

EXIT OFFER LETTER DATED 20 JUNE 2014

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

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

If you have sold or transferred all your Shares (as defined herein) held through CDP (as defined herein), you need not forward this Exit Offer Letter and the accompanying FAA (as defined herein) to the purchaser or transferee, as CDP will arrange for a separate Exit Offer Letter and FAA to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not held through CDP, you should immediately hand this Exit Offer Letter and the accompanying FAT (as defined herein) to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale, for onward transmission to the purchaser or transferee.

The views of the Independent Directors (as defined herein) and the IFA (as defined herein) on the Exit Offer (as defined herein) are set out in the Company's Letter to Shareholders (as defined herein) in Appendix III (*Company's Letter to Shareholders*) to this Exit Offer Letter. You may wish to consider their views before taking any decision on the Exit Offer.

Please note that the Exit Offer will be conditional upon the Minimum Acceptance Condition (as defined in paragraph 2.2 (*Condition*) of this Exit Offer Letter) in respect of the Exit Offer being satisfied.

If the aforesaid condition is not fulfilled, the Exit Offer will lapse and all acceptances of the Exit Offer will be returned (please refer to paragraph 2.2 (*Condition*) of this Exit Offer Letter for more details) but the Company will still be mandatorily delisted from the SGX-ST. Please refer to paragraph 5.2 (*Implications of Delisting for Shareholders*) of this Exit Offer Letter on the implications of holding on to shares in an unlisted public company.

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

EXIT OFFER

in connection with

**THE DIRECTED DELISTING OF CHINA POWERPLUS LIMITED
FROM THE OFFICIAL LIST OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

by

APPLE COVE LIMITED

(Incorporated in the British Virgin Islands)
(Company Number 1788613)

to acquire all the issued ordinary shares in the capital of

CHINA POWERPLUS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200208614Z)

**THE EXIT OFFER WILL CLOSE AT 5.30 P.M. ON 23 JULY 2014 OR SUCH LATER DATE(S)
AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR**

CONTENTS

1. INTRODUCTION	1
2. THE EXIT OFFER	3
3. INFORMATION ON THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT	6
4. THE OFFEROR'S INTENTIONS	7
5. COMPULSORY ACQUISITION AND IMPLICATIONS OF DELISTING FOR SHAREHOLDERS	7
6. MARKET QUOTATION	8
7. CONFIRMATION OF FINANCIAL RESOURCES	9
8. DISCLOSURES	9
9. ACTIONS TO BE TAKEN BY THE SHAREHOLDERS	10
10. OVERSEAS SHAREHOLDERS	11
11. INFORMATION RELATING TO CPFIS INVESTORS	13
12. GENERAL	13
13. DOCUMENTS FOR INSPECTION	14
14. RESPONSIBILITY STATEMENT	14
APPENDIX I	
PROCEDURES FOR ACCEPTANCE AND OTHER DETAILS OF THE EXIT OFFER. . . .	I-1
APPENDIX II	
ADDITIONAL INFORMATION ON THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT	II-1
APPENDIX III	
COMPANY'S LETTER TO SHAREHOLDERS	III-1
APPENDIX IV	
RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY. . .	IV-1
APPENDIX V	
AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013	V-1

APPLE COVE LIMITED
(Incorporated in the British Virgin Islands)
(Company Registration No. 1788613)

20 June 2014

To: The Shareholders of China Powerplus Limited

Dear Sir/Madam

DELISTING OF CHINA POWERPLUS LIMITED PURSUANT TO RULE 1315 OF THE LISTING MANUAL AND EXIT OFFER BY APPLE COVE LIMITED PURSUANT TO RULES 1306 AND 1309 OF THE LISTING MANUAL – EXIT OFFER LETTER

1. INTRODUCTION

1.1 Watch-List Status and SGX-ST Notification of Delisting

China Powerplus Limited ("**Company**") was placed on the Singapore Exchange Securities Trading Limited's ("**SGX-ST**") watch-list with effect from 5 March 2012 pursuant to Rule 1311 of the Listing Manual of the SGX-ST ("**Listing Manual**"). The Company would have to meet the requirements of Rule 1314 of the Listing Manual within 24 months from 5 March 2012, i.e. by 5 March 2014, failing which the SGX-ST may delist the Company or suspend trading in the Company's shares with a view to delisting the Company.

On 23 January 2014 ("**Initial Joint Announcement Date**"), the Company and Apple Cove Limited ("**Offeror**") jointly issued a joint announcement ("**Initial Joint Announcement**") after a formal proposal was presented by the Offeror to the Company to seek a voluntary delisting of the Company ("**Voluntary Delisting**"). However, the Offeror and the Company were unable to complete the Voluntary Delisting prior to the aforesaid deadline of 5 March 2014 for the Company to exit the watch-list. In addition, the Company was also unable to meet the requirements of Rule 1314 of the Listing Manual by the aforesaid deadline of 5 March 2014. On 6 May 2014, the Company received a notification from the SGX-ST ("**SGX-ST Notification of Delisting**") stating that the SGX-ST is directing the delisting of the Company pursuant to Rule 1315 of the Listing Manual ("**Delisting**"). In the same notification, the SGX-ST also directed that the Company or its controlling shareholder shall have to comply with Rules 1306 and 1309 of the Listing Manual to provide a reasonable exit offer to the shareholders of the Company ("**Shareholders**").

1.2 Joint Announcement

On 9 May 2014 ("**Joint Announcement Date**"), the Company and Apple Cove Limited ("**Offeror**") jointly announced ("**Joint Announcement**") that the Offeror presented to the board of directors of the Company ("**Directors**") a revised proposal ("**Proposal**") to make an exit offer to the Shareholders of the Company pursuant to Rules 1306 and 1309 of the Listing Manual and in connection with the directed delisting of the Company by SGX-ST. Under the Proposal, the Offeror would make a cash exit offer on the terms set out in this letter ("**Exit Offer Letter**").

The Joint Announcement supersedes the Initial Joint Announcement in respect of the proposal which was made in the context of the then proposed Voluntary Delisting.

Shareholders should note that unlike the Voluntary Delisting referred to in the Initial Joint Announcement, Shareholders' approval is **not** required for the aforesaid Delisting directed by the SGX-ST pursuant to the SGX-ST Notification of Delisting.

1.3 Exit Offer Letter

This Exit Offer Letter contains the terms of the exit offer ("**Exit Offer**") made by the Offeror to acquire all the issued ordinary shares in the capital of the Company ("**Shares**")¹ or ("**Offer Shares**").

PLEASE NOTE THAT THE EXIT OFFER WILL BE CONDITIONAL UPON THE MINIMUM ACCEPTANCE CONDITION (AS DEFINED IN PARAGRAPH 2.2 (CONDITION)) IN RESPECT OF THE EXIT OFFER BEING SATISFIED.

IF THE AFORESAID CONDITION IS NOT FULFILLED, THE EXIT OFFER WILL LAPSE AND ALL ACCEPTANCES OF THE EXIT OFFER WILL BE RETURNED (PLEASE REFER TO PARAGRAPH 2.2 (CONDITION) FOR MORE DETAILS) BUT THE COMPANY WILL STILL BE MANDATORILY DELISTED FROM THE SGX-ST. IN SUCH AN EVENT, SHAREHOLDERS WILL HOLD SHARES IN AN UNLISTED PUBLIC COMPANY. PLEASE REFER TO PARAGRAPH 5.2 (IMPLICATIONS OF DELISTING FOR SHAREHOLDERS) ON THE IMPLICATIONS OF HOLDING ON TO SHARES IN AN UNLISTED PUBLIC COMPANY.

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

Subject to paragraph 10 (*Overseas Shareholders*) below, this Exit Offer Letter containing the terms of the Exit Offer, together with the Form of Acceptance and Authorisation ("**FAA**") for Offer Shares and/or the Form of Acceptance and Transfer ("**FAT**") for Offer Shares, as the case may be (collectively, the "**Acceptance Forms**"), are despatched to you by the Offeror.

1.4 Company's Letter to Shareholders

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

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

1.5 Terms and References

The expression "**acting in concert**" shall have the meaning ascribed to it in the Singapore Code on Take-overs and Mergers ("**Code**"). The term "**depositor**" shall have the meaning ascribed to it in Section 130A of the Companies Act (Chapter 50 of Singapore) ("**Companies Act**").

All references to a time of day or date in this Exit Offer Letter are references to Singapore time and date, unless otherwise stated. For the purposes of this Exit Offer Letter, the latest practicable date prior to the printing of this Exit Offer Letter is 12 June 2014 ("**Latest Practicable Date**").

¹ Unless otherwise stated, in this Exit Offer Letter, all references to the total number of Shares shall be to 424,800,000 Shares as at the Latest Practicable Date (as defined herein).

1.6 Caution

Please read this Exit Offer Letter together with the Company's Letter to Shareholders as set out in Appendix III (*Company's Letter to Shareholders*) to this Exit Offer Letter (including (a) the advice of NRA Capital Pte. Ltd. ("**IFA**"), the independent financial adviser to the Directors who are considered to be independent for the purposes of making recommendations to the Shareholders on the Delisting and the Exit Offer ("**Independent Directors**"), and (b) the recommendations of the Independent Directors on the Delisting and the Exit Offer) carefully and in their respective entirety.

1.7 Listing Manual Provisions on the Delisting and the Exit Offer

Under Rule 1306 of the Listing Manual, if the SGX-ST exercises its power to remove the Company from the Official List of the SGX-ST, the Company or its controlling shareholder(s) must comply with the requirements of Rule 1309 of the Listing Manual. As mentioned in paragraph 1.1 (*Watch-List Status and SGX-ST Notification of Delisting*) above, the Company received the SGX-ST Notification of Delisting on 6 May 2014.

Under Rule 1309 of the Listing Manual, if the Company is seeking to delist from the Official List of the SGX-ST:

- (a) a reasonable exit alternative, which should normally be in cash, should be offered to the Shareholders and holders of any other classes of listed securities to be delisted; and
- (b) the Company should normally appoint an independent financial adviser to advise on the Exit Offer.

2. **THE EXIT OFFER**

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

2.1 Consideration

The offer price for each Offer Share is S\$0.035 ("Exit Offer Price**").**

The Offeror does not intend to revise the Exit Offer Price under any circumstances.

The Exit Offer Price shall be applicable to any number of Offer Shares that are tendered in acceptance of the Exit Offer.

Shareholders may choose to accept the Exit Offer in respect of all or part of their holdings of Offer Shares. Each Shareholder who accepts the Exit Offer will receive S\$35 for every 1,000 Offer Shares tendered for acceptance under the Exit Offer.

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

2.2 Condition

The Minimum Acceptance Condition in respect of the Exit Offer being satisfied

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

Accordingly, the Exit Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Exit Offer, unless at any time prior to the close of the Exit Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of voting rights of the issued share capital of the Company.

Each of Guo Dianshan ("**GDY**") and Hao Yanping ("**HYP**") has, pursuant to their undertakings to the Offeror, undertaken to accept the Exit Offer in respect of all their Shares comprising an aggregate of 193,801,000 Shares representing approximately 45.62% of the total number of Shares. The respective shareholdings of GDY, HYP and Xue Yongwen ("**XYW**") are set out in paragraph 7.1 of Appendix II (*Additional Information on the Offeror and the Parties Acting in Concert with It*) to this Exit Offer Letter.

Shareholders are to note that if the aforesaid condition is not fulfilled, the Company will still be mandatorily delisted from the Official List of the SGX-ST. The Exit Offer will also lapse and all acceptances of the Exit Offer will be returned. In such event, Shareholders will hold shares in an unlisted public company. Please refer to paragraph 5.2 (*Implications of Delisting for Shareholders*) on the implications of holding on to shares in an unlisted public company.

2.3 Warranty

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

2.4 Regulatory Approvals

An application was made by the Offeror to the Securities Industry Council ("**SIC**") to seek clarification regarding the extent to which the provisions of the Singapore Code on Take-overs and Mergers ("**Code**") applied to the Exit Offer. The SIC ruled on 17 April 2014, *inter alia*, that:

- (a) the Exit Offer is exempted from compliance with the following provisions of the Code:
 - (i) Rule 20.1 on keeping the Exit Offer open for 14 days after it is revised;

- (ii) Rule 22 on the offer timetable;
 - (iii) Rule 23.4 on the financial information about the Offeror;
 - (iv) Rule 28 on acceptances; and
 - (v) Rule 29 on the right of acceptors to withdraw their acceptances,
- (b) subject to the following conditions:
- (i) disclosure in the Company's Letter to Shareholders of the consolidated net tangible asset value ("**NTA**") per Share of the group comprising the Company, its subsidiaries and associated companies based on the latest published accounts prior to the date of the Company's Letter to Shareholders;
 - (ii) disclosure in the Company's Letter to Shareholders of particulars of all known material changes as of the latest practicable date set out in the Company's Letter to Shareholders which may affect the consolidated NTA per Share referred to in paragraph 2.4(b)(i) above or a statement that there are no such known material changes,
 - (iii) the Exit Offer remaining open for at least 28 days after the date of the despatch of the Exit Offer Letter,
 - (iv) the Minimum Acceptance Condition referred to in paragraph 2.2 (*Condition*) above being fulfilled, and
- (c) the following Directors: XYW, GDY and HYP (collectively, "**Relevant Directors**") are exempted from the requirement to make a recommendation to the Shareholders on the Exit Offer as the Relevant Directors, being the concert parties of the Offeror, face irreconcilable conflict of interests in doing so. Nevertheless, the Relevant Directors must still assume responsibility for the accuracy of the facts stated and opinions expressed in documents or advertisements issued by, or on behalf of, the Company to the Shareholders in connection with the Exit Offer.

Mr Danny Oh Beng Teck, Mr Ong Su Aun Jeffrey and Mr Seah Yang Hwee Damien, being the other Directors of the Company, will be considered independent for the purposes of providing a recommendation on the Exit Offer to the Shareholders.

2.5 Duration and Closing Date

The Exit Offer will be opened for acceptance by Shareholders for a period of at least 28 days after the date of despatch of this Exit Offer Letter by the Offeror.

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

Accordingly, the Exit Offer will close at 5.30 p.m. on 23 July 2014 or such later date(s) as may be announced from time to time by or on behalf of the Offeror ("Closing Date").

2.6 Irrevocable Undertakings

The Offeror has obtained irrevocable written undertakings ("**Irrevocable Undertakings**") from GDY and HYP to accept the Exit Offer in respect of all their Shares. As at the Latest Practicable Date, GDY and HYP collectively hold an aggregate of 193,801,000 Shares ("**Undertaking Shares**"), representing approximately 45.62% of the issued share capital of the Company.

The Irrevocable Undertakings shall expire if the Exit Offer (including any revised or improved Exit Offer by or on behalf of the Offeror) is withdrawn, lapses or closes.

Save as disclosed in this Exit Offer Letter, as at the Latest Practicable Date, neither the Offeror nor any party acting in concert with it has received any irrevocable undertaking from any party to accept or reject the Exit Offer.

The respective shareholdings of each of the Relevant Directors in the Company are set out in paragraph 7.1 of Appendix II (*Additional Information on the Offeror and the Parties Acting in Concert with It*) to this Exit Offer Letter.

2.7 Procedures for Acceptance and other details of the Exit Offer

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

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

3.1 The Offeror

The Offeror is a special purpose vehicle incorporated in the British Virgin Islands and having its registered address at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Its principal activity is that of investment holding. As at the Latest Practicable Date, the Offeror is wholly-owned by GDY and HYP, who are currently the directors and shareholders of the Offeror and the Company.

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

3.2 Shareholding Structure of the Offeror

	Number of shares in the Offeror	Percentage of issued shares in the Offeror (%)
GDY	6,548	65.48
HYP	3,452	34.52

The shareholding structure of the Offeror set out in the table above reflects the relative shareholding proportion of GDY and HYP in the Company.

3.3 Parties acting in Concert with the Offeror

Both GDY and HYP, the directors of the Offeror, also sit as Directors on the board of the Company. As at the Latest Practicable Date, they own 126,900,000 Shares and 66,901,000 Shares respectively, representing approximately 29.87% and 15.75%, respectively of the total issued share capital of the Company.

XYW, the Executive Chairman and Managing Director of the Company, is the husband of GDY. As at the Latest Practicable Date, he does not hold any Shares in the Company.

For the purpose of making the Exit Offer, the Offeror has obtained irrevocable undertakings from each of GDY and HYP to accept the Exit Offer. Further information regarding irrevocable undertakings of GDY and HYP are set out in paragraph 2.6 (*Irrevocable Undertakings*) above.

4. THE OFFEROR'S INTENTIONS

The Exit Offer is made in compliance with Rules 1306 and 1309 of the Listing Manual as stated in paragraph 1.1 (*Watch-List Status and SGX-ST Notification of Delisting*) of this Exit Offer Letter and the Company will be privatised upon the completion of the Exit Offer.

The Offeror has no current intention of (a) making material changes to the Company's existing business, (b) re-deploying of the Company's fixed assets, or (c) discontinuing the employment of the employees of the Company and its subsidiaries, 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.

5. COMPULSORY ACQUISITION AND IMPLICATIONS OF DELISTING FOR SHAREHOLDERS

5.1 Compulsory Acquisition of Shares

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

The Offeror intends to make the Company its wholly-owned subsidiary. **Accordingly, when entitled, the Offeror intends to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act.**

In addition, the Dissenting Shareholders who do not accept the Exit Offer would have a corresponding right, under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Exit Offer Price by serving notice requiring the Offeror to do so, in the event that the Shares acquired by the Offeror pursuant to the Exit Offer, together with any other Shares held by the Offeror, its related corporations and their respective nominees comprise 90% or more of the total issued Shares.

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

5.2 Implications of Delisting for Shareholders

Shareholders should note that if (a) the Offeror is not entitled to compulsorily acquire, pursuant to Section 215(1) of the Companies Act, all the Shares of the Dissenting Shareholders at the Exit Offer Price, and/or (b) the Dissenting Shareholders are not

entitled, pursuant to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Exit Offer Price, following the Delisting, Shareholders who do not accept the Exit Offer will continue to hold Shares in the Company, which will then be an unlisted public company.

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

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

When the Company is delisted from the Official List of the SGX-ST, each Shareholder who holds Shares that are deposited with The Central Depository (Pte) Limited (“**CDP**”) and does not accept the Exit Offer will be entitled to one share certificate representing his delisted Shares. Boardroom Corporate & Advisory Services Pte. Ltd. will arrange to forward the share certificates to such Shareholders (not being investors who purchase Offer Shares using their Central Provident Fund (“**CPF**”) contributions pursuant to the CPF Investment Scheme (“**CPFIS**” and such investors, “**CPFIS Investors**”)), by ordinary post and at the Shareholders’ own risk, to their respective addresses as such addresses appear in the records of CDP for their physical safe-keeping. The share certificates belonging to CPFIS Investors will be forwarded to their respective agent banks included under the CPFIS for their safe-keeping, details of which are set out in Appendix I (*Procedures for Acceptance and Other Details of the Exit Offer*) to this Exit Offer Letter. If a Shareholder wishes to split his share certificate into other denominations, he will be required to pay for each share certificate so required, a fee of S\$2.00 (excluding goods and services tax).

