representative 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 (1/10) of the total sum paid up on all the shares conferring that right.*

Unless a poll be so demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

74. *If a poll is demanded as aforesaid, it shall (subject as provided in Bye-Law 76) be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place, not being more than thirty (30) days from the date of the meeting or adjourned meeting at which the poll was demanded, as the Chairman directs. No notice need be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn, with the consent of the Chairman, at any time before the close of the meeting at which the poll was demanded or the taking hands of the poll, whichever is the earlier.*

75. *Any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting and without adjournment.*

76. *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 second or casting vote. In case of any dispute as to the admission or rejection of any vote the Chairman shall determine the same, and such determination shall be final and conclusive.*

77. *The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.*

78. *For the purposes of section 106 of the Companies Act, a Special Resolution of the Company, and of any relevant class of shareholders, shall be required to approve any amalgamation agreement as referred to in that section.*

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VOTES OF SHAREHOLDERS

79. *Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every shareholder who is present in person or by a duly authorised corporate representative or by proxy shall have one (1) vote, and on a poll every shareholder present in person or by a duly authorised corporate representative or by proxy, shall have one (1) vote for every share of which he is the holder which is fully paid up or credited as fully paid up (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments shall be treated for the purposes of this Bye-Law as paid up on the share). On a poll a shareholder entitled to more than one (1) vote need not use all his votes or cast his votes in the same way.*
80. *Any person entitled under Bye-Law 49 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least forty-eight (48) hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposes to vote, he shall satisfy the Board of his right to be registered as the holder of such shares or the Board shall have previously admitted his right to vote at such meeting in respect thereof.*
81. *Where there are joint registered holders of any share, any one (1) of such persons may vote at any meeting either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one (1) of such joint holders be present at any meeting personally or by proxy, that one (1) of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder in whose name any share stands shall for the purposes of this Bye-Law be deemed joint holders thereof.*
82. *A shareholder of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis or other person in the nature of a committee, receiver or curator bonis appointed by that court, and any such committee, receiver, curator bonis or other person may on a poll vote by proxy. Evidence to the satisfaction of the Board of the authority of the person claiming to exercise the right to vote shall be delivered to such place or one of such places (if any) as is specified in accordance with these Bye-Laws for the deposit of instruments of proxy or, if no place is specified, the Registration Office.*
83. (A) *Save as expressly provided in these Bye-Laws, no person other than a shareholder duly registered and who shall have paid everything for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another shareholder) either personally or by proxy or to be reckoned in a quorum (save as proxy for another shareholder), at any general meeting.*
- (B) *No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman, whose decision shall be final and conclusive.*

PROXIES AND CORPORATE REPRESENTATIVES

84. *Any shareholder of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. Votes may be given either personally or by duly authorised corporate representative or by proxy. A shareholder who is the holder of two (2) or more shares may appoint not more than two (2) proxies to attend on the same occasion. A proxy need not be a shareholder. In addition, a proxy or proxies representing either an individual shareholder or a shareholder which is a corporation, shall be entitled to exercise the same powers on behalf of the shareholder which he or they represent as such shareholder could exercise including the right to vote individually on a show of hands.*

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85. *Provided that if the shareholder is the Depository:-*

- (A) *the Depository may appoint more than two (2) proxies or a corporate representative to attend and vote at the same general meeting, notwithstanding Bye-law 84;*
- (B) *the Company shall be entitled and bound:-*
 - (i) *to reject any instrument of proxy lodged if the proxy first named in that instrument, being the Depositor, is not shown, in the records of the Depository as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting supplied by the Depository to the Company, to have any shares credited to a securities account;*
 - (ii) *to accept as the maximum number of votes which in aggregate all the proxies appointed by the Depository in respect of a particular Depositor are able to cast on a poll a number which is the number of shares credited to the securities account of that Depositor, as shown in the records of the Depository as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting supplied 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 the Depository; and*
 - (iii) *the Company shall accept as valid in all respects the form of proxy approved by the Depository (the "CDP Proxy Form") for use at the date relevant to the general meeting in question notwithstanding that the same permits the Depositor concerned to nominate a person or persons other than himself as the proxy or proxies appointed by the Depository. The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed CDP Proxy Form submitted to it, to have regard to the instructions given by and the notes (if any) set out in the CDP Proxy Form.*

86. (A) *Any corporation which is a shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its corporate representative at any meeting of the Company or any class of shareholders. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation which he represents as the corporation could exercise if it were an individual shareholder. References in these Bye-Laws to a shareholder present in person at a meeting shall, unless the context otherwise requires, include a corporation which is a shareholder represented at the meeting by such duly authorised corporate representative or by one (1) or more proxies. Nothing contained in this Bye-Law shall prevent a corporation which is a shareholder of the Company from appointing one or more proxies to represent it subject to Bye-law 84.*

- (B) *Any reference in these Bye-laws to a duly authorised corporate representative of a shareholder being a corporation shall mean a corporate representative authorised under the provisions of this Bye-law.*

87. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*

88. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at such place or one (1) of such places (if any) as is specified in the notice of meeting or in the instrument of proxy issued by the Company (or, if no place is specified, at the Registration Office) not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid*

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after the expiration of twelve (12) months from the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in a case where the meeting was originally held within twelve (12) months from such date. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting or upon the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

89. *Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve.*
90. *The instrument appointing a proxy to vote at a general meeting shall: (i) be deemed to confer authority upon the proxy to demand or join in demanding a poll and to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit. Provided that any form issued to a shareholder for use by him for appointing a proxy to attend and vote at a special general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the shareholder, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business; and (ii) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.*
91. *A vote given in accordance with the terms of an instrument of proxy or power of attorney shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or power of attorney or other authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at its Registration Office, or at such other place as is referred to in Bye-Law 88, at least two (2) hours before the commencement of the meeting or adjourned meeting at which the proxy is used.*
92. *In any case where a form of proxy appoints more than one (1) proxy (including the case where such appointment results from a nomination by the Depository), the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.*