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

6. MARKET QUOTATION

6.1 Closing Prices of the Shares

The last closing prices of the Shares on the SGX-ST on (a) a monthly basis from July 2013, being six (6) calendar months prior to the Initial Joint Announcement Date, (b) 17 January 2014, being the last trading day immediately preceding to the Initial Joint Announcement Date (“**Last Trading Date**”) and (c) the Latest Practicable Date, as reported by Bloomberg L.P., are set out below:

Month	Last Closing Price (S\$)
July 2013 ⁽¹⁾	0.040
August 2013	0.030
September 2013	0.034
October 2013	0.030
November 2013	0.030
December 2013 ⁽²⁾	–
17 January 2014, being the Last Trading Date	0.030
5 June 2014 ⁽³⁾	0.034
12 June 2014, being the Latest Practicable Date	–

Notes:

- (1) There were married trades done during these periods. The married trades, where applicable, have been excluded from the computation of volume traded to provide a more reflective indication of trading volumes by the public Shareholders.
- (2) No Shares were traded in the month of December 2013.
- (3) Pursuant to the SGX-ST's Notification of Delisting, the trading of the Shares has been suspended beginning 6 June 2014; the last closing price at S\$0.034 provided herein corresponds to the Shares' last closing price on 5 June 2014, which is the date immediately prior to the date of the trading's suspension.

6.2 Highest and Lowest Prices of the Shares

As reported by Bloomberg L.P., the highest and lowest closing prices of the Shares on the SGX-ST during the period commencing six (6) calendar months prior to the Initial Joint Announcement Date and ending on the Latest Practicable Date (being July 2013 to 12 June 2014 (both date inclusive)) are as follows:

	Price (S\$)	Date(s) Transacted
Highest closing price	0.040	25 July 2013
Lowest closing price	0.010	14 April 2014

7. **CONFIRMATION OF FINANCIAL RESOURCES**

Partners Capital (Singapore) Pte Ltd has confirmed that the Offeror has sufficient financial resources to satisfy full acceptance of the Exit Offer at the Exit Offer Price. For the avoidance of doubt, Partners Capital (Singapore) Pte Ltd is not acting as the financial adviser to the Offeror.

8. **DISCLOSURES**

8.1 Interests in Shares

Please refer to Appendix II (*Additional Information on the Offeror and the Parties Acting in Concert with It*) to this Exit Offer Letter which sets out the interests of the Offeror, the directors of the Offeror ("**Offeror Directors**") and parties acting or deemed to be acting in concert with the Offeror in any (a) Shares or securities which carry voting rights in the Company, or (b) Convertible Securities, Warrants, Options and Derivatives (both (a) and (b) collectively, "**Relevant Securities**") as at the Latest Practicable Date.

Save as disclosed in this Exit Offer Letter, as at the Latest Practicable Date, none of the Offeror, the Offeror Directors nor any of the parties acting or deemed to be acting in concert with the Offeror owns, controls or has agreed to acquire any Relevant Securities.

For the purposes of this Exit Offer Letter:

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

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

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

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

8.2 Dealings in Relevant Securities

Please refer to Appendix II (*Additional Information on the Offeror and the Parties Acting in Concert with It*) to this Exit Offer Letter which sets out the dealings in the Relevant Securities by the Offeror, the Offeror Directors and parties acting or deemed to be acting in concert with them during the period commencing three (3) months prior to the Initial Joint Announcement Date and ending on the Latest Practicable Date.

Save as disclosed in this Exit Offer Letter, neither the Offeror, the Offeror Directors nor any of the parties acting or deemed to be acting in concert with them, has dealt for value in any Relevant Securities during the period commencing three (3) months prior to the Initial Joint Announcement Date and ending on the Latest Practicable Date.

8.3 Further Disclosures

Save as disclosed in this Exit Offer Letter and in the information on the Company that is publicly available (including without limitation, the annual report of the Company for the financial year ended 31 December 2013, the audited consolidated financial statements of the Group for the year ended 31 December 2013 and the announcements released by the Company on the SGX-ST), there has not been, within the knowledge of the Offeror, any material change in the financial position or prospects of the Company since 31 December 2013, being the date of the last balance sheet laid before the Shareholders in a general meeting.

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

9. **ACTIONS TO BE TAKEN BY THE SHAREHOLDERS**

This Exit Offer Letter and the Acceptance Forms are despatched together with the Company's Letter to Shareholders. If you hold Offer Shares that are deposited with The Central Depository (Pte) Limited (**“CDP”**), you should receive a FAA together with this Exit Offer Letter. If you have not received the FAA, you may obtain a copy of the FAA during normal business hours from CDP, at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588, upon production of satisfactory evidence that you are a Shareholder.

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

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

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

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

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

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

10. OVERSEAS SHAREHOLDERS

10.1 Overseas Shareholders

The availability of the Exit Offer to the Shareholders whose addresses are outside Singapore, as shown on the Register of Members of the Company or, as the case may be, in the records of CDP (each, an "**Overseas Shareholder**") may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself about and observe any applicable legal requirements in his own jurisdiction, and exercise caution in relation to the Exit Offer, as this Exit Offer Letter, the Acceptance Forms and the Company's Letter to Shareholders have not been reviewed by any regulatory authority in any overseas jurisdiction. **Where there are potential restrictions on sending this Exit Offer Letter, the Acceptance Forms and the Company's Letter to Shareholders to any overseas jurisdiction, the Offeror, CDP and the Company each reserves the right not to send these documents to such overseas jurisdictions.** For the avoidance of doubt, the Exit Offer is open to all the Shareholders holding Offer Shares, including those to whom this Exit Offer Letter, the Acceptance Forms and the Company's Letter to Shareholders have not been, or may not be, sent.

Copies of this Exit Offer Letter, the relevant Acceptance Forms, the Company's Letter to Shareholders and any other formal documentation relating to the Exit Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Exit Offer would violate the applicable 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.

The Exit 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 Exit Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

10.2 Copies of the Exit Offer Letter, Acceptance Forms and Company's Letter to Shareholders

Overseas Shareholders may, nonetheless, obtain copies of this Exit Offer Letter, the relevant Acceptance Forms, the Company's Letter to Shareholders and any related documents, during normal business hours, from the date of this Exit Offer Letter and up to the Closing Date, from the Offeror through its receiving agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. Alternatively, an Overseas Shareholder may write in to the Offeror through Boardroom Corporate & Advisory Services Pte. Ltd. at the address listed above to request for this Exit Offer Letter, the relevant Acceptance Forms, the Company's Letter to Shareholders and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Shareholder's own risk (the last day for despatch in respect of such request shall be a date falling three (3) Market Days prior to the Closing Date).

10.3 Overseas Jurisdictions

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

10.4 Notice

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

11. **INFORMATION RELATING TO CPFIS INVESTORS**

CPFIS Investors should receive further information on how to accept the Exit Offer from their respective banks approved by CPF to be its agent banks, being DBS Bank Ltd, Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited (collectively, the “**CPF Agent Banks**”) shortly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice.

CPFIS Investors who wish to accept the Exit Offer are to reply to their respective CPF Agent Banks accordingly by the deadline stated in the letter from their respective CPF Agent Banks. CPFIS Investors who accept the Exit Offer will receive the payment of the Exit Offer Price for their Offer Shares in their CPFIS accounts.

12. **GENERAL**

12.1 Valid Acceptances

The Offeror reserves the right to treat acceptances of the Exit Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated herein or in the relevant Acceptance Forms, or if made otherwise than in accordance with the provisions herein and instructions printed on the relevant Acceptance Forms.

12.2 Governing Law and Jurisdiction

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

12.3 No Third Party Rights

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

12.4 Accidental Omission

Accidental omission to despatch this Exit Offer Letter, the Company's Letter to Shareholders, the relevant Acceptance Forms or any notice or announcement required to be given under the terms of the Exit Offer or any failure to receive the same by any person to whom the Exit Offer is made or should be made shall not invalidate the Exit Offer in any way.

12.5 Independent Advice

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

12.6 Costs and Expenses

All stamp duty and transfer fees resulting from acceptances of the Exit Offer will be paid by the Offeror.

13. **DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected at 55 Market Street #08-01, Singapore 048941, during normal business hours for the period for which the Exit Offer remains open for acceptance:

- (a) the Memorandum and Articles of Association of the Offeror;
- (b) the Initial Joint Announcement;
- (c) the Joint Announcement; and
- (d) the Irrevocable Undertakings from GDY and HYP referred to in paragraph 2.6 (*Irrevocable Undertakings*) above.

14. **RESPONSIBILITY STATEMENT**

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

Where information in the Exit Offer Letter (other than those relating to the Company's Letter to Shareholders set out in Appendix III (*Company's Letter to Shareholders*) to the Exit Offer Letter for which the Directors of the Company have taken responsibility, IFA Letter set out in

Annex A to the Company's Letter to Shareholders for which the IFA has taken responsibility) has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Offeror Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Exit Offer Letter in its proper form and context.

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

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

Issued by
For and on behalf of
APPLE COVE LIMITED

Guo Dianyan
Director

20 June 2014
Singapore

APPENDIX I

PROCEDURES FOR ACCEPTANCE AND OTHER DETAILS OF THE EXIT OFFER

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

(a) Depositors whose Securities Accounts are credited with Offer Shares

If you have Offer Shares standing to the credit of your Securities Account, you are entitled to receive this Exit Offer Letter together with the FAA.

If you wish to accept the Exit Offer, the FAA must be completed and signed strictly in the manner set out in the accompanying FAA (which provisions and instructions shall be deemed to form part of the terms of the Exit Offer) and in accordance with the provisions and instructions of this Exit Offer Letter and then forwarded **either by hand** to:

APPLE COVE LIMITED

c/o The Central Depository (Pte) Limited
9 North Buona Vista Drive
#01-19/20 The Metropolis
Singapore 138588

or by post (in the enclosed pre-addressed envelope) at your own risk, to:

APPLE COVE LIMITED

c/o The Central Depository (Pte) Limited
Robinson Road Post Office
P.O. Box 1984
Singapore 903934

so as in either case to arrive NOT LATER THAN 5.30 P.M. ON THE CLOSING DATE, being 23 July 2014 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

If you have sold or transferred all your Offer Shares, you need not forward this Exit Offer Letter and/or the FAA to the purchaser or the transferee (the "**Purchaser**") as arrangements will be made by CDP for a separate Exit Offer Letter and FAA to be sent to the Purchaser. Purchasers should note that CDP will, for and on behalf of the Offeror, send a copy of the Exit Offer Letter and the FAA by ordinary post at the Purchasers' own risk to their respective addresses as maintained in the records of CDP.

If you wish to accept the Exit Offer, you must insert in **Part A** on page 1 of the FAA the number of Offer Shares already standing to the credit of the "Free Balance" of your Securities Account in respect of which the Exit Offer is accepted.

If you are a depository agent as defined under Section 130A of the Companies Act ("**Depository Agent**"), you may accept the Exit Offer *via* the SGX-SSH service provided by CDP as listed in Schedule 3 of the Terms and Conditions for User Services for Depository Agents (the "**Electronic Acceptance**"). Such Electronic Acceptances must be submitted **NOT LATER THAN 5.30 P.M. ON THE CLOSING DATE**. CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf. Such

Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA and this Exit Offer Letter as if the FAA had been completed and delivered to CDP.

Subject to the provisions of paragraph 1(b) (*Depositors whose Securities Accounts will be credited with Offer Shares*) below, if the number of Offer Shares inserted in Part A of the FAA or submitted through Electronic Acceptance exceeds the number of Offer Shares standing to the credit of the "Free Balance" of your Securities Account as at 5.00 p.m. on the date of receipt of the FAA by CDP (the "**Date of Receipt**") or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. on the Closing Date (provided always that the Date of Receipt is on or before the Closing Date) or, if no such number of Offer Shares is inserted in Part A of the FAA, then **YOU ARE DEEMED TO HAVE ACCEPTED THE EXIT OFFER IN RESPECT OF ALL THE OFFER SHARES ALREADY STANDING TO THE CREDIT OF THE "FREE BALANCE" OF YOUR SECURITIES ACCOUNT AS AT 5.00 P.M. ON THE DATE OF RECEIPT OR 5.30 P.M. ON THE CLOSING DATE (IF THE FAA OR ELECTRONIC ACCEPTANCE IS RECEIVED BY CDP ON THE CLOSING DATE).**

(b) *Depositors whose Securities Accounts will be credited with Offer Shares*

If you have purchased Offer Shares on the SGX-ST, a FAA in respect of such Offer Shares bearing your name and Securities Account number will be sent to you by CDP and if you wish to accept the Exit Offer in respect of such Offer Shares, you should, **AFTER** the "Free Balance" of your Securities Account has been credited with such number of Offer Shares, accept the Exit Offer in respect of such Offer Shares, in accordance with the provisions and instructions set out in paragraph 1(a) (*Depositors whose Securities Accounts are credited with Offer Shares*) above. If you do not receive the FAA, you may obtain a copy, upon production of satisfactory evidence that you have purchased the Offer Shares on the SGX-ST, from The Central Depository (Pte) Limited at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

If upon receipt by CDP, for and on behalf of the Offeror, of your acceptance of such Offer Shares, it is established that such Offer Shares have not been, or will not be, credited to the "Free Balance" of your Securities Account (as, for example, where you sell or have sold such Offer Shares), your acceptance is liable to be rejected and neither CDP nor the Offeror accepts any responsibility or liability for such a rejection, including the consequences of such a rejection.

IF YOU PURCHASE OFFER SHARES ON THE SGX-ST ON A DATE NEAR TO THE CLOSING DATE, YOUR ACCEPTANCE IN RESPECT OF SUCH OFFER SHARES WILL BE REJECTED IF THE "FREE BALANCE" OF YOUR SECURITIES ACCOUNT IS NOT CREDITED WITH SUCH OFFER SHARES BY 5.00 P.M. ON THE DATE OF RECEIPT OR 5.30 P.M. ON THE CLOSING DATE (IF THE FAA OR ELECTRONIC ACCEPTANCE IS RECEIVED BY CDP ON THE CLOSING DATE). NONE OF CDP AND THE OFFEROR ACCEPTS ANY RESPONSIBILITY OR LIABILITY FOR SUCH A REJECTION, INCLUDING THE CONSEQUENCES OF SUCH A REJECTION.

(c) *Depositors whose Securities Accounts are and will be credited with Offer Shares*

If you have Offer Shares credited to the "Free Balance" of your Securities Account, and have purchased additional Offer Shares on the SGX-ST which are in the process of being credited to the "Free Balance" of your Securities Account, you may accept the Exit Offer in respect of the Offer Shares already standing to the credit of the "Free Balance" of your Securities Account and may accept the Exit Offer in respect of the additional Offer Shares purchased which are in the process of being credited to your Securities

Account only **AFTER** the “Free Balance” of your Securities Account has been credited with such number of Offer Shares. If such number of additional Offer Shares purchased is not credited to the “Free Balance” of your Securities Account by 5.00 p.m. on the Date of Receipt or 5.30 p.m. on the Closing Date (if the FAA or Electronic Acceptance is received by CDP on the Closing Date), your acceptance in respect of such Offer Shares is liable to be rejected. Neither CDP nor the Offeror accepts any responsibility or liability for such a rejection, including the consequences of such a rejection.

(d) General

No acknowledgement of receipt of the FAA will be given by CDP.

For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares in your Securities Account. You can verify the number of Offer Shares credited to your Securities Account (i) through CDP Online if you have registered for CDP Internet Access Service or (ii) through CDP Phone Service if you have a T-Pin. Alternatively, you may proceed to CDP in person with your identity card or passport to verify the number of Offer Shares credited to your Securities Account.

(e) Suspense Account

CDP will upon receipt, for and on behalf of the Offeror, of the FAA or Electronic Acceptance and all other relevant documents (if any), transfer the Offer Shares in respect of which you have accepted the Exit Offer from the “Free Balance” of your Securities Account to a “Suspense Account” pending the Exit Offer becoming or being declared to be unconditional in all respects and until the consideration for the Offer Shares has been despatched to you.

(f) Return of Offer Shares

In the event that the Exit Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, the relevant number of Offer Shares in respect of which you have accepted the Exit Offer will be transferred to the “Free Balance” of your Securities Account as soon as possible but, in any event, not later than 14 days from the lapse of the Exit Offer.

(g) Notification

If the Exit Offer becomes or is declared to be unconditional in all respects in accordance with its terms, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the Exit Offer Price by way of a cheque in Singapore currency drawn on a bank in Singapore for the appropriate amount, by ordinary post to your mailing address as it appears in the records of CDP at your own risk or in such other manner as you may have agreed with CDP for the payment of any cash distributions.

All communications, notices, documents and remittances to be delivered or sent to you will be sent to you by ordinary post to your address as maintained in the records of CDP and at your own risk.

(h) No Securities Account

If you do not have any existing Securities Account in your name as at the time and date of acceptance of the Exit Offer, your acceptance as contained in the FAA or Electronic Acceptance will be rejected.

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

If you hold Offer Shares which are not deposited with CDP, you are entitled to receive this Exit Offer Letter together with the FAT. If you wish to accept the Exit Offer, the FAT must be completed and signed strictly in the manner set out on page 1 of the FAT (which provisions and instructions shall be deemed to form part of the terms of the Exit Offer) and in accordance with the provisions of this Exit Offer Letter and then forwarded with the relevant share certificate(s) and/or other document(s) of title and/or any other relevant document(s) required by the Offeror by hand or by post (in the enclosed pre-addressed envelope at your own risk) to:

APPLE COVE LIMITED

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

as soon as possible but in any event to arrive NOT LATER THAN 5.30 P.M. ON THE CLOSING DATE, being 23 July 2014 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

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

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

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

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

If the number of Offer Shares in respect of which the Exit Offer is accepted, as inserted by you in the FAT, exceeds the number of Offer Shares represented by the share certificate(s) and/or other document(s) of title accompanying the FAT, or if no such number of Offer Shares is inserted in the FAT by you, then **YOU SHALL BE DEEMED TO HAVE ACCEPTED THE EXIT OFFER IN RESPECT OF ALL THE OFFER SHARES REPRESENTED BY THE SHARE CERTIFICATE(S) AND/OR OTHER DOCUMENT(S) OF TITLE ACCOMPANYING THE FAT.**

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

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

In the event that the Exit Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, the FAT and other documents (including share certificate(s)) will be returned to you at the address stated in the FAT or, if none is stated, to you (or your designated agent or, in the case of joint accepting the Shareholders who have not designated any agent, to the one first named in the Register of Members of the Company) by ordinary post to the address as it appears in the Register of Members of the Company, at your own risk as soon as possible but, in any event, not later than 14 days from the lapse of the Exit Offer.