CAPITALISATION OF RESERVES

145. (A) *The Company in general meeting may, upon the recommendation of the Board, resolve to capitalise any part of the Company's reserves (including any contributed surplus account and also including any share premium account or other undistributable reserve, but subject to the provisions of the law with regard to unrealised profits) or undivided profits not required for the payment or provision of the dividend on any shares with a preferential right to dividend, and accordingly that such part be sub-divided amongst the shareholders in such proportion as may be approved by the Board, whether pro-rata to all shareholders or otherwise, on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such shareholders respectively or paying up in full unissued shares or debentures or other securities of the Company to be allotted and distributed credited as fully paid to and amongst such shareholders in such proportion as may be approved by the Board as aforesaid, or partly in one way and partly in the other provided that for the purpose of this Bye-Law, any amount standing to the credit of any share premium account may only be applied in the paying up of unissued shares to be issued to shareholders of the Company as fully paid and provided further that any sum standing to the credit of the share premium account may only be applied in crediting as fully paid shares of the same class as that from which the relevant share premium was derived.*
- (B) *Whenever such a resolution as aforesaid shall have been passed the Board shall make all appropriations and applications of the reserves or undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares, debentures, or other securities and generally shall do all acts and things required to give effect thereto. For the purpose*

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of giving effect to any resolution under this Bye-Law, the Board may settle any difficulty which may arise in regard to a capitalisation issue as it thinks fit, and in particular may disregard fractional entitlements or round the same up or down and may determine that cash payments shall be made to any shareholders in lieu of fractional entitlements or that fractions of such value as the Board may determine may be disregarded in order to adjust the rights of all parties or that fractional entitlements shall be aggregated and sold and the benefit shall accrue to the Company rather than to the shareholders concerned. The Board may appoint any person to sign on behalf of the persons entitled to share in a capitalisation issue a contract for allotment and such appointment shall be effective and binding upon all concerned, and the contract may provide for the acceptance by such persons of the shares, debentures or other securities to be allotted and distributed to them respectively in satisfaction of their claims in respect of the sum so capitalised.

DIVIDENDS, CONTRIBUTED SURPLUS AND RESERVES

146. *The Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.*
147. (A) *The Board may subject to Bye-Law 148 from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the position of the Company and, in particular (but without prejudice to the generality of the foregoing), if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer to the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights.*
- (B) *The Board may also pay half-yearly or at other suitable intervals to be settled by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the profits justify the payment.*
148. (A) *No dividend shall be declared or paid and no distribution of contributed surplus made otherwise than in accordance with the Statutes. No dividend shall be paid otherwise than out of funds available for distribution.*
- (B) *Subject to the provisions of the Companies Act (but without prejudice to paragraph (A) of this Bye-Law), where any asset, business or property is bought by the Company as from a past date (whether such date be before or after the incorporation of the Company) the profits and losses thereof as from such date may at the discretion of the Directors in whole or in part be carried to revenue account and treated for all purposes as profits or losses of the Company, and be available for dividend accordingly. Subject as aforesaid, if any shares or securities are purchased cum dividend or interest, such dividend or interest may at the discretion of the Board be treated as revenue, and it shall not be obligatory to capitalise the same or any part thereof.*
- (C) *Subject to Bye-Law 148 (D) all dividends and other distributions in respect of shares in the Company shall be stated and discharged in Singapore dollars, in the case of shares denominated in Singapore dollars, provided that, the Board may determine in the case of any distribution that shareholders may elect to receive the same in any other currency selected by the Board, conversion to be effected at such rate of exchange as the Board may determine.*
- (D) *If, in the opinion of the Board, any dividend or other distribution in respect of shares or any other payment to be made by the Company to any shareholder is of such a small amount as to make payment to that shareholder in the relevant currency impracticable or unduly*

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expensive either for the Company or the shareholder then such dividend or other distribution or other payment may, at the discretion of the Board, be paid or made in the currency of the country of the relevant shareholder (as indicated by the address of such shareholder on the register).

149. *Notice of the declaration of an interim dividend shall be given by advertisement in the Relevant Territory and in such other territory or territories as the Board may determine and in such manner as the Board shall determine.*
150. *No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.*
151. *Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe for securities of the Company or any other company, or in any one or more of such ways, with or without offering any rights to shareholders to elect to receive such dividend in cash, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any shareholders upon the footing of the value so fixed in order to adjust the rights of all parties and may determine that fractional entitlements shall be aggregated and sold and the benefit shall accrue to the Company rather than to the shareholders concerned, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend and such appointment shall be effective. Where requisite, the Board may appoint any person to sign a contract on behalf of the persons entitled to the dividend and such appointment shall be effective. The Board may resolve that no such assets shall be made available or paid to shareholders with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the shareholders aforesaid shall be to receive cash payments as aforesaid. Shareholders affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of shareholders for any purpose whatsoever.*
152. (A) *Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve:-*
- either*
- (i) *that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted shall be of the same class or classes as the class or classes already held by the allottee, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment. In such case, the following provisions shall apply:-*
- (a) *the basis of any such allotment shall be determined by the Board;*
- (b) *the Board, after determining the basis of allotment, shall give not less than two (2) weeks' notice in writing to the shareholders of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;*