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

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

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

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

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

If you wish to accept the Exit Offer, it is your responsibility to ensure that the FAA or the FAT is accurately completed in all respects, signed and all required documents, where applicable, are provided. The Offeror, Boardroom Corporate & Advisory Services Pte. Ltd. and/or CDP will be authorised and entitled, in their absolute discretion, to reject any acceptance of the Exit Offer which are not entirely in order or which do not comply with the terms and instructions contained herein and in the FAA or the FAT (as the case may be), or which is otherwise incomplete, incorrect, unsigned, incorrectly completed, illegible or invalid in any

respect. Any decision to reject the FAA or the FAT will be final and binding, and neither CDP, Boardroom Corporate & Advisory Services Pte. Ltd. nor the Offeror accepts any responsibility or liability for the consequences of such a decision.

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

4. SETTLEMENT

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

- (a) in respect of acceptances of the Exit Offer which are valid and complete in all respects and are received on or before the date on which the Exit Offer becomes or is declared to be unconditional in all respects, within ten (10) days of that date; or
- (b) in respect of acceptances of the Exit Offer which are valid and complete in all respects and are received after the Exit Offer becomes or is declared to be unconditional in all respects, but on or before the Closing Date, within ten (10) days of the date of such receipt.

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

5. RIGHT OF WITHDRAWAL

Acceptances of the Exit Offer shall be irrevocable.

In the event that the Exit Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, the Offer Shares shall be returned in accordance with the procedures set out in Appendix I (*Procedures for Acceptance and Other Details of the Exit Offer*) to this Exit Offer Letter.

6. INFORMATION PERTAINING TO CPFIS INVESTORS

6.1 No action. There is no need for CPFIS Investors to take any action at this time.

The respective CPF Agent Banks will inform CPFIS Investors when the Exit Offer is made. CPFIS Investors who do not receive any documents from their CPF Agent Banks within 10 days after the Exit Offer is made should contact their CPF Agent Banks.

CPFIS Investors who accept the Exit Offer will receive the cash consideration in their CPF investment accounts. CPFIS Investors who reject the Exit Offer can continue to hold the delisted Shares in their CPF investment accounts, and the relevant provisions in the CPFIS on investments in securities by CPF members will continue to apply to the delisted Shares in their CPF investment accounts.

However, CPFIS Investors will not be allowed to use funds from their CPF accounts for further purchases of delisted Shares because under the Central Provident Fund (Investment Schemes) Regulations, CPF funds may only be invested in the shares of companies incorporated in Singapore that are listed on the SGX-ST and which are traded in Singapore dollars. In addition, the shares of such companies must be included under the CPFIS.

6.2 Implications

The implications of holding unquoted Shares are set out in paragraph 5.2 (*Implications of Delisting for Shareholders*) of this Exit Offer Letter. In addition, the following will be applicable if the Company is delisted from the Official List of the SGX-ST:

(a) Safe-keeping of the share certificates

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

CPF Agent Banks may levy a service fee to administer each share counter held on behalf of each CPFIS Investor. In addition to the existing fees, CPF Agent Banks may impose, *inter alia*, additional charges for the safe-keeping of share certificates and administrative charges for the splitting, withdrawal or depositing of such share certificates. CPFIS Investors who do not accept the Exit Offer should consult their respective CPF Agent Banks on the additional charges that may be imposed.

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

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

CPFIS Investors will be allowed to sell their unquoted Shares, assuming that they are able to find a buyer for these Shares.

Shareholders should note that any transfer or sale of Shares represented by share certificates will be subject to a stamp duty of S\$0.20 for every S\$100.00 or part thereof of the consideration or the NTA value of the Shares transferred based on the latest audited accounts, whichever is higher.

APPENDIX II

ADDITIONAL INFORMATION ON THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT

1. DIRECTORS OF THE OFFEROR

The names, addresses and descriptions of the Offeror Directors as at the Latest Practicable Date are as follows:

Name	Address	Designation
Guo Dianyan	11 Chapel Road, Singapore 429518	Director
Hao Yanping	11 Chapel Road, Singapore 429518	Director

2. REGISTERED OFFICE OF THE OFFEROR

The registered office of the Offeror is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

3. PRINCIPAL ACTIVITIES OF THE OFFEROR

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

4. SHARE CAPITAL

As at the Latest Practicable Date, the Offeror has an issued share capital of US\$10,000 comprising 10,000 fully paid-up ordinary shares.

5. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save as a result of the making and financing of the Exit Offer, there has been no known material change in the financial position of the Offeror since 28 August 2013, being the date of its incorporation.

6. SIGNIFICANT ACCOUNTING POLICIES

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

7. DISCLOSURE OF SHAREHOLDINGS AND DEALINGS

7.1 Shareholdings in the Company

Save as set out in the table below, neither the Offeror, the Offeror's Directors nor any of the parties acting or deemed to be acting in concert with the Offeror owns, controls or has agreed to acquire any Relevant Securities as at the Latest Practicable Date.

Name	Shareholding Interest	
	Number of Shares	% ⁽¹⁾
Offeror Directors		
Guo Dianyuan ⁽²⁾	126,900,000	29.87
Hao Yanping	66,901,000	15.75
The Offeror	—	—
Other Parties Acting or deemed to be Acting in Concert	—	—
Xue Yongwen ⁽²⁾	—	—
Total Shareholding Interest	193,801,000	45.62

Notes:

- (1) The percentage shareholding interest is based on the issued share capital of 424,800,000 Shares as at the Latest Practicable Date.
- (2) Xue Yongwen, the Executive Chairman and Managing Director of the Company, is the husband of Guo Dianyuan and as such are parties deemed to be acting in concert with the Offeror.

7.2 Dealings in Shares

Neither the Offeror, the Offeror's Directors nor any of the parties acting or deemed to be acting in concert with the Offeror have dealt for value in any Relevant Securities during the period commencing three (3) months prior to the Initial Joint Announcement Date and ending on the Latest Practicable Date.

7.3 No Other Undertakings

Save as set out in paragraph 2.6 (*Irrevocable Undertakings*) of this Exit Offer Letter as at the Latest Practicable Date, neither the Offeror nor any party acting in concert with it has received any irrevocable undertaking from any party to accept or reject the Exit Offer.

7.4 Indemnity Agreements

Save as set out in paragraph 2.6 (*Irrevocable Undertakings*) of this Exit Offer Letter, as at the Latest Practicable Date, neither the Offeror nor any party acting in concert with it has any arrangement of the kind referred to under Note 7 to Rule 12 of the Code, including any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to the Shares which may be an inducement to deal or refrain from dealing in the Shares.

7.5 Security Interests, Borrowed Securities and Convertible Securities

As at the Latest Practicable Date, neither the Offeror nor any party acting in concert with it has:

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

- (c) lent any Relevant Securities to another person; or
- (d) owned, controlled or agreed to acquire any convertible securities, warrants, options and derivatives.

8. GENERAL

8.1 Agreement having any Connection with or Dependence upon the Exit Offer

Save for the Irrevocable Undertakings, details of which are set out in paragraph 2.6 (*Irrevocable Undertakings*) of this Exit Offer Letter and otherwise disclosed in this Exit Offer Letter, there is no agreement, arrangement or understanding as at the Latest Practicable Date between (i) the Offeror or any parties acting in concert with the Offeror and (ii) any of the current or recent Directors or any of the current or recent Shareholders having any connection with or dependence upon the Exit Offer.

8.2 Payment or Benefit to the Directors

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

8.3 Transfer of Shares

As at the Latest Practicable Date, there is no agreement, arrangement or understanding whereby any Shares acquired pursuant to the Exit Offer, as the case may be, will be transferred to any other person.

8.4 Transfer Restrictions

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

8.5 Material Change in Information

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

APPENDIX III

COMPANY'S LETTER TO SHAREHOLDERS

CHINA POWERPLUS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200208614Z)

Directors

Xue Yongwen (Executive Chairman and Managing Director)
Guo Dianyan (Executive Director and Deputy Managing Director)
Hao Yanping (Executive Director)
Seah Yang Hwee Damien (Non-Executive Director)
Danny Oh Beng Teck (Independent Director)
Ong Su Aun Jeffrey (Independent Director)

Registered Office

80 Robinson Road
#02-00
Singapore 068898

20 June 2014

To: The Shareholders of China Powerplus Limited ("**Shareholders**")

Dear Sir/Madam,

DELISTING OF CHINA POWERPLUS LIMITED ("COMPANY") PURSUANT TO RULE 1315 OF THE LISTING MANUAL AND EXIT OFFER BY APPLE COVE LIMITED ("OFFEROR") PURSUANT TO RULES 1306 AND 1309 OF THE LISTING MANUAL

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

1. INTRODUCTION

1.1 Watch-List Status

The Company had been placed on SGX-ST's watch-list with effect from 5 March 2012 pursuant to Rule 1311 of the Listing Manual. The Company was required to meet the requirements of Rule 1314 of the Listing Manual within 24 months from 5 March 2012, i.e. by 5 March 2014, failing which SGX-ST may delist the Company or suspend trading in the Company's securities with a view to delisting the Company.

1.2 Notification of Delisting

The Company was unable to meet the criteria under Rule 1314 by the said deadline and, subsequent to the Joint Announcement, the Company received the Notification of Delisting from SGX-ST on 6 May 2014 directing the Delisting.

Pursuant to the Notification of Delisting:

- (a) trading in the Company's securities will continue until 5.00 pm on 5 June 2014 and trading in the Company's securities will be suspended from 9.00 am on 6 June 2014 until the completion of the Exit Offer;

- (b) pursuant to Rule 1306 of the Listing Manual, the Company or its controlling shareholder(s) must comply with Rule 1309 of the Listing Manual which requires the Company or its controlling shareholder(s) to provide a reasonable exit offer to the Shareholders; and
- (c) Rule 1307 of the Listing Manual which requires the Company to obtain Shareholders' approval for a voluntary delisting will no longer apply.

1.3 Joint Announcement of 9 May 2014

On 9 May 2014, the Company and the Offeror issued the Joint Announcement to Shareholders, jointly announcing that the Offeror had presented the Proposal to the Board of Directors of the Company ("**Board**"). Under the Proposal, the Offeror will, in connection with the Delisting, make the Exit Offer to the Shareholders pursuant to Rules 1306 and 1309 of the Listing Manual. The Joint Announcement superseded the joint announcement of 23 January 2014 in respect of the earlier exit offer which was made by the Offeror to the Shareholders in the context of a then proposed voluntary delisting of the Company.

1.4 Exit Offer and Exit Offer Letter

Under the Proposal, the Offeror will make the Exit Offer in cash, to acquire all the Shares. The full set of terms and conditions of the Exit Offer are set out in the Exit Offer Letter.

1.5 Company's Letter to Shareholders

This Company's Letter to Shareholders contains, inter alia, information on the Company, the extract of the advice of the IFA (as defined in paragraph 2.1 below) on the Exit Offer and the recommendation of the Independent Directors to the Shareholders in relation to the Exit Offer.

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

1.6 No Shareholders' Approval Required

Shareholders are to note that pursuant to the Notification of Delisting, no extraordinary general meeting of the Shareholders will be convened for the purpose of the Delisting. In addition, Shareholders' attention is drawn to the Minimum Acceptance Condition, Compulsory Acquisition of Shares and Implications of Delisting for Shareholders highlighted in paragraphs 1.3, 2.2, 5.1 and 5.2 of the Exit Offer Letter.

2. ADVICE OF INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

2.1 IFA

NRA Capital Pte. Ltd. ("**NRA**") has been appointed as independent financial adviser to the Independent Directors ("**IFA**"). The letter from NRA setting out its advice to the Independent Directors is set out in **Annex A** to this Company's Letter to Shareholders ("**IFA Letter**"). Shareholders are advised to read and consider the IFA Letter in its entirety.

2.2 IFA's Advice

Information relating to the advice of IFA to the Independent Directors and the key factors it has taken into consideration have been extracted from **paragraph 9 of the IFA Letter** and reproduced below, and all terms and expressions used in the extract below shall bear the same meanings as attributed to them in the IFA Letter unless otherwise stated. Shareholders are advised to read the following extract in conjunction with, and in the context of the full text of the IFA Letter.

"9. OUR RECOMMENDATION

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

Based on our overall financial assessment of the financial terms of the Exit Offer Price, we would highlight the following:

- (a) The challenging business environment:*
 - (i) On a full year basis, the Group has been making a net loss since FY2009. For the latest full year financial results for the period ended 31 December 2013, the Group announced an increase in net loss from FY2012 of approximately RMB(50.3) million, to a net loss at approximately RMB(82.9) million for the FY2013 or the equivalent of a 64% decrease; and*
 - (ii) The NTA for the Group has been declining from approximately RMB411.9 million as at 31 December 2009 to approximately RMB167.9 million and RMB166.8 million as at FY2013 and 1Q2014, respectively.*
- (b) SGX-ST's Watch List status: The Company was placed on the SGX-ST's watch-list with effect from 5 March 2012 pursuant to Rule 1311 of the Listing Manual of the SGX-ST. The Company would have to meet the requirements of Rule 1314 of the Listing Manual within 24 months from 5 March 2012, i.e. by 5 March 2014, failing which the SGX-ST may delist the Company or suspend trading in the Shares with a view to delisting the Company. **The Company was unable to meet the criteria of the SGX-ST by the said deadline and on 6 May 2014, the Company received a notification from the SGX-ST stating that the SGX-ST is directing the delisting of the Company pursuant to Rule 1315 of the Listing Manual. Shareholders are to note that if the Minimum Acceptance Condition is not fulfilled, the Company will still be mandatorily delisted from the Official List of the SGX-ST. The Exit Offer will also lapse and all acceptances of the Exit Offer will be returned. In such event, Shareholders will hold shares in an unlisted public company.***
- (c) Despite the 56% discount implied by the Exit Offer Price to the Group's NTA per Share; as illustrated from the Mandatory Delistings, when the Company is delisted by SGX-ST (we note that the trading in the Company's securities has been suspended since 6 June 2014; we further note that the Exchange has confirmed through the SGX-ST Notification of Delisting stating that **the Exchange will proceed to delist the Company**), it is possible that there may not be another exit offer for the Shares.*

Further, under Rule 1306 of the Listing Manual, it provides that if the Exchange exercises its power to remove an issuer from the Official List, the issuer or its controlling shareholder(s) must comply with the requirements of Rule 1309 where a reasonable exit alternative, which should normally be in cash, should be offered to the Shareholders; a reasonable exit offer may include a voluntary liquidation of the issuer's assets and distribution of cash back to shareholders. In this regard, even if a voluntary liquidation of the Company is initiated, at least 75% of the Shareholders must consent for the voluntary liquidation; both GDY and HYP, together holds 45.62% of the total issued share capital of the Company, and has through the Offeror (wholly-owned by GDY and HYP) stated in paragraph 4 of the Exit Offer Letter that there are no current intention of making material changes to the Company's existing business, re-deploying of the Company's fixed assets or discontinuing the employment of the employees of the Company and its subsidiaries, other than in the ordinary course of business.

- (d) *The Shares have generally underperformed the FSTS for the 18-month period prior to the Joint Announcement Date and up to the Latest Practicable Date. Such underperformance usually indicates the investing public's view of the financial performance of the Company vis-à-vis the general stock market.*
- (e) *Weak liquidity of the Shares: **The trading of the Shares on the SGX-ST has generally been relatively thin.** The average daily trading volume of the Shares for the 12-month period prior to the Joint Announcement Date up to the Latest Practicable Date range from 0.469 million to 2.035 million or the equivalent of 0.235% to 1.018% of the Company's free float shares. Additionally, over the 12-month period prior to the Joint Announcement Date, there were only 78 days, out of the possible 252 Market Days, where the Shares were traded on the SGX-ST.*
- (f) ***The Exit Offer Price represents a premium over the VWAPs** and last transacted prices of the Shares for all the periods taken into account in this Letter at approximately 2.94% to 25% for the 12-month period prior to the Joint Announcement Date up to the Latest Practicable Date.*
- (g) *The premia implied by the Exit Offer Price of approximately 16.7%, 25.0% and 12.9% over the respective Last Transacted Price, 1-month and 3-month VWAP of the Shares prior to the Joint Announcement Date is within the corresponding range of premia of the Comparable Transactions.*
- (h) *Other relevant considerations in relation to the Exit Offer such as:*
 - (i) *Compulsory acquisition;*
 - (ii) *Dividend track record of the Company;*
 - (iii) *NTA of the Group and the Share price performance;*
 - (iv) *Analysis of NTA of the Group against the Exit Offer Price; and*
 - (v) *Valuation statistics of the Group implied by the Exit Offer Price versus those of broadly comparable companies.*

After having carefully considered the information available to us, and based upon the financial, industry, market, economic and other relevant conditions subsisting on the Latest Practicable Date as well as the considerations set out in this Letter in its entirety, we are of the opinion that, on balance, the financial terms of the Exit Offer are: (i) fair and reasonable; and (ii) not prejudicial to the interests of the Minority Shareholders.”

3. INDEPENDENT DIRECTORS’ RECOMMENDATION

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

Alternatively, Shareholders may wish to sell their Shares in the open market if they are able to obtain a price higher than the Exit Offer Price (after deducting related expenses) or choose not to accept the Exit Offer. Shareholders who wish to retain all or part of their investment in the Shares are advised to take into consideration the general economic outlook and the implications of holding on to Shares in an unlisted or delisted company (as set out in paragraph 5.2 of the Exit Offer Letter).

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

4. DISCLOSURE OF INTERESTS OF THE INDEPENDENT FINANCIAL ADVISER

4.1 Interests of IFA in Shares and Voting Rights in the Company

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

4.2 Dealings in Shares by IFA

Neither the IFA, its related corporations nor any of the funds whose investments are managed by the IFA on a discretionary basis has dealt for value in the Shares during the period commencing 6 months prior to the Initial Joint Announcement Date and ending on the Latest Practicable Date (“**Relevant Period**”).

5. DISCLOSURE OF INTERESTS

5.1 Interests of Directors and Substantial Shareholders in the Company

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

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

	Direct interest	Deemed interest	Total	
Directors	Number of Shares	Number of Shares	Number of Shares	%
Xue Yongwen	–	126,900,000 ⁽¹⁾	126,900,000	29.87
Guo Dianshan	126,900,000	–	126,900,000	29.87
Hao Yanping	66,901,000	–	66,901,000	15.75
Seah Yang Hwee Damien	–	–	–	–
Danny Oh Beng Teck	4,400,000	300,000	4,700,000	1.11
Ong Su Aun Jeffrey	–	–	–	–
Substantial Shareholders (other than Directors)				
Lim Neo Seng	31,977,000	–	31,977,000	7.53
Hoggeston Limited	26,456,444	–	26,456,444	6.23

Note:

- (1) Xue Yongwen is deemed to be interested in the Shares held by his spouse, Guo Dianshan.
- (b) Save as disclosed in paragraph 5.1 above, none of the Directors has any direct or deemed interest in the Shares or instruments convertible into Shares, rights to subscribe for Shares and options (including traded options) in respect of Shares (collectively **“Convertible Securities”**) as at the Latest Practicable Date.
- (c) None of the Directors has dealt for value in the Shares or Convertible Securities during the Relevant Period.

5.2 Interests of the Company and the Directors

- (a) As at the Latest Practicable Date, the Offeror is wholly-owned by Guo Dianshan and Hao Yanping, who are currently the directors and shareholders of the Offeror and the Company.
- (b) The Company does not have any direct or deemed interest in the equity share capital, securities convertible into equity share capital or rights to subscribe for or options (including traded options) in respect of the equity share capital of the Offeror (collectively, **“Offeror Securities”**) as at the Latest Practicable Date.
- (c) The Company has not dealt for value in any Offeror Securities during the Relevant Period.
- (d) Save as disclosed in the table below, as at the Latest Practicable Date, none of the Directors has any direct or deemed interest in the Offeror Securities.

Directors	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Xue Yongwen ⁽¹⁾	–	–	6,548	65.48
Guo Dianshan	6,548	65.48	–	–
Hao Yanping	3,452	34.52	–	–

Note:

- (1) Xue Yongwen is deemed interested in the Shares held by his spouse, Guo Dianshan.

- (e) None of the Directors has dealt for value in the Offeror Securities in the Relevant Period.

5.3 Directors' Intentions in relation to the Exit Offer

Guo Danyan and Hao Yanping have, pursuant to their respective Irrevocable Undertakings to the Offeror, undertaken to accept the Exit Offer in respect of all their Shares, comprising in aggregate 193,801,000 Shares representing approximately 45.62% of the total number of Shares.

Danny Oh Beng Teck has confirmed that he will be accepting the Exit Offer in respect of his Shares.

5.4 Directors' Service Contracts

There (i) are no service contracts between any Director or proposed Director with the Company or any of its subsidiaries with more than 12 months to run, which the employing company cannot, within the next 12 months, terminate without payment of compensation; and (ii) were no service contracts entered into or amended between any of the Directors of proposed Director and the Company or any of its subsidiaries during the Relevant Period.

5.5 Arrangements Affecting Directors

- (a) There are no payments or other benefits which will be made or given to any Director or any director of any corporation, which is by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Exit Offer.
- (b) Save as disclosed below and as disclosed in this Company's Letter to Shareholders relating to the Irrevocable Undertakings given by Guo Danyan and Hao Yanping, as set out in paragraph 2.6 of the Exit Offer Letter, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Exit Offer.
- (c) Save as disclosed in this Company's Letter to Shareholders, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Exit Offer.
- (d) Save as disclosed in this Company's Letter to Shareholders, none of the Directors has any material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

6. GENERAL INFORMATION

The Company is incorporated in Singapore and listed on the Mainboard of the SGX-ST. The Company is an investment holding company with its principal subsidiary being a manufacturer engaged in the design, production and sale of portable power tools including mist dusters and brush cutters, with production facilities in Shandong Province of China.

7. DIRECTORS OF THE COMPANY

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

Name	Address	Designation
Xue Yongwen	11 Chapel Road Singapore 429518	Executive Chairman and Managing Director
Guo Dianyan	11 Chapel Road Singapore 429518	Executive Director and Deputy Managing Director
Hao Yanping	11 Chapel Road Singapore 429518	Executive Director
Seah Yang Hwee Damien	188 Keng Lee Road #07-03 Rochelle At Newton Singapore 308414	Non-Executive Director
Danny Oh Beng Teck	3C Dunsfold Drive Singapore 357718	Independent Director
Ong Su Aun Jeffrey	33 Club Street #11-18 Emerald Garden Singapore 069415	Independent Director

8. REGISTERED OFFICE OF THE COMPANY

The registered office of the Company is at 80 Robinson Road #02-00, Singapore 068898.

9. SHARE CAPITAL OF THE COMPANY

9.1 Number and Class of Shares

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

As at the Latest Practicable Date, the total issued and paid-up share capital of the Company is S\$41,872,878 comprising 424,800,000 Shares. The Company does not have any Shares held in treasury.

9.2 Rights of Shareholders in respect of capital, dividends and voting

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

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

No new Shares have been issued by the Company since the end of the financial year (“**FY**”) 2013 up to the Latest Practicable Date.

9.4 Convertible Instruments

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

10. SUMMARY OF FINANCIAL INFORMATION

10.1 Consolidated Statement of Comprehensive Income

A summary of the audited profit and loss statements of the Company and its subsidiaries (“Group”) for the FY2011, FY2012 and FY2013 is set out below.

	Audited FY2011	Audited FY2012	Audited FY2013
(RMB’000)⁽¹⁾			
Continuing Operations			
Revenue	393,796	335,034	334,970
Cost of sales	(349,828)	(290,556)	(297,063)
Gross profit	43,968	44,478	37,907
Interest income	27	25	6
Other credits	254	4,303	602
Distribution costs	(16,558)	(15,151)	(16,863)
Administrative expenses	(19,146)	(26,280)	(27,534)
Finance costs	(1)	–	–
Other charges	(30,321)	(10,838)	(70,219)
Share of results of an associate	(109,639)	(33,898)	269
Loss before income tax	(131,416)	(37,361)	(75,832)
Income tax income/(expense)	3,278	(12,933)	(7,093)
Loss for the year	(128,138)	(50,294)	(82,925)
Other comprehensive income			
Share of other comprehensive income/(loss) from equity-accounted associate	1,843	(172)	225
Exchange differences on translating foreign operations	(1,966)	2,122	6,062
Total other comprehensive (loss)/income	(123)	1,950	6,287
Total comprehensive loss for the year	(128,261)	(48,344)	(76,638)
 Basic and diluted loss per share (RMB cents)	 (30.2)	 (11.8)	 (19.5)

Note:

(1) RMB means Renminbi, the lawful currency of the People’s Republic of China.

The above summary of financial information should be read together with the audited financial statements of the Group for the relevant years and related notes thereto, copies of which are available for inspection at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours.

The audited financial statements the Group for FY2013 are set out in Appendix V to of the Exit Offer Letter.

10.2 STATEMENT OF FINANCIAL POSITION

A summary of the audited balance sheets of the Group for FY 2012 and FY 2013 is set out below.

(RMB'000) ⁽¹⁾	Audited	
	As at FY2012	As at FY2013
Non-current assets		
Property, plant and equipment	122,570	96,519
Intangible assets	3,662	–
Land use rights	14,468	13,830
Investment in an associate	1,427	–
Deferred income tax assets	7,093	–
	149,220	110,349
Current assets		
Inventories	67,692	73,210
Trade and other receivables	70,918	49,402
Other assets	3,351	4,889
Cash and cash equivalents	3,772	1,381
	145,733	128,882
Total assets	294,953	239,231
Current liabilities		
Trade and other payables	50,402	71,318
Total liabilities	50,402	71,318
Net assets	244,551	167,913
Net Tangible Assets (“NTA”) per Share (RMB cents)	57.6	39.5
Equity attributable to equity holders of the Company		
Share capital	206,515	206,515
Accumulated losses	(74,266)	(157,191)
Other reserves	112,302	118,589
Total Equity	244,551	167,913

Note:

(1) RMB means Renminbi, the lawful currency of the People's Republic of China.

The consolidated NTA per Share of the Group, based on the financial statements of the Group for the first quarter ended 31 March 2014, is RMB39.3 cents. As at the Latest Practicable Date, the Company is not aware of any material change which may affect the consolidated NTA per Share of the Group as set out above.

This summary of financial information should be read together with the audited financial statements of the Group for the relevant year and related notes thereto, copies of which are available for inspection at the registered office of the Company at 80 Robinson Road #02-00, Singapore 068898 during normal business hours.

The audited financial statements the Group for FY2013 are set out in Appendix V to the Exit Offer Letter.

10.3 Significant Accounting Policies

A summary of the significant accounting policies of the Group is set out in Note 2 to the audited financial statements of the Group for FY2013, which are set out in Appendix V to the Exit Offer Letter.

10.4 Change in Accounting Policies

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

11. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in publicly available information on the Company (including but not limited to announcements released by the Company in respect of its financial results), there have been no known material changes in the financial position of the Group since 31 December 2013, being the date to which the Company's last published audited accounts were made up.

12. MATERIAL CONTRACTS WITH INTERESTED PERSONS

There are no material contracts (not being contracts entered into during the ordinary course of business carried on by the Company) entered into by the Company or any of its subsidiaries with Interested Persons (as defined below), within the 3 years preceding the date of this Company's Letter to Shareholders.

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

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

- (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
- (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

13. MATERIAL LITIGATION

As at the Latest Practicable Date, the Directors do not know of any proceedings pending or threatened against the Company or its subsidiaries or of any fact likely to give to any proceedings which might materially and/or adversely affect the financial position or business of the Company or subsidiaries taken as a whole.

14. EXEMPTION RELATING TO DIRECTORS' RECOMMENDATIONS

The SIC ruled on 17 April 2014 that the Relevant Directors are exempted from the requirement to make a recommendation on the Exit Offer to the Shareholders as they face irreconcilable conflicts of interest in doing so being concert parties of the Offeror. Nonetheless, the Relevant Directors must still assume responsibility for the accuracy of the facts stated and opinions expressed in documents or advertisements issued by, or on behalf of, the Company to the Shareholders in connection with the Exit Offer.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of this Company's Letter to Shareholders) collectively and individually accept full responsibility for the accuracy of the information given in this Company's Letter to Shareholders (other than the information relating to the IFA Letter set out in Annex A to this Company's Letter to Shareholders for which the IFA has taken responsibility) and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Company's Letter to Shareholders constitutes full and true disclosure of all material facts which relate to the Company and its subsidiaries and the Directors have taken all reasonable care to ensure that, to the best of their knowledge and belief, the facts stated and opinions expressed in this Company's Letter to Shareholders are fair and accurate in all material aspects and the Directors are not aware of any material facts the omission of which would make any statement in this Company's Letter to Shareholders misleading in any material respect.

The recommendation of the Independent Directors to Shareholders set out in paragraph 3 of this Company's Letter to Shareholders is the sole responsibility of the Independent Directors.

Where any information in this Company's Letter to Shareholders (other than the information relating to the IFA Letter set out in Annex A to this Company's Letter to Shareholders for which the IFA has taken responsibility) has been extracted from published or otherwise publicly available sources, the Exit Offer Letter or obtained from the Offeror, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Company's Letter to Shareholders in its proper form and context.

16. CONSENT

NRA (as independent financial adviser to the Independent Directors in connection with the Exit Offer) has given and has not withdrawn its written consent to the issue of this Company's Letter to Shareholders with the inclusion of the IFA Letter and the references to its name in the form and context in which they appears in this Company's Letter to Shareholders.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the Company's registered office at 80 Robinson Road #02-00, Singapore 068898 during normal business hours from the date hereof up to and including the Closing Date:

- (a) the Joint Announcement;
- (b) the IFA Letter as set out in **Annex A** of this Company's Letter to Shareholders;
- (c) the Memorandum and Articles of Association of the Company;
- (d) the annual reports of the Company for FY2011, FY2012 and FY2013;
- (e) the letter of consent referred to in paragraph 16 of this Company's Letter to Shareholders.

18. ADDITIONAL INFORMATION

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

Yours faithfully,

For and on behalf of
the Board of Directors of
CHINA POWERPLUS LIMITED

ONG SU AUN JEFFREY
Independent Director

**LETTER FROM NRA CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS
OF CHINA POWERPLUS LIMITED**

nra capital

12 June 2014

The Independent Directors
China Powerplus Limited
80 Robinson Road
#02-00
Singapore 068898

Dear Sirs

**DELISTING OF CHINA POWERPLUS LIMITED PURSUANT TO RULE 1315 OF THE LISTING
MANUAL AND EXIT OFFER BY APPLE COVE LIMITED PURSUANT TO RULES 1306 AND 1309
OF THE LISTING MANUAL**

Unless otherwise defined or the context otherwise requires, all terms defined in the exit offer letter dated 20 June 2014 issued by Apple Cove Limited (the “Offeror”) to its shareholders (the “Exit Offer Letter”) shall have the same meanings herein.

1. INTRODUCTION

China Powerplus Limited (the “Company”) was placed on the Singapore Exchange Securities Trading Limited’s (the “SGX-ST”) Watch List with effect from 5 March 2012 pursuant to Rule 1311 of the Listing Manual of the SGX-ST (the “Listing Manual”). The Company would have to meet the requirements of Rule 1314 of the Listing Manual within 24 months from 5 March 2012, i.e. by 5 March 2014, failing which the SGX-ST may delist the Company or suspend trading in the Shares (as defined in paragraph 3.2 below) with a view to delisting the Company.

On 23 January 2014 (“Initial Joint Announcement Date”), the Company and the Offeror jointly issued a joint announcement the (“Initial Joint Announcement”) after a formal proposal was presented by the Offeror to the Company to seek a voluntary delisting of the Company (“Voluntary Delisting”). However, the Offeror and the Company were unable to complete the Voluntary Delisting prior to the aforesaid deadline of 5 March 2014 for the Company to exit the watch-list. In addition, the Company was also unable to meet the requirements of Rule 1314 of the Listing Manual by the aforesaid deadline of 5 March 2014. On 6 May 2014, the Company received a notification from the SGX-ST (the “SGX-ST Notification of Delisting”) stating that the SGX-ST is directing the delisting of the Company pursuant to Rule 1315 of the Listing Manual (the “Delisting”). In the same notification, the SGX-ST also directed that the Company or its controlling shareholder shall have to comply with Rules 1306 and 1309 of the Listing Manual to provide a reasonable exit offer to the shareholders of the Company (the “Shareholders”). On 9 May 2014 (“Joint Announcement Date”), the Company and the Offeror jointly announced (“Joint Announcement”) that the Offeror has presented to the board of directors of the Company (“Directors”) a revised proposal (“Proposal”) to make an exit offer to the Shareholders of the Company pursuant

to Rules 1306 and 1309 of the Listing Manual and in connection with the directed delisting of the Company by SGX-ST. Under the Proposal, the Offeror will make a cash exit offer on the terms set out in the Exit Offer Letter.

NRA Capital Pte. Ltd. (“NRA Capital”) was appointed Independent Financial Adviser (the “IFA”) to provide its opinion on the fairness and reasonableness of the Exit Offer Price and this letter (the “Letter”) sets out, *inter alia*, our evaluation and assessment of the financial terms of the Exit Offer Price and our recommendation thereon, and forms part of the Exit Offer Letter providing, *inter alia*, the details of the Exit Offer and the recommendation of the Independent Directors (as defined below) in respect thereof.

2. TERMS OF REFERENCE

The directors that are deemed independent of the Offeror (the “Independent Directors”) have appointed NRA Capital to advise them on the fairness and reasonableness of the Exit Offer Price in accordance with Rule 1309 of the SGX-ST Listing Manual, and accordingly have confined our evaluation only to the financial terms of the Exit Offer and our terms of reference do not require us to evaluate or comment on the strategic merits, long term or otherwise, and/or commercial risks and/or commercial merits (if any) of the Exit Offer or the future prospects and earnings potential of the Company and its subsidiaries (the “Group”) or of the industry in which the Group operates or intends to operate in, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains solely the responsibility of the Directors and/or the management of the Company (the “Management”). However, we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

We were not privy to the negotiations in relation to the Exit Offer. We do not, by this Letter, make any representation or warrant the merits of the Exit Offer. We have not been requested to, and we do not express an opinion on the relative merits of the Exit Offer as compared to any other alternative transactions that may be contemplated. We have not been instructed or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares (as defined below).

In the course of our evaluation of the financial terms of the Exit Offer, we have relied on publicly available information collated by us as well as information provided and representations made, both written and verbal, by the Directors, the Management and the professional advisers of the Company. We have not independently verified such information or representations, whether written or verbal, and therefore cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. However, we have made such enquiries and exercised our judgment, as we deemed necessary and have found no reason to doubt the reliability of such information and representations.

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

In evaluating the financial terms of the Exit Offer and in arriving at our opinion thereon, we have not relied upon any financial projections or forecasts in respect of the Company or the Group. We are not required to express and we do not express any view on the growth prospects and earnings potential of the Company or the Group in connection with our opinion herein.

Our opinion as set out in this letter is based upon market, economic, industry, monetary and other conditions prevailing as at 12 June 2014 (the "Latest Practicable Date"), and the information provided and representations made available to us as at the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.

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

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

Our opinion is addressed to the Independent Directors for their benefit and deliberation of the Exit Offer. The recommendations made by them shall remain the responsibility of the Independent Directors. Our recommendation to the Independent Directors in relation to the Exit Offer should be considered in the context of the entirety of this Letter and the Exit Offer Letter.

3. THE EXIT OFFER

Shareholders should have, by now, received a copy of the Exit Offer Letter dated 20 June 2014, issued by the Offeror, setting out, *inter alia*, the terms and conditions of the Exit Offer. We recommend that the Independent Directors advise Shareholders to read the terms and conditions contained in the Exit Offer Letter carefully.

3.1 Offer Price

FOR EACH OFFER SHARE: S\$0.035 in cash (the "Exit Offer Price").

The Offeror does not intend to revise the Exit Offer Price under any circumstances.

3.2 Offer Shares

The Exit Offer is extended to all the issued ordinary shares in the capital of the Company ("Shares") (excluding treasury shares) not, directly or indirectly, held by the Offeror and its parties acting in concert as at the date of the Exit Offer.

3.3 No Encumbrances

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

3.4 Condition

(As extracted from the Exit Offer Letter under paragraph 2.2)

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

Accordingly, the Exit Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Exit Offer, unless at any time prior to the close of the Exit Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of voting rights of the issued share capital of the Company.

*Each of Guo Danyan (**“GDY”**) and Hao Yanping (**“HYP”**) has, pursuant to their undertakings to the Offeror, undertaken to accept the Exit Offer in respect of all their Shares comprising in aggregate 193,801,000 Shares representing approximately 45.62% of the total number of Shares. The respective shareholdings of GDY, HYP and Xue Yongwen (**“XYW”**) are set out in paragraph 7.1 of Appendix II (Additional Information on the Offeror and the Parties Acting in Concert with It) to this Exit Offer Letter.*

Shareholders are to note that if the aforesaid condition is not fulfilled, the Company will still be mandatorily delisted from the Official List of the SGX-ST. The Exit Offer will also lapse and all acceptances of the Exit Offer will be returned. In such event, Shareholders will hold shares in an unlisted public company. Please refer to paragraph 5.2 (Implications of Delisting for Shareholders) on the implications of holding on to shares in an unlisted public company.”

3.5 Warranty

(As extracted from the Exit Offer Letter under paragraph 2.3)

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

3.6 Duration of the Offer

(As extracted from the Exit Offer Letter under paragraph 2.5)

"The Exit Offer will be opened for acceptance by Shareholders for a period of at least 28 days after the date of despatch of this Exit Offer Letter by the Offeror.