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- (c) *the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and*
- (d) *the dividend (or that part of the dividend to be satisfied by the allotment of shares as aforesaid) shall not be payable in cash on shares in respect whereof the cash election has not been duly exercised ("the non-elected shares") and in lieu and in satisfaction thereof shares shall be allotted credited as fully paid up to the holders of the non-elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company or any part of any of the Company's reserve accounts (including any special account, contributed surplus account, share premium account and capital redemption reserve fund (if there be any such reserve)) as the Board may determine a sum equal to the aggregate nominal amount of the shares to be allotted on such basis and apply the same in paying up in full the appropriate number of shares for allotment and distribution to and amongst the holders of the non-elected shares on such basis.*

or

- (ii) *that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted shall be of the same class or classes as the class or classes of shares already held by the allottee. In such case, the following provisions shall apply:-*
 - (a) *the basis of any such allotment shall be determined by the Board;*
 - (b) *the Board, after determining the basis of allotment, shall give not less than two (2) weeks' notice in writing to the shareholder of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;*
 - (c) *the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and*
 - (d) *the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable on shares in respect whereof the share election has been duly exercised ("the elected shares") and in lieu thereof shares shall be allotted credited as fully paid up to the holders of the elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company or any part of any of the Company's reserve accounts (including any special account, contributed surplus account, share premium account and capital redemption reserve fund (if there be any such reserve)) as the Board may determine a sum equal to the aggregate nominal amount of the shares to be allotted on such basis and apply the same in paying up in full the appropriate number of shares for allotment and distribution to and amongst the holders of the elected shares on such basis.*

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- (B) *The shares allotted pursuant to the provisions of paragraph (A) of this Bye-Law shall rank pari passu in all respects with the shares then in issue save only as regards participation:-*
- (i) *in the relevant dividend (or the right to receive or to elect to receive an allotment of shares in lieu thereof as aforesaid); or*
 - (ii) *in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend.*

Unless, contemporaneously with the announcement by the Board of its proposal to apply the provisions of sub-paragraph (i) or (ii) of paragraph (A) of this Bye-Law in relation to the relevant dividend or contemporaneously with its announcement of the distribution, bonus or rights in question, the Board shall specify that the shares to be allotted pursuant to the provisions of paragraph (A) of this Bye-Law shall rank for participation in such distribution, bonus or rights.

- (C) *The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (A) of this Bye-Law with full power to the Board to make such provisions as they think fit in the case of shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the shareholders concerned). The Board may authorise any person to enter into on behalf of all shareholders interested an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.*
- (D) *The Company may upon the recommendation of the Board by Special Resolution resolve in respect of any one particular dividend of the Company that notwithstanding the provisions of paragraph (A) of this Bye-Law a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.*
- (E) *The Board may on any occasion determine that rights of election and the allotment of shares under paragraph (A) of this Bye-Law shall not be made available or made to any shareholders with registered addresses in any territory where in the absence of a registration statement or other special formalities the circulation of an offer of such rights of election or the allotment of shares would or might be unlawful, and in such event the provisions aforesaid shall be read and construed subject to such determination.*
153. *The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalising dividends or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may from time to time think fit, and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute by way of dividend.*
154. *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 or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Bye-Law no amount paid on a share in advance of calls shall be treated as paid on the share.*

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155. (A) *The Board may retain any dividends or other moneys payable on or in respect of a share upon 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 Board may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.*
156. *Any general meeting sanctioning a dividend may make a call on the shareholders of such amount as the meeting fixes, but so that the call on each shareholder shall not exceed the dividend payable to him, and so that the call shall be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the shareholder, be set off against the call.*
157. *A transfer of shares shall not pass the right to any dividend or bonus declared thereon before the registration of the transfer.*
158. *If two (2) or more persons are registered as joint holders of any share, any one of such persons may give effectual receipts for any dividends, interim dividends or bonuses and other moneys payable in respect of such shares.*
159. *Unless otherwise directed by the Board, any dividend or bonus may be paid by cheque or warrant sent though the post to the registered address of the shareholder entitled, or, in case of joint holders, to the registered address of the joint holder whose name stands first in the register in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged.*
160. *All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six (6) years after having been declared may be forfeited by the Board and shall revert to the Company.*
161. *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 or made to the persons registered as the holder of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend or other distribution shall be payable or made to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend or other distribution between the transferors and transferees of any such shares. The provisions of this Bye-Law shall mutatis mutandis apply to bonuses, capitalisation issues, distributions of realised capital profits or offers or grants made by the Company to the shareholders.*

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DISTRIBUTION OF REALISED CAPITAL PROFITS

162. *The Company in general meeting may at any time and from time to time resolve that any surplus moneys in the hands of the Company representing capital profits arising from moneys received or recovered in respect of or arising from the realisation of any capital assets of the Company or any investments representing the same and not required for the payment or provision of any fixed preferential dividend instead of being applied in the purchase of any other capital assets or for other capital purposes be distributed amongst the ordinary shareholders on the footing that they receive the same as capital and in the shares and proportions in which they would have been entitled to receive the same if it had been distributed by way of dividend, provided that no such profits as aforesaid shall be so distributed unless there shall remain in the hands of the Company a sufficiency of other assets to answer in full the whole of the liabilities and paid-up share capital of the Company for the time being.*

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VALUATION REPORT OF THE GROUP'S PROPERTY



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
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Company Licence No : C-030171

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公司牌照號碼：C-030171

19 June 2017

The Board of Directors
Changtian Plastic and Chemical Limited (the "Company")
No.18 Xinsheng Road
Xinyang Industrial Zone
Haicang District
Xiamen City
Fujian Province
People's Republic of China

Dear Sirs,

In accordance with your instructions to value the properties held by Xiamen Changtian Enterprise Co., Ltd. ("Xiamen Changtian") and Zhong Lun Su Ye (Fujian) Co., Ltd. ("Zhong Lun Su Ye") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 May 2017 (the "valuation date") for the purpose of disclosure in the Circular.

We hereby consent to, and confirm that we have not withdrawn our consent to, the inclusion of this valuation report and/or valuation certificates and/or opinion(s) (where applicable), and reference to our name in the form and context in which they appear in the Circular, and for use in public documents for inspection.

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

In valuing the properties, due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued by Cost Approach with reference to their depreciated replacement cost.

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Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

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

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interest, we have complied with all requirements contained in the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown various title documents including State-owned Land Use Rights Certificate and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

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VALUATION REPORT OF THE GROUP'S PROPERTY



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We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out on 8 June 2017 by Ms. Jenny Chen. Ms. Jenny Chen is a China Real Estate Appraiser and has 4 years' experience in the valuation of properties in the PRC.