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

Accordingly, the Exit Offer will close at 5.30 p.m. on 23 July 2014 or such later date(s) as may be announced from time to time by or on behalf of the Offeror ("Closing Date")."

3.7 Details of the Offer

Further details of the Exit Offer are set out in paragraph 2 of the Exit Offer Letter.

3.8 Procedures for Acceptance

The procedures for acceptance of the Exit Offer are set out in Appendix I of the Exit Offer Letter.

4. IRREVOCABLE UNDERTAKINGS

(As extracted from the Exit Offer Letter under paragraph 2.6)

*"The Offeror has obtained irrevocable written undertakings ("**Irrevocable Undertakings**") from GDY and HYP to accept the Exit Offer in respect of all their Shares. As at the Latest Practicable Date, GDY and HYP collectively hold an aggregate of 193,801,000 Shares ("**Undertaking Shares**"), representing approximately 45.62% of the issued share capital of the Company.*

The Irrevocable Undertakings shall expire if the Exit Offer (including any revised or improved Exit Offer by or on behalf of the Offeror) is withdrawn, lapses or closes.

Save as disclosed in this Exit Offer Letter, as at the Latest Practicable Date, neither the Offeror nor any party acting in concert with it has received any irrevocable undertaking from any party to accept or reject the Exit Offer.

The respective shareholdings of each of the Relevant Directors in the Company are set out in paragraph 7.1 of Appendix II (Additional Information on the Offeror and the Parties Acting in Concert with It) to this Exit Offer Letter."

5. INFORMATION ON THE OFFEROR AND THE PARTIES ACTING IN CONCERT

(As extracted from the Exit Offer Letter)

3.1 The Offeror

The Offeror is a special purpose vehicle incorporated in the British Virgin Islands and having its registered address at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Its principal activity is that of investment holding. As at the Latest Practicable Date, the Offeror is wholly-owned by GDY and HYP, who are currently the directors and shareholders of the Offeror and the Company.

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

3.2 Shareholding Structure of the Offeror

	Number of shares in the Offeror	Percentage of issued shares in the Offeror (%)
GDY	6,548	65.48
HYP	3,452	34.52

The shareholding structure of the Offeror set out in the table above reflects the relative shareholding proportion of GDY and HYP in the Company.

3.3 Parties acting in Concert with the Offeror

Both GDY and HYP, the directors of the Offeror, also sit as Directors on the board of the Company. As at the Latest Practicable Date, they own 126,900,000 Shares and 66,901,000 Shares respectively, representing approximately 29.87% and 15.75%, respectively of the total issued share capital of the Company.

XYW, the Executive Chairman and Managing Director of the Company, is the husband of GDY. As at the Latest Practicable Date, he does not hold any Shares in the Company.

For the purpose of making the Exit Offer, the Offeror has obtained irrevocable undertakings from each of GDY and HYP to accept the Exit Offer. Further information regarding irrevocable undertakings of GDY and HYP are set out in paragraph 2.6 above."

6. INFORMATION ON THE COMPANY AND THE GROUP

The Company is incorporated in Singapore and listed on the Mainboard of the SGX-ST. It is a manufacturer principally engaged in the design, production and sale of portable power tools including mist dusters and brush cutters, with production facilities in Shandong Province of China.

A summary of the key financial information of the Group for the last four audited financial years ("FY") between FY2009 and FY2012 is set out below together with latest audited financial information for FY2013 and the latest available and unaudited financial information

for the period from 1 January 2014 to 31 March 2014. The information should be read together with the audited and unaudited accounts of the Group in respect of the relevant financial period.

(RMB'000)	FY2009	FY2010	FY2011	FY2012
Revenue	388,240	390,484	393,796	335,034
Cost of Sales	(393,623)	(353,050)	(349,828)	(290,556)
Gross profit	(5,383)	37,434	43,968	44,478
Profit/(Loss) after tax	(52,973)	(20,181)	(128,138)	(50,294)
NTA (as defined below)	411,982	392,705	285,267	240,889

Source: The Group's audited accounts for FY2009 to FY2012 (ended 31 December)

(RMB'000)	FY2013	FY2012	1 Jan 2014 to 31 Mar 2014	1 Jan 2013 to 31 Mar 2013
Revenue	334,970	335,034	87,649	95,184
Cost of Sales	(297,063)	(290,556)	(75,154)	(82,262)
Gross profit	37,907	44,478	12,495	12,922
Profit/(Loss) after tax	(82,925)	(50,294)	471	(4,406)
NTA	167,913	240,889	166,874	239,230

Source: The Group's audited and unaudited accounts for FY2013 and 1Q2014 ended 31 December 2013 and 31 March 2014, respectively.

For the periods between FY2009 and FY2012, the cost of sales had ranged from approximately 86.7% to 101% of the corresponding year's revenue, reflecting the high cost of the operating environment. Gross margin increased slightly from approximately 9.6% for FY2009 to 11.2% for FY2011, mainly attributed to an increase in the selling price of the Group's products in FY2011⁽¹⁾. Gross margin increased from approximately 11.2% for FY2011 to 13.3% for FY2012, mainly attributed to lower raw materials prices in FY2012⁽¹⁾. Further, there were discontinued sales with customers in the Southeast Asian market whom were not agreeable with the rise in selling prices of the Group's products; year-on-year, sales to Southeast Asia declined by approximately RMB33.7 million or the equivalent of a 43% decrease in revenue from the Southeast Asian market in FY2012 as compared with FY2011⁽¹⁾; in the same year, sales to Europe registered a year-on-year decrease of approximately RMB51.7 million or the equivalent of 43% in revenue due to sluggish market condition⁽¹⁾. This further reflects the Group's challenges to fluctuations in operating costs and the challenges in the management of customers towards any upward adjustments in selling prices of the Group's products.

On a full year basis, the Group has been in a net loss position since FY2009. During FY2009, the Group's negative gross profits and net loss reflected the effects of the global economic crisis. Weak market sentiments continued to prevail as customers adopted a cautious approach towards the placement of sales orders⁽¹⁾. Consequently, during FY2010, for prudential reasons, the Group had to make an approximately RMB77.9 million impairment loss for its investment in an associate company, China Steel Australia ("CSA")⁽¹⁾, which supplied nickel pig iron utilised in the manufacturing of stainless steel intended to be used in the production of the Group's products to enhance product quality. During FY2010, a dilution of equity interest in CSA from approximately 46.25% to 29.63% was treated as deemed disposal and an amount of approximately RMB72.5 million was recognised as gain on dilution of interest in investment in associate. Additionally, the Group

had to provide for allowance for impairment of trade receivables amounting to approximately RMB16 million⁽¹⁾. During FY2011, the Group had to continue to provide for an approximately RMB109.6 million impairment loss mainly for its investment in CSA due to the insufficiency in funds required for the completion of the construction of the Blast Furnace Facility 2⁽¹⁾. During FY2012, a loss of approximately RMB33.9 million arose mainly from the impairment loss for its investment in China Steel Pte Ltd (“CSS”), a wholly-owned subsidiary of CSA, relating to its Blast Furnace Facility 1, the facility had ceased operations due to lack of working capital since FY2011⁽¹⁾.

For the full year ended 31 December 2013, on a year-on-year basis, the Group's gross margin decreased from approximately 13.3% of revenue in FY2012 to 11.3% of revenue for FY2013, reflecting the decrease in selling price of some of the Group's products, which subsequently affected its margins. Cost of sales was recorded at approximately 88.7% of sales for FY2013. The Group also had to provide for an allowance for impairment of trade receivables of approximately RMB35.6 million in view of the deteriorating recovery rate in relation to trade receivables due from the Group's domestic customers as a result of the uncertain outlook of China domestic market. Net profit decreased from FY2012 at approximately RMB(50.3) million to approximately RMB(82.9) million for FY2013 or the equivalent of a 64% decrease. Further, the book net tangible asset (“NTA”) of the Group has been declining from approximately RMB411.9 million as at 31 December 2009 to RMB167.9 million as at 31 December 2013⁽¹⁾. For the period ended 31 March 2014, on a quarter-on-quarter basis, the Group's gross margin increased from approximately 13.6% of revenue in 1Q2013 to 14.3% of revenue in 1Q2014 mainly due to decrease in cost of sales. Further, the NTA of the Group has declined on a quarter-on-quarter basis from RMB239.2 million in 1Q2013 to RMB166.8 million in 1Q2014⁽¹⁾.

On the 6 May 2014, the Company received a notification from the SGX-ST stating that the SGX-ST is directing the Delisting of the Company. In the same notification, the SGX-ST also directed that the Company or its controlling shareholder shall have to comply with Rules 1306 and 1309 of the Listing Manual to provide a reasonable exit offer to the Shareholders.

On 9 May 2014, the Company and the Offeror jointly announced the Exit Offer. Further details of the Exit Offer can be found in the Exit Offer Letter.

7. RATIONALE FOR THE DELISTING

The Company was placed on the SGX-ST's Watch List with effect from 5 March 2012 pursuant to Rule 1311 of the Listing Manual of the SGX-ST. The Company would have to meet the requirements of Rule 1314 of the Listing Manual within 24 months from 5 March 2012, i.e. by 5 March 2014, failing which the SGX-ST may delist the Company or suspend trading in the Shares with a view to delisting the Company. The Company was unable to meet the criteria of the SGX-ST by the said deadline, the Company received a notification from the SGX-ST stating that the SGX-ST is directing the delisting of the Company pursuant to Rule 1315 of the Listing Manual. In the same notification, the SGX-ST also directed that the Company or its controlling shareholder shall have to comply with Rules 1306 and 1309 of the Listing Manual to provide a reasonable exit offer to the Shareholders.

(1) Extracted from the audited annual reports and unaudited quarterly reports for the respective period.

8. ASSESSMENT OF THE FINANCIAL TERMS OF THE EXIT OFFER

In assessing the financial terms of the Exit Offer, we have considered, *inter alia*, the following:

- (a) NTA of the Group and Share price performance;
- (b) Analysis of NTA of the Group against the Exit Offer Price;
- (c) Comparison with successful delisting/privatisation of companies listed on the SGX-ST;
- (d) No assurance of a better exit offer consequent to a mandatory delisting;
- (e) Dividend track record of the Company;
- (f) Challenging business environment;
- (g) SGX-ST's Watch List status;
- (h) Compulsory acquisition;
- (i) Market quotation and trading activity of the Shares; and
- (j) Valuation statistics of the Group implied by the Exit Offer Price versus those of broadly comparable companies.

8.1 NTA of the Group and Share price performance

For analysis purposes, we have evaluated the NTA per Share against the Exit Offer Price and closing price of the Shares as at the Latest Practicable Date. The table below shows the evaluation of the Exit Offer against the NTA per Share of the Group:

	Price (S\$)	NTA per Share as at 31 March 2014 (S\$) ⁽¹⁾⁽²⁾	Premium/ (Discount) to the NTA per Share (%)
Exit Offer	0.035	0.079	(56)
Closing price as at the Latest Practicable Date ⁽³⁾	0.034	0.079	(57)

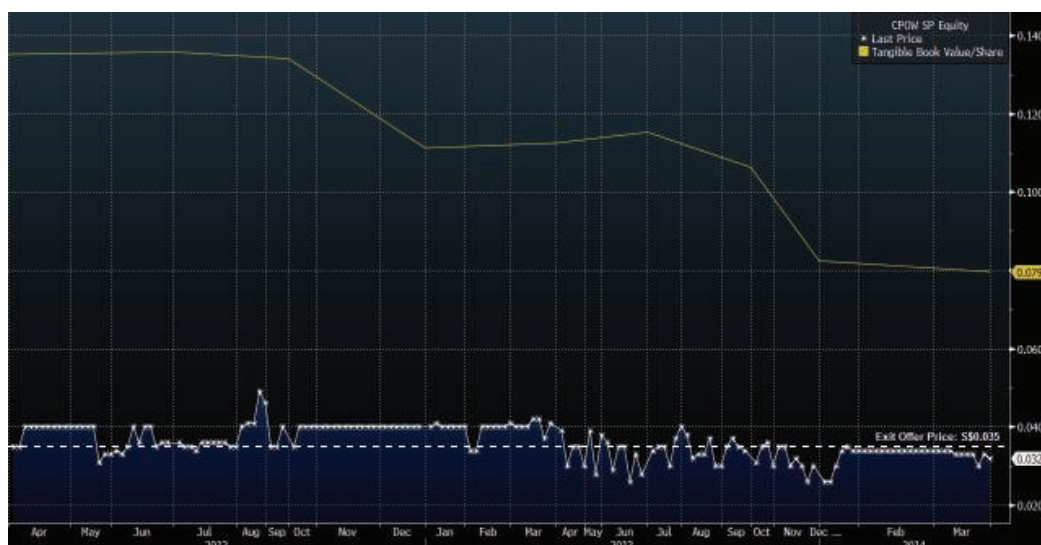
Source: Unaudited 1st quarter report for period ended 31 March 2014

Notes:

- (1) Based on Bloomberg extracted exchange rate as at 12 June 2014 of S\$1: RMB4.980.
- (2) Based on the total number of issued shares of 424,800,000 as at 31 March 2014.
- (3) The trading in the Shares has been suspended beginning 6 June 2014. The date of the closing price used herein, 5 June 2014, refers to the last market day prior to the suspension.

We have also compared the historical market Share prices of the Company and the Exit Offer Price against the trailing NTA per Share of the Group as announced in their interim and annual results over the 24-month period prior to the latest financial period ended 31 March 2014.

**Historical Trailing NTA per Share of the Group relative to the Exit Offer Price
and historical market prices of the Shares for the 24-month period prior to the
latest financial period ended 31 March 2014**



Source: Bloomberg LP

Based on the graph above, we note that the Company's Share price has consistently traded at a discount of between 60% and 84% to the Group's trailing NTA per Share over the 24-month period prior to the latest financial period ended 31 March 2014. The discount of the Exit Offer Price to the 31 March 2014 NTA per Share at approximately 56% is lower than the minimum discount of the Company's Share price to NTA per Share over the 24-month period prior to the latest financial period ended 31 March 2014.

8.2 Analysis of NTA of the Group against the Exit Offer Price

Based on the latest unaudited balance sheet of the Group as at 31 March 2014, the NTA of the Group was RMB166.874 million (equivalent to approximately S\$33.49 million based on an exchange rate of S\$1:RMB4.980 as at 12 June 2014) or equivalent to S\$0.079 per Share. The Exit Offer Price at S\$0.035 represents a discount of 56% to the NTA per Share as at 31 March 2014.

In our evaluation of the financial terms of the Exit Offer Price, we have also considered whether there are any tangible assets which should be valued at an amount that is materially different from that which is recorded in the unaudited balance sheet of the Group as at 31 March 2014. Accordingly, the Company had engaged independent asset valuer, AVA Associates Limited, to provide an updated valuation assessment ("Valuation Report") of the Group's tangible assets to derive an updated value as at 30 November 2013; accordingly, the Directors have confirmed that the unaudited balance sheet of the Group as at 31 March 2014 has reflected any changes in the value of the tangible assets from the Valuation Report.

In our evaluation of the financial terms of the Exit Offer, we have reviewed the unaudited balance sheet of the Group as at 31 March 2014 to determine whether there are any other assets that are of an intangible nature and as such, would not appear in a valuation based on book NTA. The Directors have confirmed that, to the best of their knowledge, there are no other intangible assets which ought to be disclosed in the balance sheet of the Group in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group as at the Latest Practicable Date.

We have further considered whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to affect the unaudited book NTA as at 31 March 2014. Save as disclosed in the financial statements of the Group as at 31 March 2014, the Directors of the Company have also confirmed to us that to the best of their knowledge and belief, other than that already provided for in the Group's unaudited consolidated financial statements as at 31 March 2014, there are no other contingent liabilities which would have a material impact on the book NTA of the Group as at the Latest Practicable Date.

In our overall evaluation of the financial terms of the Exit Offer, we have deemed that the NTA-based approach would not be a material consideration given that:

- (i) The NTA-based valuation approach provides an estimate of the value of a company assuming the hypothetical sale of all its tangible assets over a reasonable period of time and would be more relevant for a company which intends to realise or convert the use of its assets or where the business is to cease operations.
- (ii) The Offeror has stated that it has no current intention of making material changes to the Company's existing business, re-deploying of the Company's fixed assets or discontinuing the employment of the employees of the Company and its subsidiaries, other than in the ordinary course of its business.

We wish to highlight the assessment of the financial terms of the Exit Offer includes the other considerations as set out in this section. Accordingly, our conclusion and recommendation, after taking into account all such considerations, are set out in section 9 of this Letter and should be read in conjunction with, and in the context of, the full text of this Letter.

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

We have also examined recent similar successful delisting and privatisation transactions ("Comparable Transactions") announced during the 30-month period prior to the Joint Announcement Date, whether by way of (a) a general offer under the Code or a scheme of arrangement under Section 210 of the Companies Act where the offeror has stated its intentions to delist the target company from the Official List of the SGX-ST; or (b) delisting offers under Rule 1307 of the Listing Manual. The comparison to the Comparable Transactions is to illustrate the premiums/discounts represented by each of the respective offer prices over/to the volume weighted average prices prior to the respective announcements of such Comparable Transactions and for the comparison of the P/NTA ratios implied by the respective offer price.

We wish to highlight that the Comparable Transactions set out below are by no means exhaustive. Additionally, the Independent Directors and Shareholders should note that due to the differences in, *inter alia*, business activities, market capitalisation, scale of operations, risk profile, financial performance, geographical spread, accounting policies, operating and financial leverage, track records and future prospects, any comparison made with respect to the Comparable Transactions are for illustrative purposes only. The Comparable Transactions are not directly comparable to the terms and conditions of the Delisting. Each of the Comparable Transactions must be judged on its own commercial and financial merits. The premium (if any) to be paid by the offeror in a delisting/privatisation transaction varies in different circumstances depending on, *inter alia*, the attractiveness of the underlying business to be acquired, the synergies to be gained from integration with an existing business, the trading liquidity of the target company's shares, prevailing market expectations and the presence of competing bids.