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

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

A handwritten signature in black ink, appearing to read 'Eddie T. W. Yiu', is written over a faint, larger signature.

Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 23 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

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VALUATION REPORT OF THE GROUP'S PROPERTY



SUMMARY OF VALUES

No. Property	Market value in existing state as at 31 May 2017 RMB
1. A warehouse and various structures located at No. 18 Xinsheng Road, Xinyang Industrial Zone Haicang District Xiamen City Fujian Province The PRC	No commercial value (Refer to note)
2. A parcel of land, 15 buildings and various structures located at Huiquan Petro-Chemical Industrial Park Dongqiao Town Huian County Quanzhou City Fujian Province The PRC	62,553,000 (Refer to note)
Total:	<u>62,553,000</u>

Note: In the valuation of the properties, we have attributed no commercial value to portions of the properties due to the leased land nature and/or the buildings have not obtained building ownership certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these building and structures (excluding the land) of property no.1 and the buildings of property no.2 (excluding the land) as at the valuation date would be RMB263,779,000.

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VALUATION REPORT OF THE GROUP'S PROPERTY



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2017 RMB
1. A warehouse and various structures located at No. 18 Xincheng Road, Xinyang Industrial Zone Haicang District Xiamen City Fujian Province The PRC	The property comprises a warehouse with a gross floor area of approximately 2,271.6 sq.m. and various structures erected on a parcel of land which were completed in 2008 and 2010. As advised by the Company, the land with a site area of approximately 40,030.19 sq.m. was leased from Xiamen Changtian Plastic and Chemical Co., Ltd. (refer to note 1) The structures mainly include ancillary wastewater treatment station and landscaped facilities.	As at the valuation date, the property was occupied by Xiamen Changtian Enterprise Co., Ltd. for ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Tenancy Agreement entered between Xiamen Changtian Plastic and Chemical Co., Ltd. and Xiamen Changtian Enterprise Co., Ltd. ("Xiamen Changtian"), a parcel of land with a site area of approximately 40,030.19 sq.m. are leased to Xiamen Changtian for a term commencing from 1 April 2007 and expiring on 31 March 2027 at an annual rent of RMB2,300,000.
2. In the valuation of this property, we have attributed no commercial value to the property because the building and structures are erected on leased land. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building and structures (excluding the land) as at the valuation date would be RMB13,303,000.
3. We have been provided by the Company that as the valuation date the net book value of the property is RMB573,998.51.

APPENDIX D

VALUATION REPORT OF THE GROUP'S PROPERTY



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VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2017 RMB
2. A parcel of land, 15 buildings and various structures located at Huiquan Petro-Chemical Industrial Park, Dongqiao Town Huian County Quanzhou City Fujian Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 66,667 sq.m., 15 buildings and various structures erected thereon which were completed in 2017.</p> <p>The buildings have a total gross floor area of approximately 34,433.82 sq.m.</p> <p>The buildings include a 5-storey office building, 4 warehouses and 10 industrial buildings.</p> <p>The structures mainly include wastewater treatment station, boundary walls and plant area road.</p> <p>The land use rights of the property have been granted for a term with the expiry date on 2 November 2066 for industrial use.</p>	As at the valuation date, the property was occupied by Zhong Lun Su Ye (Fujian) Co., Ltd. for industrial, office and ancillary purposes.	62,553,000 (Refer to note 6)

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – No. 36210020160929G079 dated 24 December 2016, the land use rights of a parcel of land with a site area of approximately 66,667 sq.m. were contracted to be granted to Zhong Lun Su Ye (Fujian) Co., Ltd. (“Zhong Lun Su Ye”) for industrial use from the land delivery date. The land premium was RMB20,000,000.
2. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 350521201600062, permission towards the planning of the aforesaid land parcel with a site area of approximately 66,667 sq.m. has been granted to Zhong Lun Su Ye.
3. Pursuant to a State-owned Land Use Rights Certificate – Min (2016) Real Estate Title Certificate No. 0003244, the land use rights of a parcel of land with a site area of approximately 66,667 sq.m. have been granted to Zhong Lun Su Ye for a term with the expiry date on 2 November 2066 for industrial use.
4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 350521501600032 in favour of Zhong Lun Su Ye, the property with a site area of approximately 66,667 sq.m. has been approved for construction.

APPENDIX D

VALUATION REPORT OF THE GROUP'S PROPERTY



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5. Pursuant to a Construction Work Commencement Permit – No. 350521201612220000 in favour Zhong Lun Su Ye, permission by the relevant local authority was given to commence the construction of the property with a gross floor area of approximately 34,433.82 sq.m.
6. Our valuation is carried out on the assumption that Zhong Lun Su Ye is legally in possession of the land use rights of the land parcel as mentioned in note 3 and Zhong Lun Su Ye is entitled to legally occupy, use, lease or otherwise dispose of the land parcel during the term of the land use rights according to relevant law and regulations.
7. In the valuation of this property, we have attributed no commercial value to 15 buildings of the property with a total gross floor area of approximately 34,433.82 sq.m. which have not obtained building ownership certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be RMB250,476,000.
8. We have been provided by the Company that as at the valuation date the net book value of the property is RMB303,627,638.55.

APPENDIX E

VALUATION SUMMARY OF THE GROUP'S EQUIPMENT AND MACHINERY



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Company Licence No.: C-030171

仲量聯行企業評估及諮詢有限公司
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電話 +852 2846 5000 傳真 +852 2169 6001
公司牌照號碼：C-030171

19 June 2017

The Board of Directors
ChangTian Plastic and Chemical Limited
18 Xinsheng Road
Xinyang Industrial Zone
Haicang District
Xiamen City, Fujian Province
People's Republic of China 361026

Dear Sirs,

In accordance with your instructions to value machinery and equipment exhibited to us as those held by Xiamen Changtian Enterprise Co., Ltd. ("Xiamen Changtian") and Zhong Lun Su Ye (Fujian) Co Ltd 中仑塑业 ("Zhong Lun Su Ye"), we confirm that we have carried out inspections, made relevant inquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value in continued use of the machinery and equipment as at 31 May 2017.

The purpose of the appraisal is to estimate the Market Value in Continued Use as of 31 May 2017 and it is our understanding that these values will be utilized for circular reference. We hereby consent to and confirm that we have not withdrawn our consent to, the inclusion of this valuation report and/or opinions, and reference to our name in the form and context in which they appear in the Circular, and for use in public documents for inspection.

We have adopted the Market Value in Continued Use as being the most appropriate, in accordance with the following definition: -

Market Value is defined herein as "the estimated amount at which the subject assets should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where in the parties had each acted knowledgeably, prudently, and without compulsion."

Market Value in Continued Use is further defined as amount of money at which a given property would change hands between a willing buyer and a willing seller, in an appropriate marketplace, when neither is acting under compulsion and when both have reasonable knowledge of relevant facts, including installation and other turnkey costs and assumes that earnings support the value reported. (source: American Society of Appraisers)

Market Value in Continued Use does not represent the amount that might be realised in the event of piecemeal disposition of the assets in the open market or from any alternative use to which they may be put.

APPENDIX E

VALUATION SUMMARY OF THE GROUP'S EQUIPMENT AND MACHINERY



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This summary report forms part of the detailed valuation report File No: CON000355076PM-1, dated 19 June 2017, which comprises: -

- A narrative section, which identifies the machinery and equipment valued, scope and character of our investigation; the premise of the value adopted; the valuation process employed and the opinion of value;
- Limiting Conditions;
- A summary of values; and
- A schedule with technical description of the machinery and equipment, showing for each item or group of items the appraised market value in continued use.

NARRATIVE DESCRIPTION

Assets Valued

The Assets belonging to *Xiamen Changtian Enterprise Co., Ltd.* comprise mainly of machinery and equipment such as BOPP, coating machines, release liner production line and pressure sensitive adhesive production line used in the manufacturing of dairy product.

The major machinery has been brought into operation but the utility rate had been low. Most of major equipment were sourced and fabricated in China. Our inspection reveals that the machinery and equipment are mostly of standard manufacture while some are custom built to in-house design.

The Assets belonging to *Zhong Lun Su Ye (Fujian) Co Ltd 中仑塑业* comprise mainly of machinery and equipment such as stock tank, refrigeration system, dowtherm system and packaging system that will be used in the manufacturing of dairy product.

The major machinery has not been brought into operation. Most of major equipment were sourced and fabricated in China. Our inspection reveals that the machinery and equipment are mostly of standard manufacture while some are custom built to in-house design.

APPENDIX E

VALUATION SUMMARY OF THE GROUP'S EQUIPMENT AND MACHINERY



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Exclusions

The scope of this valuation is restricted to the assets list provided to us which excludes land, buildings, other land improvements, spare parts, stocks, company records or any current or intangible assets.

VALUATION METHODOLOGY

There are three generally accepted approaches to value, namely:

The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history.

The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

The Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised machinery and equipment relative to the market comparative.

Assets for which there is an established used market may be appraised by this approach.

The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is general applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

Analysis

Any number or combination of the three approaches to value may be used in a particular valuation, depending upon the objectives and the nature of the property involved.

APPENDIX E

VALUATION SUMMARY OF THE GROUP'S EQUIPMENT AND MACHINERY



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We have considered and excluded the income approach due to insufficient financial data being available. In the absence of any market information regarding sales and purchases of large industrial facilities similar to the assets appraised, the most reliable approach in arriving at an opinion of value of the machinery and equipment is by using the cost approach.

In arriving at our opinion of value, we have given consideration to the cost of replacement new, accrued depreciation, extent, character, utility and continuation of use of the assets in their present location.

Cost of Replacement New is the estimated amount of money needed to acquire a similar new item having the nearest equivalent utility as the property being valued taking into consideration current prices of materials and manufactured equipment, shipping and handling, labour, contractor's overhead, design and supervision, profit and fees, and other attendant costs associated with its acquisition.

Valuation Comments

We have not carried out a full mechanical survey, nor have inspected other machinery and equipment, which are covered, unexposed or inaccessible. Our assessment is based on the premise that the items are in a condition commensurate with age and usage.

We have relied to a considerable extent on information such as machinery and equipment list, equipment specifications, drawings, contract invoices and other documents furnished to us by the Company.

We have not investigated the title or any liabilities affecting the machinery and equipment appraised. No consideration was made for any outstanding amount owed under financing agreements, if any.

We hereby certify that we have neither present nor prospective interest in the assets appraised or on the value reported.

APPENDIX E
VALUATION SUMMARY OF THE GROUP'S EQUIPMENT AND MACHINERY



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OPINION OF VALUE

Based on the results of our inspection and findings, it is our opinion that:

RMB 5,381,000 (FIVE MILLION THREE HUNDRED AND EIGHTY-ONE THOUSAND), fairly represents the market value of the appraised assets belonging to Xiamen Changtian as at 31 May 2017.

RMB 693,288,000 (SIX HUNDRED NINTTY THREE MILLION TWO HUNDRED AND EIGHTY-EIGHT THOUSAND), fairly represents the market value of the appraised assets belonging to Zhong Lun Su Ye as at 31 May 2017.).

A breakdown is shown in the attached summary of values.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

A handwritten signature in blue ink, appearing to read "James Lai", is written over a light blue horizontal line.

James Lai, ASA, MRICS,
Director
Plant & Machinery Valuation

Note:

James Lai is an Accredited Senior Appraiser of the American Society of Appraisers and a member of the Royal Institution of Chartered Surveyors. He has more than 26 years of experience in plant and machinery valuation in the Asia Pacific region.