8.3.1 Successful Privatisation Transactions

Details of Successful Privatisation Transactions are set out in chronological order as follows:

Company	Date Announced	Premium/(Discount) of Offer Price over/to			P/NTA (times)
		Last Transacted Price prior to announcement (%)	1-month VWAP prior to announcement (%)	3-month VWAP prior to announcement (%)	
China Healthcare Ltd	05-Mar-12	16.7	19.4	23.4	2.2
Meiban Group Ltd	15-Mar-12	42.9	41.8	37.0	0.9
Adampak Ltd	02-Apr-12	21.7	33.8	38.2	2.0
Juken Technology Ltd ⁽¹⁾	16-May-12	28.6	26.8	24.1	1.0
Brothers Holdings Ltd	30-May-12	44.4	43.7	39.0	1.1
Hersing Corp Ltd	08-Aug-12	21.1	21.3	18.5	1.3
Asia Pacific Breweries Ltd ⁽²⁾	18-Aug-12	52.8	53.6	55.2	n.a. ⁶
Sakari Resources Ltd	27-Aug-12	27.5	33.8	38.7	n.a. ⁶
Luye Pharma Group Ltd ⁽³⁾	28-Aug-12	16.1	20.4	20.4	3.9
Kian Ann Engineering Ltd ⁽⁴⁾	15-Oct-12	46.7	60.0	67.9	1.2
Harry's Holdings Ltd	10-Nov-12	53.3	57.1	72.2	1.5
China Farm Equipment Ltd	03-Dec-12	7.7	2.8	4.2	1.1
SC Global Developments Ltd	05-Dec-12	49.4	57.2	58.0	1.2
Kinergy Ltd	14-Dec-12	38.9	37.4	35.1	0.7
Rokko Holdings Ltd	17-Dec-12	57.1	54.9	50.7	0.6
PCA Technology Limited	01-Feb-13	11.1	1.4	13.5	0.8
Tsit Wing International Holdings Limited	11-Jun-13	36.7	36.7	36.2	1.3
Guthrie GTS Limited	21-Jun-13	21.4	21.9	19.7	0.9
Food Junction Holdings Limited	24-Jun-13	40.1	37.8	37.1	1.4
Viz Brand Limited ⁽⁵⁾	05-Jul-13	15.0	17.9	17.4	2.7
Berger International Limited	21-Aug-13	78.6	67.8	86.6	2.8
People's Food Holdings Limited	19-Oct-13	2.6	4.2	10.0	1.2
High		78.6	67.8	86.6	3.9
Low		2.6	1.4	4.2	0.6
Mean		33.2	34.2	36.5	1.5
Median		32.7	35.3	36.6	1.2
Company (implied by the Exit Offer Price)		16.7	25.0	12.9	0.44

Source: SGXNET announcements, offer documents and shareholders' circulars of each respective company in relation to the Successful Privatisation Transactions and NRA Capital's computations

Notes:

- (1) On 14 September 2011, Juken Technology Limited ("Juken") and Frencken Group Limited ("Frencken") jointly announced that they had entered into an indicative term sheet relating to the proposed acquisition by Frencken of all issued and paid up ordinary shares (excluding treasury shares) in the capital of Juken by way of scheme of arrangement. Frencken announced a pre-conditional voluntary conditional offer on 16 May 2012 and a voluntary conditional offer on 23 August 2012 for Juken ("Juken Offer"). The market premia in the table above were computed based on prices prior to the joint announcement by Juken and Frencken on 14 September 2011 and the cash consideration offered under the Juken Offer.

- (2) On 16 July 2012, Overseas-Chinese Banking Corporation Limited ("OCBC") and Great Eastern Holdings Limited ("GEH") jointly announced that they had been approached with an offer to purchase, inter alia, their combined stakes in Asia Pacific Breweries Limited and they were having discussions on this. Heineken International B.V. announced a pre-conditional mandatory cash offer on 18 August 2012 and a mandatory unconditional cash offer on 15 November 2012 for APB. The market premium in the table above was computed based on prices prior to the joint announcement by OCBC Bank and GEH on 16 July 2012.
- (3) On 28 August 2012, a voluntary unconditional cash offer ("Luye Offer") was made by Luye Pharmaceutical Investment Co., Ltd. ("Luye Investment") for Luye Pharma Group Ltd. ("Luye Pharma"). The market premia in the table above, as extracted from the relevant circular, were computed based on prices prior to 30 July 2012, being the last full Market Day on which the shares in Luye Pharma were traded on the SGX-ST prior to the date of announcement of the Luye Offer.
- (4) On 17 August 2012, Kian Ann Engineering Ltd ("Kian Ann") announced that it had been approached by a party in relation to a possible transaction involving the shares of Kian Ann. On 15 October 2012, Kian Ann and Invicta Asian Holdings Pte. Ltd. ("Invicta") jointly announced the proposed acquisition by Invicta of all the issued and paid up ordinary shares in the capital of Kian Ann by way of a scheme of arrangement in accordance with Section 210 of the Companies Act. The market premium in the table above was computed based on prices prior to the holding announcement on 17 August 2012.
- (5) On 5 July 2013, a mandatory unconditional cash offer was made by Pluto Rising Pte. Ltd. for Viz Brand Limited at S\$0.78 per share. On 1 August 2013, the offer price was revised to S\$0.815 per share. The computations in the table above, as extracted from the circular, were computed based on the revised offer price and market prices prior to the first announcement on 5 July 2013.
- (6) "n.a." denotes not available.

We note that the Exit Offer Price is at a premium of approximately 16.7%, 25.0% and 12.9% over the Last Transacted Price, 1-month VWAP and 3-month VWAP prior to the Joint Announcement Date, respectively. The market price premia implied by the Exit Offer Price are within the range but below the mean and median premia implied in the Successful Privatisation Transactions. The P/NTA ratio implied by the Exit Offer Price is below the range of the P/NTA ratios of the Successful Privatisation Transactions.

8.3.2 Successful Delisting Transactions

Details of Successful Delisting Transactions are set out in chronological order as follows:

Company	Date Announced	Premium/(Discount) of Offer Price over/to			P/NTA (times)
		Last Transacted Price prior to announcement (%)	1-month VWAP prior to announcement (%)	3-month VWAP prior to announcement (%)	
Cerebos Pacific Ltd	01-Aug-12	22.7	22.9	22.9	5.6
Gul Technologies Singapore	13-Sep-12	40.6	57.6	71.2	1.8
Synear Food Holding Limited	15-Oct-12	10.1	20.8	31.0	0.4
Hup Soon Global Corp ⁽¹⁾	08-Feb-13	0.0	(3.0)	1.0	0.5
Pan Pacific Hotels Group Limited	10-May-13	9.0	8.2	6.1	1.7
Armstrong Industrial Corporation Limited ⁽²⁾	05-July-13	11.1	14.0	17.0	2.0
Pertama Holdings Limited ⁽³⁾	08-July-13	25.0	33.4	20.7	1.5
Superior Multi-Packaging Limited ⁽⁴⁾	06-Sep-13	0.0	0.5	10.8	1.0
Consciencefood Holding Limited	28-Sep-13	23.5	23.3	18.0	0.9
Medi-Flex Limited	11-Oct-13	15.4	21.0	27.1	3.2
High		40.6	57.6	71.2	5.6
Low		0.0	(3.0)	1.0	0.4
Mean		15.7	19.9	22.6	1.9
Median		13.3	20.9	19.4	1.6
Company (implied by the Exit Offer Price)		16.7	25.0	12.9	0.44

Source: SGXNET announcements, offer documents and shareholders' circulars of each respective company in relation to the Successful Delisting Transactions and NRA Capital's computations

Notes:

- (1) On 26 July 2012, Spei Holdings Private Limited announced a mandatory unconditional cash offer for Hup Soon Global Corporation Limited ("Hup Soon") at S\$0.10 per share and subsequently on 8 February 2013, a delisting exit offer was announced. The market price premia in the table above, as extracted from the relevant circular, were computed based on prices prior to the mandatory unconditional cash offer announcement on 26 July 2012.
- (2) On 20 June 2013, Armstrong Industrial Corporation Limited ("Armstrong") announced that it had received a nonbinding indicative proposal from a consortium involving the major shareholder of Armstrong that may result in the delisting of Armstrong. On 5 July 2013, a delisting exit offer was made by AGP Asia Holding Pte. Ltd. ("AGP") for Armstrong. The market premia in the table above, as extracted from the relevant circular, were computed based on prices prior to the holding announcement on 20 June 2013.
- (3) On 27 January 2012, trading of the issued ordinary shares in the capital of Pertama Holdings Limited ("Pertama") on the SGX-ST were suspended pursuant to the SGX-ST's directive under Rule 724(2) of the Listing Manual as less than 10% of the shares were held in public hands. On 31 May 2013, Harvey Norman Singapore Pte Ltd ("HNS") received a notification from the SGX-ST stating that the SGX-ST is directing the delisting of Pertama pursuant to Rule 1305 of the Listing Manual. On 8 July 2013, a delisting exit offer was made by HNS for Pertama. The market price premia in the table above, as extracted from the relevant circular, were computed based on prices prior to the date of suspension of Pertama's shares on 27 January 2012.
- (4) On 5 July 2013, trading of the issued ordinary shares in the capital of Superior Multi-Packaging Limited ("SMPL") on the SGX-ST were suspended as the number of shares held in public hands had fallen below 10%. On 6 September 2013, a delisting exit offer was made for SMPL. The market price premia in the table above, as extracted from the relevant circular, were computed based on prices prior to the date of suspension of SMPL's shares on 5 July 2013.

We note that the Exit Offer Price is at a premium of approximately 16.7%, 25.0% and 12.9% over the Last Transacted Price, 1-month VWAP and 3-month VWAP prior to the Joint Announcement Date, respectively. The market price premia implied by the Exit Offer Price are above the corresponding mean and median implied by the Successful Delisting Transactions for the Last Transacted Price and 1-month VWAP and is within the range for the 3-month VWAP implied by the corresponding Successful Delisting Transactions. The P/NTA ratio implied by the Exit Offer Price is within the range of P/NTA ratios of the Successful Delisting Transactions.

8.4 No assurance of a better exit offer consequent to a mandatory delisting

We have further examined SGX-ST listed companies that were placed on the SGX-ST's Watch List and subsequently delisted mandatorily from the Official List of the SGX-ST by the Singapore Exchange Ltd ("Exchange") consequent to the companies' failure to comply with the requirements of the Listing Manual for its respective removal from the SGX-ST's Watch List for the period of April 2010 to January 2014 ("Mandatory Delistings"). Pursuant to Rule 1306 of the Listing Manual, if the Exchange exercises its power to remove an issuer from the Official List, the issuer or its controlling shareholder(s) must comply with the requirements of Rule 1309 whereby, *inter alia*, a reasonable exit alternative, normally in cash, should be offered to the issuer's shareholders and holders of any other classes of listed securities to be delisted. For the purpose of Rule 1309, a reasonable exit offer may include a voluntary liquidation of the issuer's assets and distribution of cash back to shareholders.

The Company did not meet the requirements for its removal from the SGX-ST's Watch List by the deadline of 5 March 2014; hence, the examination of the Mandatory Delistings serves to illustrate, pursuant to Rule 1306 and 1309, the respective exit offers, if any, and the corresponding premiums/discounts represented by each of the respective offer prices over/to the volume weighted average prices prior to the respective announcements of such Mandatory Delistings and for the comparison of the P/NTA ratios implied by the respective offer price.

We wish to highlight that the Mandatory Delistings set out below are by no means exhaustive. Additionally, the Independent Directors and Shareholders should note that due to the differences in, *inter alia*, business activities, market capitalisation, scale of operations, risk profile, financial performance, geographical spread, accounting policies, operating and financial leverage, track records and future prospects, any comparison made with respect to the Mandatory Delistings are for illustrative purposes only.

Details of Mandatory Delisting Transactions are set out in chronological order as follows:

Company	Date Delisted	Exit Offer	Premium/(Discount) of Offer Price over/to		P/NTA (times)
			Last Transacted Price prior to announcement/suspension (%)	1-month VWAP prior to announcement/suspension (%)	
Chuan Soon Huat Industrial Group Ltd ⁽²⁾	01-Apr-10	No		n.a.	
General Magnetics Ltd ⁽³⁾	01-Apr-10	No		n.a.	
Fastech Synergy Ltd ⁽⁴⁾	16-July-10	No		n.a.	
Ocean International Holdings Limited	31-Mar-11 ⁽⁵⁾	Yes	100	100	1.00
Rotol Singapore Ltd ⁽⁶⁾	18-Aug-11	No		n.a.	
FirstLink Investments Corporation Limited ⁽⁷⁾	30-Nov-11	Proposed voluntary liquidation was rejected by shareholders and therefore did not occur; there was no subsequent exit offer		n.a.	
The Style Merchants Limited ⁽⁸⁾	24-Feb-12	Proposed voluntary liquidation was rejected by shareholders and therefore did not occur; there was no subsequent exit offer		n.a.	
Creative Master Bermuda Limited	15-Feb-13	Yes	14.5	1.9	0.69
Jets Technics International Holdings Limited ⁽⁹⁾	25-Oct-13	No		n.a.	
FDS Networks Group Ltd ⁽¹⁰⁾	17-Jan-14	Proposed voluntary liquidation was rejected by shareholders and therefore did not occur; there was no subsequent exit offer		n.a.	
Aussino Group Ltd ⁽¹¹⁾	30-Jan-14	Proposed voluntary liquidation was rejected by shareholders and therefore did not occur; there was no subsequent exit offer		n.a.	
High			100	100	1.00
Low			14.5	1.9	0.69
Company (implied by the Exit Offer Price)			16.7	25.0	0.44

Source: SGXNET announcements, Bloomberg LP and shareholders' circulars of each respective company in relation to the Mandatory Delistings

Notes:

- (1) "n.a." means not available as the respective company in the Mandatory Delisting did not offer an exit offer or the voluntary liquidation did not follow through for the respective delisting.
- (2) On 30 March 2010, Chuan Soon Huat Industrial Group Ltd ("Chuan Soon Huat") provided a further announcement that Chuan Soon Huat is then in a net liability position, therefore, unable to make any cash exit offer.
- (3) On 24 March 2010, General Magnetics Ltd ("General Magnetics") provided its intention to make a further application to the Exchange for an extension of 12 months for General Magnetics to meet the requirements of the Rule 1314 of the Listing Manual; subsequently, General Magnetics was delisted on the delisting date.
- (4) On 9 July 2010, Fastech Synergy Ltd ("Fastech") provided a further response to the Exchange's request to clarify the reason for an absence of an exit offer, including a distribution of cash back to shareholders, to be made to the shareholders. Fastech had provided the reason to be the then ongoing debt restructuring plan. Fastech had also provided that in the event the company is liquidated, it is unlikely that shareholders of Fastech will be able to receive any distribution of assets upon repayment of the outstanding debts to its creditor banks.
- (5) The delisted date is not available, the date herein refers to the date of the announcement of the exit offer.
- (6) Rotol Singapore Ltd ("Rotol") paid a tax-exempt one-tier special dividend of S\$0.0094 per issued ordinary share of Rotol in respect of the financial year ended 31 March 2011 ("the Special Dividend") paid on 17 August 2011.
- (7) Pursuant to the extraordinary general meeting held on 25 November 2011 for the members' voluntary liquidation of FirstLink Investments Corporation Limited ("FirstLink") ("Voluntary Liquidation Resolution"), the Voluntary Liquidation Resolution was defeated with 73.85% of the votes against the Voluntary Liquidation Resolution; hence, the proposed voluntary liquidation lapsed. Subsequently, there was no alternative exit offers made to Firstlink's shareholders prior to the delisting of FirstLink.
- (8) Pursuant to the special general meeting held on 17 February 2012 for the voluntary liquidation of The Style Merchants Limited ("Style Merchants") ("Voluntary Liquidation Resolution"), the Voluntary Liquidation Resolution was defeated with 99.51% of the votes against the Voluntary Liquidation Resolution; hence, the proposed voluntary liquidation lapsed. Subsequently, there was no alternative exit offers made to Style Merchants' shareholders prior to the delisting of Style Merchants.
- (9) In a letter from the Exchange to Mr So Tat Wing, Chairman and Managing Director of Jets Technics International Holdings Limited ("Jets Technics") issued on 11 October 2013, it provided that Mr So Tat Wing had caused Jets Technics to commit breaches of the Listing Manual including, *inter alia*, 1) Failing to provide a reasonable cash exit offer and appoint an independent financial advisor to advise on the exit offer under Rule 1309 read with Rule 1306 of the Listing Manual, 2) Failing to apply the proceeds from the sale of Jets Technics's properties to the cash exit offer, in breach of the waiver condition imposed by the Exchange and in those circumstances, failing to obtain shareholders' approval for the sale in breach of Rule 1014(2) of the Listing Manual.
- (10) Pursuant to the special general meeting held on 3 January 2014 for the members' voluntary liquidation of FDS Networks Group Ltd ("FDS") ("Voluntary Liquidation Resolution"), the Voluntary Liquidation Resolution was defeated with 100% of the votes against the Voluntary Liquidation Resolution; hence, the proposed voluntary liquidation lapsed. Subsequently, there was no alternative exit offers made to FDS's shareholders prior to the delisting of FDS.
- (11) Pursuant to the extraordinary general meeting held on 28 January 2014 for the winding up of Aussino Group Ltd ("Aussino") ("Winding-up Resolution"), the Winding-up Resolution was defeated with 99.97% of the votes against the Winding-up Resolution; hence, the voluntary liquidation lapsed. Subsequently, there was no alternative exit offers made to Aussino's shareholders prior to the delisting of Aussino.

We note that in our examination of the Mandatory Delistings, in 5 out of 11 of the Mandatory Delistings there were no exit offer and 4 of the Mandatory Delistings rejected the respective voluntary liquidation with no further exit offers made prior to their delistings; only 2 out of the 11 Mandatory Delistings had final exit offers. In this regard, we wish to reiterate the condition in respect of the Exit Offer and the implications of the Delisting for Shareholders as extracted from paragraphs 2.2 and 5.2 of the Exit Offer Letter:

"The Exit Offer will be subject to the Offeror having received, by the close of the Exit Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Exit Offer and pursuant to the Exit Offer or otherwise), will result in the Offeror and parties acting in concert with it holding such number

of Shares carrying more than 50% of the total voting rights attributable to the issued share capital of the Company as at the close of the Exit Offer (**“Minimum Acceptance Condition”**).

Accordingly, the Exit Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Exit Offer, unless at any time prior to the close of the Exit Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of voting rights of the issued share capital of the Company.

Shareholders are to note that if the aforesaid condition is not fulfilled, the Company will still be mandatorily delisted from the Official List of the SGX-ST. The Exit Offer will also lapse and all acceptances of the Exit Offer will be returned. In such event, Shareholders will hold shares in an unlisted public company.”

“Shareholders should note that if (a) the Offeror is not entitled to compulsorily acquire, pursuant to Section 215(1) of the Companies Act, all the Shares of the Dissenting Shareholders at the Exit Offer Price, and/or (b) the Dissenting Shareholders are not entitled, pursuant to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Exit Offer Price, following the Delisting, Shareholders who do not accept the Exit Offer will continue to hold Shares in the Company, which will then be an unlisted public company.

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

We wish to further note that despite the 56% discount implied by the Exit Offer Price to the Group's NTA per Share; as illustrated from the Mandatory Delistings, when the Company is delisted by SGX-ST (we note that the Watch List deadline of 5 March 2014 has passed and the Exchange has confirmed through the SGX-ST Notification of Delisting stating that **the Exchange will proceed to delist the Company**), **it is possible that there may not be another exit offer for the Shares.** The Exit Offer offers a viable opportunity for accepting Shareholders to realise their investments in the Company for a cash consideration before the Shares are delisted from trading on the SGX-ST, whereupon there will be no market for the disposal of the Shares. **Even if a voluntary liquidation of the Company is initiated, at least 75% of the Shareholders must consent for the voluntary liquidation; both GDY and HYP, together holds 45.62% of the total issued share capital of the Company, and has through the Offeror (wholly-owned by GDY and HYP) stated in paragraph 4 of the Exit Offer Letter that there are no current intention of making material changes to the Company's existing business, re-deploying of the Company's fixed assets or discontinuing the employment of the employees of the Company and its subsidiaries, other than in the ordinary course of business.**

8.5 Dividend track record of the Company

We note that the Company has not paid dividend since 2008. As such, the Exit Offer presents Shareholders with an exit alternative in the form of cash consideration.