APPENDIX E
VALUATION SUMMARY OF THE GROUP'S EQUIPMENT AND MACHINERY



Summary of Values

Valuation Date 评估基准日:	31/05/2017		
Subject Company 资产占有方:	厦门长天企业有限公司		
	Acq Cost (RMB)	NBV (RMB)	Market Value in continued use (RMB)
Machinery & Equipment	90,115,708.47	4,868,217.33	4,942,540
Motor Vehicles	1,554,282.07	99,679.56	377,100
Office Equipment	1,789,881.90	6,517.11	61,300
Total	93,459,872.44	4,974,414.00	5,380,940
		Rounded To	5,381,000

APPENDIX E
VALUATION SUMMARY OF THE GROUP'S EQUIPMENT AND MACHINERY



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Valuation Date 评估基准日:	31/05/2017		
Subject Company 资产占有方:	中仑塑业（福建）有限公司		
	Acq Cost (RMB)	NBV (RMB)	Market Value in continued use (RMB)
Machinery & Equipment	1,277,538.45	1,119,791.21	1,175,600
Motor Vehicles	440,771.31	193,905.03	346,100
Office Equipment	675,307.75	398,105.47	443,300
Construction-in-Progress (CIP)		691,322,533.64	691,322,600
Total	2,393,617.51	693,034,335.35	693,287,600
			693,288,000

APPENDIX F
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
FOR THREE (3) MONTHS ENDED 31 MARCH 2017



Changtian Plastic & Chemical Limited

First Quarter Financial Statements for the Three Months Ended 31 March 2017

Changtian Plastic & Chemical Limited (the “Company”) was listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 9 November 2007.

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		
	Three months ended		
	31/3/2017	31/3/2016	Change
	<Unaudited>	<Unaudited>	
	RMB'000	RMB'000	%
Revenue	10,121	9,684	4.5
Cost of sales	(6,864)	(6,584)	4.3
Gross profit	3,257	3,100	5.1
Other income	8,996	1,866	382.1
Selling and distribution costs	(622)	(615)	1.1
Administrative expenses	(11,665)	(5,776)	102.0
Loss before income tax	(34)	(1,425)	(97.6)
Income tax expense	(11)	(423)	(97.4)
Loss for the period and attributable to the owners of the Company	(45)	(1,848)	(97.6)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period and attributable to the owners of the Company	(45)	(1,848)	(97.6)

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FOR THREE (3) MONTHS ENDED 31 MARCH 2017

Notes:

1. The Company was incorporated in Bermuda under the Bermuda Companies Act 1981 on 29 March 2007 as an exempted company with limited liability and listed on the Main Board of the SGX-ST on 9 November 2007. The principal activity of the Company is investment holding.
2. Loss for the period is arrived at after charging/(crediting) the followings:

	Group		
	Three months ended		
	31/3/2017	31/3/2016	Change
	<Unaudited>	<Unaudited>	
	RMB'000	RMB'000	%
Interest income	(12)	(1,866)	(99.4)
Depreciation of property, plant and equipment	292	151	93.4
Exchange loss, net	12	23	(47.8)
Amortization of prepaid premium for leasehold land under operating leases	104	103	1.0

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FOR THREE (3) MONTHS ENDED 31 MARCH 2017

1(b) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	<Unaudited>	<Audited>	<Unaudited>	<Audited>
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	-	-	486,991	488,615
Property, plant and equipment	986,266	948,385	-	-
Prepaid premium for leasehold land under operating leases	19,287	19,391	-	-
Deposits	337	27,900	-	-
	<u>1,005,890</u>	<u>995,676</u>	<u>486,991</u>	<u>488,615</u>
Current assets				
Inventories	2,025	1,917	-	-
Trade receivables	11,700	11,583	-	-
Prepayments, deposits and other receivables	104,685	92,926	156	27
Current tax assets	43	12	-	-
Cash and cash equivalents	41,780	65,098	-	-
	<u>160,233</u>	<u>171,536</u>	<u>156</u>	<u>27</u>
Current liabilities				
Trade payables	2,074	2,662	-	-
Accruals and other payables	117,582	118,038	2,629	2,476
Current tax liabilities	2,350	2,350	-	-
	<u>122,006</u>	<u>123,050</u>	<u>2,629</u>	<u>2,476</u>
Net current assets/(liabilities)	<u>38,227</u>	<u>48,486</u>	<u>(2,473)</u>	<u>(2,449)</u>
Non-current liabilities				
Deferred tax liabilities	4,650	4,650	-	-
Net assets	<u>1,039,467</u>	<u>1,039,512</u>	<u>484,518</u>	<u>486,166</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	166,295	166,295	166,295	166,295
Reserves	873,172	873,217	318,223	319,871
Total equity	<u>1,039,467</u>	<u>1,039,512</u>	<u>484,518</u>	<u>486,166</u>

APPENDIX F
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
FOR THREE (3) MONTHS ENDED 31 MARCH 2017

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	Three months ended	
	31/3/2017	31/3/2016
	<Unaudited>	<Unaudited>
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	(34)	(1,425)
Adjustments for:		
Interest income	(12)	(1,866)
Depreciation of property, plant and equipment	292	151
Amortization of prepaid premium for leasehold land under operating leases	104	103
Operating profit/(loss) before working capital changes	350	(3,037)
(Increase)/decrease in inventories	(108)	576
(Increase)/decrease in trade receivables	(117)	707
Increase in prepayments, deposits and other receivables	(11,759)	(365)
Decrease in trade payables	(588)	(183)
Increase in accruals and other payables	694	116
Cash used in operations	(11,528)	(2,186)
Income tax paid	(42)	-
Interest received	12	1,866
Net cash used in operating activities	(11,558)	(320)
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(39,323)	(154,843)
Decrease/(increase) in deposits	27,563	(1,026)
Net cash used in investing activities	(11,760)	(155,869)
Net decrease in cash and cash equivalents	(23,318)	(156,189)
Cash and cash equivalents at beginning of period	65,098	776,431
Cash and cash equivalents at end of period	41,780	620,242

Note: During the three months ended 31 March 2017, additions of property, plant and equipment amounted to RMB38,173,000, payments of RMB39,323,000 included payables to suppliers of property, plant and equipment of which RMB111,676,000 was unpaid and included under "Accruals and other payables" as at 31 December 2016.

APPENDIX F
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
FOR THREE (3) MONTHS ENDED 31 MARCH 2017

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group (Three months ended 31 March 2016)

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory and other reserves RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2016 (Audited)	166,295	329,523	32,298	102,545	425,631	1,056,292
Loss and total comprehensive income for the period	-	-	-	-	(1,848)	(1,848)
At 31 March 2016 (Unaudited)	166,295	329,523	32,298	102,545	423,783	1,054,444

Group (Three months ended 31 March 2017)

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory and other reserves RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2017 (Audited)	166,295	329,523	32,298	102,870	408,526	1,039,512
Loss and total comprehensive income for the period	-	-	-	-	(45)	(45)
At 31 March 2017 (Unaudited)	166,295	329,523	32,298	102,870	408,481	1,039,467

Company (Three months ended 31 March 2016)

	Share capital RMB'000	Share premium RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2016 (Audited)	166,295	329,523	(3,037)	492,781
Loss and total comprehensive income for the period	-	-	(1,450)	(1,450)
At 31 March 2016 (Unaudited)	166,295	329,523	(4,487)	491,331

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UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
FOR THREE (3) MONTHS ENDED 31 MARCH 2017

Company (Three months ended 31 March 2017)

	Share capital RMB'000	Share premium RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2017 (Audited)	166,295	329,523	(9,652)	486,166
Loss and total comprehensive income for the period	-	-	(1,648)	(1,648)
At 31 March 2017 (Unaudited)	166,295	329,523	(11,300)	484,518

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There were no changes in the Company's share capital for the three months ended 31 March 2016 and 31 March 2017.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	31/3/2017	31/12/2016
Total number of issued shares ('000)	66,000	66,000

There were no treasury shares as at 31 March 2017 and 31 December 2016.

1(d)(iv) A statement showing all sale and transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. As at 31 March 2017, the Company does not have any outstanding treasury shares.

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UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
FOR THREE (3) MONTHS ENDED 31 MARCH 2017

- 2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have neither been audited nor reviewed by the auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has adopted all the new/amended International Financial Reporting Standards ("new/amended IFRSs") that became effective on 1 January 2017. Except for the adoption of these new/amended IFRSs, the Group has consistently adopted the same accounting policies and methods of computations as stated in the audited financial statements of the Group for the year ended 31 December 2016.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The adoption of the new/amended IFRSs does not have any material financial impact on the Group's financial statements.

APPENDIX F
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
FOR THREE (3) MONTHS ENDED 31 MARCH 2017

- 6 **Loss per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Group	
	Three months ended	
	31/3/2017	31/3/2016
	<Unaudited>	<Unaudited>
<u>Basic and diluted loss per share</u>		
Net loss attributable to the owners of the Company (RMB'000)	(45)	(1,848)
Number of ordinary shares in issue ('000)	66,000	66,000
Loss per share (RMB cents)	<u>(0.07)</u>	<u>(2.80)</u>

Diluted loss per share for the three months ended 31 March 2017 and 31 March 2016 are the same as basic loss per share as there is no dilutive potential ordinary share in existence during both periods.

- 7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	Group		Company	
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	<Unaudited>	<Unaudited>	<Unaudited>	<Unaudited>
Net asset value per ordinary share (RMB cents)	1,575.0	1,575.0	734.1	736.6

Net asset value per ordinary share of the Group/Company is calculated based on:

- 1) The equity attributable to the owners of the Company as at 31 March 2017 and 31 December 2016; and
- 2) The number of ordinary shares of the Company in issue of 65,999,998 as at 31 March 2017 and 31 December 2016.

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

8.1 Review on performance of the Group

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APPENDIX F
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
FOR THREE (3) MONTHS ENDED 31 MARCH 2017

8.1.1 Revenue

The Group's revenue increased by RMB0.4 million from RMB9.7 million for the three months ended 31 March 2016 ("1Q16") to RMB10.1 million for the three months ended 31 March 2017 ("1Q17"). Although the economic growth in the People's Republic of China (the "PRC") started to recover in 1Q17, the market demand of some existing products was still weak in the current period. The average selling price of all product segments was increased by 6.4%-9.9% in 1Q17, but sales volumes of release papers and UV cured release film were reduced significantly. Fortunately, their decrease on sales volume were partially offset by the increase of 55.3% for adhesive tapes in the current period. Thus, the overall sales revenue increased slightly by 4.5% in the current period.

8.1.2 Cost of sales and gross profit margin

Cost of sales increased by 4.3% or RMB0.3 million from RMB6.6 million for 1Q16 to RMB6.9 million for 1Q17. Although the depreciation increased by RMB0.1 million as a coating machine costing to RMB3.6 million was acquired in mid-2016, the price of major raw materials did not have significant fluctuations and the other variable costs increased in line with the growth of sales revenue. As a result, the gross profit increased slightly by 5.1% and gross profit margin increased by 0.2 percentage point in the current period.

8.1.3 Other income

Other income mainly consists of a compensation income of RMB8.9 million and bank interest income approximate to RMB12,000 for the period. The compensation income represents an amount received from the local government for compensating the financial losses suffered by the Group on capital expenditure on the original plot of land and the postponement of Nylon-6 chips development. The significant decrease of interest income was due to the decrease of bank balances in the current period.

8.1.4 Selling and distribution costs

Selling and distribution costs consist mainly of transportation expenses and staff costs. These costs increased lightly by 1.1% which was in line with the increase of sales revenue in 1Q17.