For illustration purposes only, as at the Latest Practicable Date, the trailing 12-month dividend yield of constituent companies of the FSTS is approximately 5.46%.

The dividend analysis serves only as an illustrative guide and is not meant to be an indication of the future dividends payable by the Company or the companies in the FSTS. Furthermore, an investment in constituent companies of the FSTS also presents different risk-return profiles compared to an investment in the Shares of the Company, and there is also no assurance that the Company or the constituent companies of the FSTS will continue to pay dividend or maintain the level of dividends paid in the past periods.

Shareholders should note that if the Minimum Acceptance Condition is fulfilled, the Company will be delisted from the Official List of the SGX-ST. Following the Delisting, Shareholders who do not accept the Exit Offer will continue to hold shares in the Company, which will then be an unlisted public company. Shareholders should note the implications of holding Shares in an unlisted public company as stated in paragraph 5.2 of the Exit Offer Letter.

8.6 Challenging business environment

(RMB'000)	FY2009	FY2010	FY2011	FY2012
Revenue	388,240	390,484	393,796	335,034
Cost of Sales	(393,623)	(353,050)	(349,828)	(290,556)
Gross profit	(5,383)	37,434	43,968	44,478
Profit/(Loss) after tax	(52,973)	(20,181)	(128,138)	(50,294)
NTA	411,982	392,705	285,267	240,889

Source: The Group's audited accounts for FY2009 to FY2012 (ended 31 December)

(RMB'000)	FY2013	FY2012	1 Jan 2014 to 31 Mar 2014	1 Jan 2013 to 31 Mar 2013
Revenue	334,970	335,034	87,649	95,184
Cost of Sales	(297,063)	(290,556)	(75,154)	(82,262)
Gross profit	37,907	44,478	12,495	12,922
Profit/(Loss) after tax	(82,925)	(50,294)	471	(4,406)
NTA	167,913	240,889	166,874	239,230

Source: The Group's audited and unaudited accounts for FY2013 and 1Q2014, respectively.

The Group has been making a net loss since FY2009. The Group has stated that the challenging business environment over the relevant periods was due primarily to the Group's high cost of operations, customers' sensitivity towards upward adjustments in selling prices, exposure to cost fluctuations, economic downturn and the effects from the economic downturn notably in the form of impairment losses from associates and trade receivables. Additionally, the Group had expressed in its audited full year financial report in FY2012 that business conditions worldwide over the period were challenging and uncertain given the economic and financial woes in Europe. The economic situation in China

remained lukewarm with a full recovery still in the distance. Both inflation and rising costs had caused customers in China and worldwide to exercise caution towards changes in selling prices of the Group's products. Market demand remained feeble and the Group had to manage raw material prices as well as credit risk concerns.

For the period ended FY2013, the Group had announced a decreased in its gross margins from approximately 13.3% of revenue in FY2012 to 11.3% of revenue in FY2013, reflecting the decrease in selling price of some of the Group's products, which subsequently affected the gross margins. Cost of sales was recorded at approximately 88.7% of sales for FY2013. The Group also had to provide for an allowance for impairment of trade receivables of approximately RMB35.6 million in view of the deteriorating recovery rate in relation to trade receivables due from the Group's domestic customers as a result of the uncertain outlook of China domestic market. Net profit decreased from FY2012 at approximately RMB(50.3) million to approximately RMB(82.9) million for FY2013 or the equivalent of a 64% decrease. For the period ended 31 March 2014, on a quarter-on-quarter basis, the Group's gross margin increased from approximately 13.6% of revenue in 1Q2013 to 14.3% of revenue in 1Q2014 mainly due to decrease in cost of sales. Further, the NTA of the Group has declined on a quarter-on-quarter basis from RMB239.2 million in 1Q2013 to RMB166.8 million in 1Q2014.

We wish to note the following:

- (i) the Group had provided that the slight rise of 1.6% in gross margin in FY2011 as compared to FY2010 can be mainly attributed to an increase of selling prices of the Group's products.
- (ii) the Group had provided that the 2.1% rise in gross margin in FY2012 as compared to FY2011 can be mainly attributed to a decrease in raw material costs. Further, there were discontinued sales with customers in the Southeast Asian market whom were not agreeable with the rise in selling prices of the Group's products; year-on-year, sales to Southeast Asia declined by approximately 43%; in the same year, sales to Europe registered a year-on-year decrease of approximately RMB51.7 million or the equivalent of 43% in revenue due to sluggish market condition. This further reflects the Group's challenges to fluctuations in operating costs and the challenges in the management of customers towards any upward adjustments in selling prices of the Group's products.
- (iii) the Group had provided that there was approximately a 2% decline in the gross margin in FY2013 as compared to FY2012. Net profit decreased by 64% in FY2013 from approximately RMB(50.3) million in FY2012 to approximately RMB(82.9) million in FY2013. For the 1st quarter of 2014 ended 31 March 2014, gross profit margin had increased slightly from 13.6% in 1Q2013 to 14.3% in 1Q2014 and net profit had increased from approximately RMB(4.4) million in 1Q2013 to approximately RMB0.47 million in 1Q2014.
- (iv) the NTA for the Group has been declining from approximately RMB411.9 million as at 31 December 2009 to approximately RMB166.8 million as at 31 March 2014.

8.7 SGX-ST's Watch List status

We note that the Offeror's rationale for the Delisting and the Exit Offer as extracted from paragraph 1.1 of the Exit Offer Letter:

*"On 23 January 2014 ("**Initial Joint Announcement Date**"), the Company and Apple Cove Limited ("**Offeror**") jointly issued a joint announcement ("**Initial Joint Announcement**") after a formal proposal was presented by the Offeror to the Company to seek a voluntary delisting of the Company ("**Voluntary Delisting**"). However, the Offeror and the Company were unable to complete the Voluntary Delisting prior to the aforesaid deadline of 5 March 2014 for the Company to exit the watch-list. In addition, the Company was also unable to meet the requirements of Rule 1314 of the Listing Manual by the aforesaid deadline of 5 March 2014. On 6 May 2014, the Company received a notification from the SGX-ST ("**SGX-ST Notification of Delisting**") stating that the SGX-ST is directing the delisting of the Company pursuant to Rule 1315 of the Listing Manual ("**Delisting**"). In the same notification, the SGX-ST also directed that the Company or its controlling shareholder shall have to comply with Rules 1306 and 1309 of the Listing Manual to provide a reasonable exit offer to the shareholders of the Company ("**Shareholders**")"*

8.8 Compulsory acquisition

As stated in paragraph 5.1 of the Exit Offer Letter, *"Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the Shares (other than those already held by the Offeror, its related corporations and their respective nominees as at the date of this Exit Offer Letter and excluding any Shares held by the Company as treasury shares), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Exit Offer ("**Dissenting Shareholders**") at a price equal to the Exit Offer Price.*

*The Offeror intends to make the Company its wholly-owned subsidiary. **Accordingly, when entitled, the Offeror intends to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act.***

In addition, the Dissenting Shareholders who do not accept the Exit Offer would have a corresponding right, under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Exit Offer Price by serving notice requiring the Offeror to do so, in the event that the Shares acquired by the Offeror pursuant to the Exit Offer, together with any other Shares held by the Offeror, its related corporations and their respective nominees comprise 90% or more of the total issued Shares.

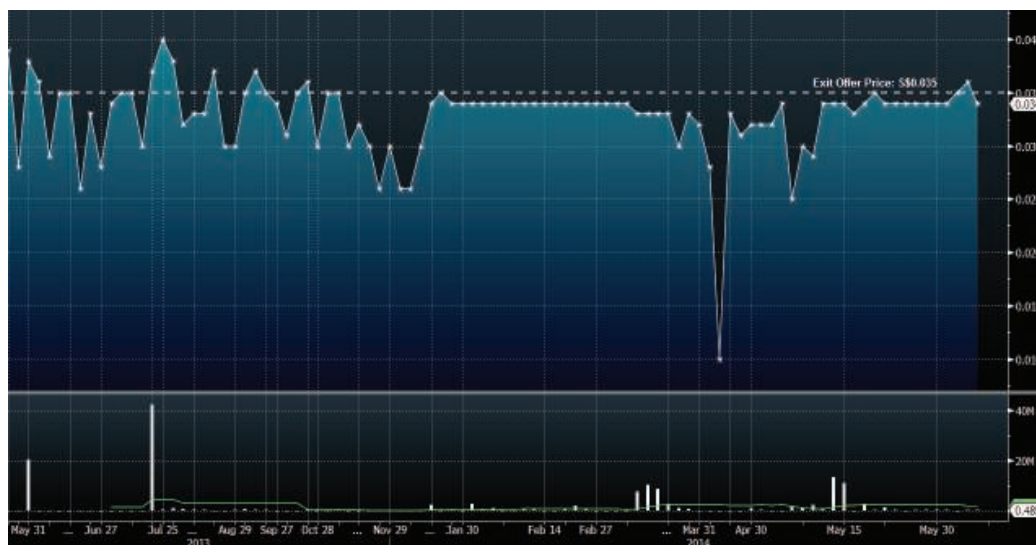
Dissenting Shareholders who wish to exercise their rights under Section 215(3) of the Companies Act are advised to seek their own independent legal advice."

8.9 Market quotation and trading activity of the Shares

(a) History trading performance of the Shares

Market price represents the value of a company as perceived by the stock market and subject to market efficiency and rationality, investor sentiment and market speculation, reflects information relevant to a company such as its business directions, plans and strategies, expected financial performance, expected dividend payout and return to shareholders, future prospects and potential growth.

We set out below the Company's Share price and volume chart based on the daily last transacted price of the Shares and daily volume traded for 12 months prior to the Joint Announcement Date and ending on the Latest Practicable Date.



Source: Bloomberg LP

(b) Volume-weighted average price per Share and liquidity analysis

The volume-weighted average price per Share ("VWAP") at various periods over a duration of 12 months prior to the Joint Announcement Date and thereafter are as follows:

	VWAP (S\$)	Premium/ (Discount) of Exit Offer Price over/ to VWAP (%)	Highest Price (S\$)	Lowest Price (S\$)	Average Daily Trading Volume (million) ⁽¹⁾	Average Daily Trading Volume as percentage of Free Float ⁽²⁾ (%)
Periods prior to the Joint Announcement Date⁽³⁾						
Last 12 months	0.032	9.375	0.040	0.010	0.934	0.467
Last 6 months	0.032	9.375	0.035	0.010	1.013	0.507
Last 3 months	0.031	12.900	0.034	0.010	1.301	0.651
Last 1 month	0.028	25.000	0.034	0.010	0.469	0.235
Last traded Market Day (8 May 2014) prior to Joint Announcement Date	0.030 ⁽⁴⁾	16.700	0.030	0.030	1.141	0.571
From Announcement Date						
Between Joint Announcement Date and the Latest Practicable Date ⁽⁵⁾	0.034	2.941	0.036	0.029	2.035	1.018
Latest Practicable Date ⁽⁶⁾	n.a. ⁽⁷⁾	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Bloomberg LP

Notes:

- (1) The average daily trading volume of the Shares is calculated based on the total trading volume for all the traded Market Days for the relevant periods, divided by the total number of Market Days during the respective periods.
- (2) Free float refers to the Shares other than those held by the directors, chief executive officers, substantial or controlling shareholders of the Company and their respective associates (as defined in the Listing Manual), which amounts to approximately 199.8 million Shares as at the Latest Practicable Date.
- (3) There were married trades done during these periods. The married trades, where applicable, have been included in the computation of VWAP to show indicative average pricing of the Shares for these periods but have been excluded from the computation of average daily traded volume to provide a more reflective indication of trading volumes by the public Shareholders.
- (4) This represents the last transacted price (instead of the VWAP) on 8 May 2014, being the last Market Day on which the Shares were traded prior to the Joint Announcement Date.
- (5) The trading in the Shares has been suspended beginning 6 June 2014. This represents the dates up to the last transacted date on 5 June 2014, the last Market Day on which the Shares were traded before the suspension of the trading in the Shares.
- (6) The respective figures on the Latest Practicable Date are not available as trading in the Shares has been suspended beginning 6 June 2014.
- (7) "n.a." means not available.

We note the following:

- (i) Over the 12-month period prior to the Joint Announcement Date, the Shares have traded from a low S\$0.010 to a high of S\$0.040 per Share. The Exit Offer Price represents a premium of approximately 250% and a discount of approximately 14.3% to the lowest and highest transacted price, respectively.
- (ii) Over the 12-month period prior to the Joint Announcement Date, the Shares were traded over 78 days out of a total of 252 Market Days or equivalent to approximately 31% of the total Market Days.
- (iii) The average daily traded volume of the Shares for the periods of 12 months, 6 months, 3 months and 1 month prior to the Joint Announcement Date represent approximately 0.467%, 0.507%, 0.651% and 0.235% of the free float, respectively.
- (iv) The Exit Offer Price represents a premium of approximately 9.38% over the VWAP of the Shares for the 12-month period prior to the Joint Announcement Date and a premium of approximately 9.38%, 12.9%, 25% and 16.7% over the corresponding VWAP of the Shares for the 6-month period, 3-month period, 1-month period and the last transacted Share price on the last traded Market Day prior to the Joint Announcement Date, respectively.
- (v) From Joint Announcement Date to Latest Practicable Date, the Exit Offer Price represents a premium of approximately 2.941% over the VWAP of the Shares traded over the period.
- (vi) The corresponding Highest Price transacted over the 12-month, 6-month, 3-month period prior to the Joint Announcement Date have consistently dropped. The Highest Price transacted on the last traded Market Day prior to the Joint Announcement Date represents a discount of approximately 25% from the Highest Price transacted for the Shares over the 12-month period prior to the Joint Announcement Date. The Lowest Price transacted for the 12-month, 6-month, 3-month and 1-month periods prior to the Joint Announcement Date stayed constant at S\$0.010. The Lowest Price transacted on the last traded

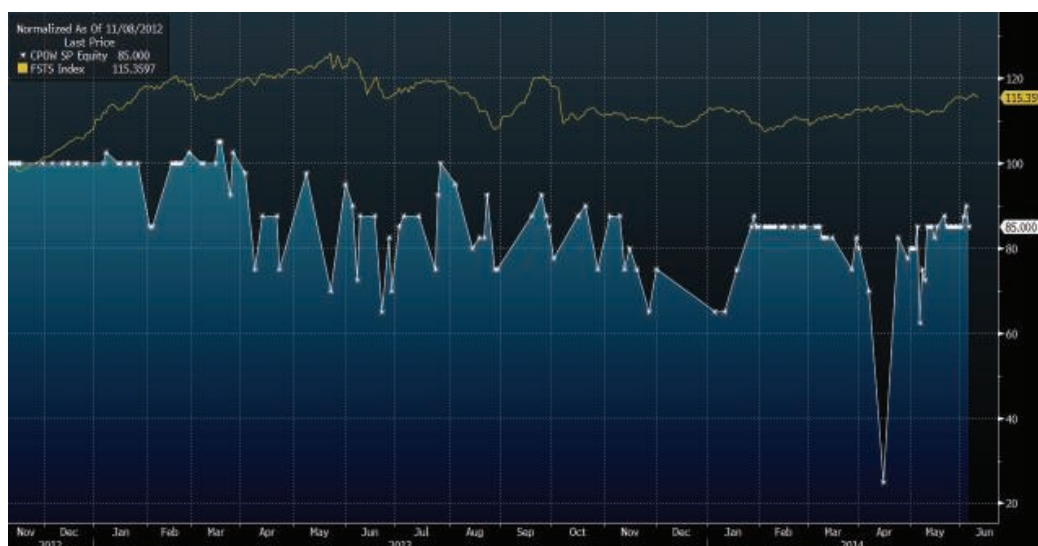
Market Day prior to the Joint Announcement Date represents a rise of 200% over the Lowest Price transacted for the 12-month, 6-month, 3-month and 1-month periods prior to the Joint Announcement Date.

We wish to highlight that the above analysis of the trading performance of the Shares serves only as an illustrative guide and is not an indication of the future trading performance of the Shares.

(c) Relative Share price performance vis-à-vis the performance of the market index

In assessing the relative market price performance of the Shares vis-à-vis the general price performance of the Singapore equity market, we have compared the market movement of the Shares against the FTSE ST Small Cap Index (“FSTS”) for the 18-month period prior to the Joint Announcement Date up to the Latest Practicable Date.

Share prices and FSTS prices for the 18-month period prior to the Joint Announcement Date and up to the Latest Practicable Date



Source: Bloomberg LP

Based on the chart above, we note that the Shares have generally underperformed the FSTS for the 18-month period prior to the Joint Announcement Date and up to the Latest Practicable Date.

8.10 Valuation statistics of the Group implied by the Exit Offer Price versus those of broadly comparable companies

In the evaluation of the Exit Offer Price, we have considered a range of selected valuation statistics of comparable companies that are deemed broadly comparable to the Group (“Comparable Companies”).

We have had discussion with the Management about the suitability and reasonableness of these Comparable Companies as a basis for the comparison with the Group. Relevant information has been extracted from publicly available annual reports and/or public announcements of these Comparable Companies. The Comparable Companies’ accounting policies with respect to the values for which the assets or the revenue and cost are recorded may differ from that of the Group.

Shareholders may wish to note that there may not be any company listed on the relevant exchanges that is directly comparable to the Group in terms of, *inter alia*, market capitalisation, size, diversity of business activities, asset base, geographical spread, customer base, brand loyalty, track record, financial performance, future prospects, operating and financial leverage, liquidity, risk profile, quality of earnings and accounting, listing status and other relevant criteria. Therefore, any comparison made herein serves only as an illustrative guide for Shareholders. We wish to highlight that the list of Comparable Companies is by no means exhaustive.

Details of the Comparable Companies are set out below:

Company	Principal Business	Primary Exchange
Tong Yang Moolsan Co Ltd (“Tong Yang Moolsan”)	Tong Yang Moolsan designs, manufactures and markets agricultural machinery and equipment. The company’s products include power tillers, tractors, rice planters, binders, combine harvesters and cultivators.	Korea
Asia Technology Co Ltd (“Asia Technology”)	Asia Technology manufactures agricultural machinery which includes cultivator, sprayer, baler and transplanter.	Korea
Dae Dong Industrial Co Ltd (“Dae Dong”)	Dae Dong designs, manufactures and markets agricultural machinery and equipment including power tillers, tractors and combine harvesters.	Korea
Takakita Co Ltd (“Takakita”)	Takakita manufactures and wholesales agricultural machinery including combine tractors. The company also produces bearings for industrial machinery.	Japan
Maruyama Mfg Co Inc (“Maruyama”)	Maruyama manufactures agricultural and forestry tools such as sprayers, brush cutters and dusters.	Japan

In our comparison of valuation statistics implied by the Exit Offer Price with those of the Comparable Companies, we have taken into account the following:

Valuation Ratio	General Description
P/E	Price to Earnings or “P/E” is the ratio of market price of a company’s shares relative to its historical earnings per share. The P/E ratio is an earnings-based valuation methodology and is calculated based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, it is affected by the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.

Valuation Ratio	General Description
P/NTA	Price to Net Tangible Assets or “P/NTA” is the ratio of the market price of a company’s shares relative to its asset backing. The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net tangible assets of the company.
EV/EBITDA	<p>EV refers to enterprise value which is the sum of a company's market capitalisation, preferred equity, minority interest, short-term and long-term debts, less its cash and cash equivalents.</p> <p>EBITDA refers to the historical consolidated earnings before interest, taxes, depreciation and amortisation.</p>

The valuation statistics of the Comparable Companies based on their respective last traded prices as at the Latest Practicable Date are set out below:

Comparable Companies	Market Capitalisation as at the Latest Practicable Date ⁽¹⁾ (S\$' million)	P/E ⁽²⁾ (times)	P/NTA ⁽³⁾ (times)	EV/EBITDA (times) ⁽⁴⁾
Tong Yang Moolsan	75.7	n.a.	0.45	9.56
Asia Technology	60.3	7.16	0.59	n.a.
Dae Dong	263.0	n.a.	0.92	14.40
Takakita	39.7	6.27	0.65	3.74
Maruyama	148.8	n.a.	n.a.	4.70
High		7.16	0.92	14.40
Low		6.27	0.45	3.74
Mean		6.72	0.65	8.10
Median		6.72	0.62	7.13
Company (implied by the Exit Offer Price)	14.4	n.m.	0.44	n.m.

Source: Bloomberg LP, company annual reports and results announcements.

Notes:

- (1) The market capitalisation has been re-calculated based on Bloomberg's relative exchange rate per S\$1.00 as of the Latest Practicable Date.
- (2) EPS figures are based on the trailing 12-month results as at the Latest Practicable Date.
- (3) NTA figures are based on the latest available published financial statements as at the Latest Practicable Date.
- (4) For the Comparable Companies, EV is computed based on the latest available published financial results, except market capitalisation which is computed as at the Latest Practicable Date, and EBITDA is computed based on a trailing 12-month basis of the latest available published financial statements.
- (5) "n.m." means not meaningful as the respective Comparable Companies have either reported insignificant earnings/losses or negative NTA in respect of their latest available published financial statements.
- (6) "n.a." means not available.

Based on the above, we note that:

- (a) The range of P/E ratios among the Comparable Companies is between 6.27 times and 7.16 times. We also note that the mean P/E ratio of the Comparable Companies as at the Latest Practicable Date is 6.72 times. The Group had incurred net losses for the trailing 12-month period. As such, a meaningful P/E ratio cannot be computed.
- (b) The range of P/NTA ratios among the Comparable Companies is between 0.45 times and 0.92 times. We also note that the mean P/NTA ratio of the Comparable Companies as at the Latest Practicable Date is 0.65 times. The P/NTA ratio of the Group as implied by the Exit Offer of 0.44 times is below the range of the Comparable Companies.
- (c) The range of EV/EBITDA ratios among the Comparable Companies is between 3.74 times to 14.40 times. We also note that the Group's trailing 12-month EBITDA as at the Latest Practicable Date is negative. As such, a meaningful EV/EBITDA cannot be computed.

We wish to highlight that there may be significant differences between valuations of shares trading on the SGX-ST and other exchanges. Such cross border valuation statistics are subject to differing macroeconomic variables and investors' sentiments. For illustration purposes, as at the Latest Practicable Date, according to Bloomberg LP, the FSTS is trading at a P/E ratio of 15.81 times while the Korean KOSPI Index and the Japanese TOPIX Index are trading at P/E ratio of 21.66 times and 14.67 times, respectively.

In addition, we wish to highlight the following:

- (a) As highlighted earlier in this section 8.10, there are limitations in the Comparable Companies being directly comparable to the Group and that any comparison made in this section 8.10 serves only as an illustrative guide for Shareholders. Also, the list of Comparable Companies is by no means exhaustive.
- (b) The evaluation of the Exit Offer Price in relation to selected valuation statistics of the Comparable Companies that are broadly comparable to the Group, as set out above, forms part of the range of considerations used in our assessment of the financial terms of the Exit Offer as set out at the start of this section 8 of this Letter. Our conclusion and recommendation, after taking into account all such considerations, are set out in section 9 and should be read in conjunction with, and in the context of, the entirety of this Letter.

9. OUR RECOMMENDATION

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

Based on our overall financial assessment of the financial terms of the Exit Offer Price, we would highlight the following:

- (a) The challenging business environment:
 - (i) On a full year basis, the Group has been making a net loss since FY2009. For the latest full year financial results for the period ended 31 December 2013, the Group announced an increase in net loss from FY2012 of approximately RMB(50.3) million, to a net loss at approximately RMB(82.9) million for the FY2013 or the equivalent of a 64% decrease; and
 - (ii) The NTA for the Group has been declining from approximately RMB411.9 million as at 31 December 2009 to approximately RMB167.9 million and RMB166.8 million as at FY2013 and 1Q2014, respectively.
- (b) SGX-ST's Watch List status: The Company was placed on the SGX-ST's watch-list with effect from 5 March 2012 pursuant to Rule 1311 of the Listing Manual of the SGX-ST. The Company would have to meet the requirements of Rule 1314 of the Listing Manual within 24 months from 5 March 2012, i.e. by 5 March 2014, failing which the SGX-ST may delist the Company or suspend trading in the Shares with a view to delisting the Company. **The Company was unable to meet the criteria of the SGX-ST by the said deadline and on 6 May 2014, the Company received a notification from the SGX-ST stating that the SGX-ST is directing the delisting of the Company pursuant to Rule 1315 of the Listing Manual. Shareholders are to note that if the Minimum Acceptance Condition is not fulfilled, the Company will still be mandatorily delisted from the Official List of the SGX-ST. The Exit Offer will also lapse and all acceptances of the Exit Offer will be returned. In such event, Shareholders will hold shares in an unlisted public company.**
- (c) Despite the 56% discount implied by the Exit Offer Price to the Group's NTA per Share; as illustrated from the Mandatory Delistings, when the Company is delisted by SGX-ST (we note that the trading in the Company's securities has been suspended since 6 June 2014; we further note that the Exchange has confirmed through the SGX-ST Notification of Delisting stating that **the Exchange will proceed to delist the Company**), **it is possible that there may not be another exit offer for the Shares.**

Further, under Rule 1306 of the Listing Manual, it provides that if the Exchange exercises its power to remove an issuer from the Official List, the issuer or its controlling shareholder(s) must comply with the requirements of Rule 1309 where a reasonable exit alternative, which should normally be in cash, should be offered to the Shareholders; a reasonable exit offer may include a voluntary liquidation of the issuer's assets and distribution of cash back to shareholders. In this regard, even if a voluntary liquidation of the Company is initiated, at least 75% of the Shareholders must consent for the voluntary liquidation; both GDY and HYP, together holds 45.62% of the total issued share capital of the Company, and has through the Offeror (wholly-owned by GDY and HYP) stated in paragraph 4 of the Exit Offer Letter that there are no current intention of making

material changes to the Company's existing business, re-deploying of the Company's fixed assets or discontinuing the employment of the employees of the Company and its subsidiaries, other than in the ordinary course of business.

- (d) The Shares have generally underperformed the FSTS for the 18-month period prior to the Joint Announcement Date and up to the Latest Practicable Date. Such underperformance usually indicates the investing public's view of the financial performance of the Company vis-à-vis the general stock market.
- (e) Weak liquidity of the Shares: **The trading of the Shares on the SGX-ST has generally been relatively thin.** The average daily trading volume of the Shares for the 12-month period prior to the Joint Announcement Date up to the Latest Practicable Date range from 0.469 million to 2.035 million or the equivalent of 0.235% to 1.018% of the Company's free float shares. Additionally, over the 12-month period prior to the Joint Announcement Date, there were only 78 days, out of the possible 252 Market Days, where the Shares were traded on the SGX-ST.
- (f) **The Exit Offer Price represents a premium over the VWAPs** and last transacted prices of the Shares for all the periods taken into account in this Letter at approximately 2.94% to 25% for the 12-month period prior to the Joint Announcement Date up to the Latest Practicable Date.
- (g) The premia implied by the Exit Offer Price of approximately 16.7%, 25.0% and 12.9% over the respective Last Transacted Price, 1-month and 3-month VWAP of the Shares prior to the Joint Announcement Date is within the corresponding range of premia of the Comparable Transactions.
- (h) Other relevant considerations in relation to the Exit Offer such as:
 - (i) Compulsory acquisition;
 - (ii) Dividend track record of the Company;
 - (iii) NTA of the Group and the Share price performance;
 - (iv) Analysis of NTA of the Group against the Exit Offer Price; and
 - (v) Valuation statistics of the Group implied by the Exit Offer Price versus those of broadly comparable companies.

After having carefully considered the information available to us, and based upon the financial, industry, market, economic and other relevant conditions subsisting on the Latest Practicable Date as well as the considerations set out in this Letter in its entirety, we are of the opinion that, on balance, the financial terms of the Exit Offer are: (i) fair and reasonable; and (ii) not prejudicial to the interests of the Minority Shareholders.

This Letter is addressed to the Independent Directors for their benefit in connection with and for the purpose of their consideration of the financial terms of the Delisting and the Exit Offer. The recommendation made by them to the Board in relation to the Delisting shall remain the sole responsibility of the Independent Directors. The Independent Directors should advise the Shareholders to refer to the Exit Offer Letter. If in doubt, these Shareholders should also consult their respective financial adviser.

Whilst a copy of this Letter may be reproduced in the Exit Offer Letter, neither the Company nor the Directors 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 NRA Capital 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 stated herein and does not apply by implication to any other matter.

Yours faithfully

Kevin Scully
Executive Chairman
NRA Capital Pte. Ltd.

Raymond Lee
Director
NRA Capital Pte. Ltd.

APPENDIX IV

RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY

The rights of Shareholders in respect of capital, voting and dividends are contained in the Articles of Association of the Company, the relevant provisions of which are set out below:

SHARES		
5.	Subject to the Statutes, no shares may be issued without the prior approval of the Company in General Meeting but subject thereto and to these Articles relating to new shares and to any special right attached to any share for the time being Issued, the Directors may allot (with or without conferring any right of renunciation), grant options over or otherwise dispose of the same to such persons on such terms and conditions (including such consideration) and at such time as the Directors determine Provided Always that rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.	Shares under control of Company in General Meeting.
6(1).	The Company in General Meeting may by Ordinary Resolution authorise the Directors to exercise any power of the Company to issue shares, such authority being confined to a particular exercise of that power or generally. Any such authority may be unconditional or subject to conditions and shall continue in force until the conclusion of the Annual General Meeting commencing next after the date on which the approval was given or the expiration of the period within which the next Annual General Meeting after that date is required by law to be held whichever is the earlier but may be previously revoked or varied by the Company in General Meeting Provided Always that no shares may be issued to transfer a controlling interest without prior approval of the Company in General Meeting.	Authority of Directors to issue shares.
6(2).	Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten Market Days of the closing date (or such other period as may be approved by the Exchange) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register as the holder thereof or before such share is entered against the name of a Depositor in the Depository Register, as the case may be, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of such share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit.	
7.	Any share in the Company may be issued with such preferred, qualified, deferred or other special rights, privileges and conditions or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine, and subject to the Statutes, the Company may issue preference shares which are or, at the option of the Company, are liable to be redeemed on such terms and in such manner as the Company before the issue thereof may by Ordinary Resolution determine.	Company may issue shares with preferred, qualified, deferred and other special rights.

8.	The Company shall have the power to issue further preference capital ranking equally with or in priority to the preference capital then already issued.	Issue of further preference shares.
9.	Subject to the provisions of the Statutes, all or any of the special rights or privileges for the time being attached to any preference share for the time being issued may from time to time (whether or not the Company is being wound up) be modified, affected, altered or abrogated and preference capital other than redeemable preference shares may be repaid if authorised by a Special Resolution passed by holders of such preference shares at a special meeting called for the purpose. To any such special meeting, all provisions of these Articles as to General Meetings of the Company shall mutatis mutandis apply but so that the necessary quorum shall be two persons at least holding or representing by proxy not less than one third of the issued preference shares concerned and that every holder of the preference shares concerned shall be entitled on a poll to one vote for every such share held by him and that any holder of the preference shares concerned present either in person or by proxy may demand a poll Provided Always that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from holders of three-fourths of the preference shares concerned within two months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting.	Alteration of rights of preference shareholders.
10.	Preference shareholders shall have the same rights as ordinary Members as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital of the Company or winding up or sanctioning the sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.	Rights of preference shareholders.
11.	If by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the holder for the time being of the share or his legal personal representative.	Instalments of shares.

12.	The Company may pay a commission to any person in consideration of his subscribing, or agreeing to subscribe, whether absolutely or conditionally, for any share in the capital of the Company but such commission shall not exceed ten per cent of the price at which the shares are issued or an amount equivalent thereof. Any such commission may be paid in whole or in part in cash or fully or partly paid shares of the Company as may be arranged, and the Company may, in addition to, or in lieu of, such commission, in consideration of any person so subscribing or agreeing to subscribe, or of his procuring or agreeing to procure subscriptions, whether absolute or conditional, for any share in the Company, confer on any such person an option call within a specified time for a specified number or amount of shares in the Company at a specified price. The payment or agreement to pay a commission or the conferring of an option shall be in the discretion of the Directors on behalf of the Company. The requirements of the Statutes shall be observed, so far as applicable.	Commission for subscribing.
13(1).	The Company shall not be bound to register more than three persons as the joint holders of any share except in the case of executors, administrators or trustees of the estate of a deceased Member.	Joint holders.
13(2).	Subject to Article 13(1), any two or more persons may be registered as joint holders of any share and the joint holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls and interest (if any) due in respect of such share.	
13(3).	The joint holder first named in the Register or the Depository Register, as the case may be, shall as regards voting, proxy, service of notices and delivery of certificates and dividend warrants, be deemed to be the sole owner of such share.	
14.	No person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any other rights in respect of any share other than an absolute right to the entirety thereof in the person (other than the depository) entered in the Register as the registered holder or in the person whose name is entered in the Depository Register in respect of that share, as the case may be, except only where these Articles otherwise provide or as required by the Statutes or pursuant to any order of Court.	No trusts recognised.
15.	No person shall exercise any rights of a Member in respect of a share until his name shall have been entered in the Register as the registered holder thereof or in the Depository Register in respect of such share, as the case may be, and, unless the Directors otherwise determine, such person shall have paid all calls and other moneys for the time being due and payable on any share held by him.	Exercise of rights of Members.
16.	No part of the funds of the Company shall be employed by the Directors or the Company in the acquisition of shares in the Company or in lending on the security of shares in the Company unless permitted by the Statutes.	Company not to deal with its own shares.

LIEN ON SHARES		
22.	The Company shall have a first and paramount lien on every share (not being a fully-paid share) and all dividends or interests from time to time declared in respect thereof for all moneys (whether presently payable or not) called or payable at a fixed time, in respect of that share and for all moneys which the Company may be called upon by law to pay in respect of the shares of the Member or the deceased Member. The Directors may however waive any lien which has arisen and may resolve that any share shall for any limited period be exempt wholly or partially from the provisions of this Article 22.	Company's lien on shares.
23.	For the purpose of enforcing such lien the Directors may sell all or any of the shares subject thereto in such manner as they think fit, and no sale shall be made until such time as the moneys are presently payable, and until a notice in writing stating the amount due and demanding payment, and giving notice of intention to sell in default, shall have been served in such a manner as the Directors shall think fit on the holder for the time being of the share or the person (if any) entitled by transmission to the shares, and default in payment shall have been made by him or them for seven days after such notice.	Right to enforce lien by sale.
24.	The net proceeds of any such sale shall be applied in or towards the satisfaction of the amount due, and the residue (if any) shall be paid to the person whose share has been sold, his executors, administrators, trustees or assignees or as he shall direct.	Application of proceeds of sale.
25.	To give effect to any such sale the Directors may authorise some person to transfer or to effect the transfer, as the case may be of the shares sold to the purchaser.	How sale to be effected.
CALLS ON SHARES		
26.	The Directors may from time to time make calls upon the Members in respect of any money unpaid on their shares or on any class of shares and not by the conditions of allotment thereof made payable at fixed times, and each Member shall (subject to his having been given at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be made payable by instalments. A call may be revoked or postponed as the Directors may determine. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.	Powers of Directors to make calls.
27.	The joint holders of a share shall be jointly and severally liable to pay all calls and interest (if any) in respect thereof.	Joint and several liability.
28.	If before or on the day appointed for payment thereof a call payable in respect of a share is not paid, the person from whom the amount of the call is due shall pay interest on such amount at the rate of eight per cent per annum from the day appointed for payment thereof to the time of actual payment, but the Directors shall have power to waive payment of such interest or any part thereof.	Interest on unpaid calls.

29.	Any sum which by the terms of allotment of a share is made payable upon issue or at any fixed date and any instalment of a call shall for all purposes of these Articles be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all the other relevant provisions of these Articles or the Statutes shall apply as if such sum were a call duly made and notified as hereby provided.	Sums payable under terms of allotment to be deemed calls.
30.	The Directors may from time to time make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls.	Difference in calls between various holders.
31.	The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any share held by him, and upon all or any part of the moneys so advanced may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in General Meeting shall otherwise direct) eight per cent per annum as may be agreed upon between the Directors and the Member paying the sum in advance. Capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits.	Payment of call in advance.
FORFEITURE OF SHARES		
32.	If any Member fails to pay the whole or any part of any call or instalment of a call on or before the day appointed for the payment of the same or any interest thereon, the Directors may at any time thereafter during such time as the call or instalment or interest remains unpaid serve a notice on such Member requiring him to pay the same, together with any interest (including interest upon interest) and expenses that may have been incurred by the Company by reason of such non-payment.	Notice to be given of intended forfeiture.
33.	The notice shall name a further day (not being less than fourteen days from the date of service of the notice) and a place on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or instalment or interest is payable shall be liable to be forfeited.	Form of notice.
34.	If the requirements of any notice as aforesaid are not complied with, any share in respect of which the notice has been given, may at any time thereafter, before payment of all such calls or instalments, interests and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.	If notice not complied with shares may be forfeited.

35.	Any share so forfeited or surrendered shall be deemed to be the property of the Company, and the Directors may sell, re-allot, or otherwise dispose of the same in such manner as they think fit. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed.	