8.1.5 Administrative expenses

Administrative expenses increased by 102.0% or RMB5.9 million from RMB5.8 million for 1Q16 to RMB11.7 million for 1Q17. The increase was mainly due to increase of pre-operating

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expenses for the development of Nylon-6 chips business from RMB2.7 million for 1Q16 to RMB8.3 million for 1Q17. Construction works of Nylon-6 Chip plant had been completed and fine-tuning of production lines was carried out in 1Q17. The subsidiary had recruited many staffs to better-prepare for the commencement of Nylon-6 Chip business and therefore, these led to the increases in staff costs and other pre-operating expenses in the current period.

8.1.6 Income tax expense

Income tax expense of the Group is calculated based on the statutory income tax rate of 25% of the assessable profits of a wholly-owned subsidiary of the Company, Xiamen Changtian Enterprise Co., Ltd, (“Changtian Enterprise”) as determined in accordance with the relevant PRC income tax rules and regulations.

8.1.7 Loss for the period

Loss for the period decreased by 97.6% from RMB1.8 million for 1Q16 to RMB45,000 for 1Q17. The Group’s increase in administrative expenses was offset partially by an increase in other income and gross profit in the current period.

8.2 Review on financial positions and cash flows of the Group

8.2.1 Non-current assets

Property, plant and equipment increased by 4.0% or RMB37.9 million from RMB948.4 million as at 31 December 2016 to RMB986.3 million as at 31 March 2017. The increase was mainly due to the increase of construction in progress and the acquisition of machinery and equipment for Nylon-6 chips business in the current period. Besides, some machinery and equipment were delivered and completely installed at Nylon-6 chips plant and the relevant deposits made at or before 31 December 2016 were transferred to property, plant and equipment in 1Q17. Thus, the deposits decreased from RMB27.9 million as at 31 December 2016 to RMB0.3 million as at 31 March 2017.

8.2.2 Current assets and cash flows

Current assets of the Group decreased from RMB171.5 million as at 31 December 2016 to RMB160.2 million as at 31 March 2017. The Group continued to maintain the inventory at a minimum level for meeting the customers’ demands, so the inventories increased from RMB1.9 million as at 31 December 2016 to RMB2.0 million as at 31 March 2017. Since the Group’s sales revenue increased in the current period, its trade receivables also increased

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slightly from RMB11.6 million as at 31 December 2016 to RMB11.7 million as at 31 March 2017. Moreover, the increase of VAT credit on acquisition of property, plant and equipment also increased the prepayments, deposits and other receivables by RMB11.8 million in the current period.

The Group used net cash of RMB11.5 million and RMB11.8 million in its operating activities and investing activities respectively, so its cash and cash equivalents decreased by RMB23.3 million from RMB65.1 million as at 31 December 2016 to RMB41.8 million as at 31 March 2017 in the current period.

8.2.3 Current liabilities

Current liabilities of the Group decreased marginally from RMB123.1 million as at 31 December 2016 to RMB122.0 million as at 31 March 2017. The Group made the settlements to the suppliers of machinery and equipment for Nylon-6 chips development in accordance with the repayment schedules.

8.2.4 Non-current liabilities

Non-current liabilities of the Group as at 31 March 2017 and 31 December 2016 represented the deferred tax liabilities in relation to withholding tax on undistributed profits of Changtian Enterprise.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The current results are in line with the Company's commentary on prospects or previous quarter outlook in paragraph 10 of its previous quarterly results announcement.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

For the Nylon-6 Chip Development, the construction works of Nylon-6 Chip Plant had completed in early 2017 and the fine-tuning of production lines is at the final stage. Upon satisfactory results of fine-tuning, the trial production will be commenced immediately. Subject to the satisfactory trial run, the Company anticipates to begin the commercial production and sales in the third quarter 2017. In view of the shortfall of cash and cash equivalents with the unpaid capital expenditure, the Group had obtained a written confirmation from its principal banker in the PRC in early 2017, which

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confirmed the availability of a credit line up to RMB300 million, the terms and conditions will be finalized at date of agreement but include a pledge of the Group's plant and equipment. The Group will make further announcements about development of Nylon-6 Chip Business at the appropriate point in time.

The market condition for our products remains very competitive and the Company will continue to implement stringent cost control measures to maintain the profitability of existing products.

11. Dividend

a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

c) Date Payable

Not applicable.

d) Books Closure Date

Not applicable.

12. If no dividend has been declared/ recommended, a statement to that effect

No dividend has been declared or recommended for 1Q17.

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13. Interested Person Transactions

Interested person transaction carried out during the three months ended 31 March 2017:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920) RMB'000	Aggregate value of all interested person transaction conducted under shareholder's mandate pursuant to Rule 920 (excluding transactions less than \$100,000) RMB'000
Rental paid to Jinyoung (Xiamen) Advanced Materials Co., Ltd ("Xiamen Jinyoung")	575	N/A

Note: Rental paid to Xiamen Jinyoung, in which Mr. Chen Yongfu and Mr. Yang Qingjin, directors of the Company, and Mr. Yang Jie, who is the son of Mr. Yang Qingjin, have beneficial interests, were made with reference to the valuation report dated 5 March 2007 prepared by an independent valuer, LCH (Asia-Pacific) Surveyors Limited. The annual rental payable after the first three years of the lease is subject to review every three years and may be adjusted based on an independent valuers' valuation to ascertain prevailing market price. The board of directors reviews occasionally the market price through the internet searching after the first three years.

14. Confirmation pursuant to Rule 720(1)

Changtian Plastic & Chemical Limited confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

BY ORDER OF THE BOARD

Yang Qingjin
Executive Chairman
10 May 2017

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CHANGTIAN PLASTIC & CHEMICAL LIMITED
(Incorporated in the Bermuda)

CONFIRMATION BY THE BOARD
PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

We, Chen Yongfu and Qiu Wei Cai, being two directors of Changtian Plastic & Chemical Limited (“the Company”), hereby confirm on behalf of the directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the first financial quarter results of the Group for the financial period ended 31 March 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Chen Yongfu
Deputy Chairman

Qiu Wei Cai
Finance Director

Date: 10 May 2017

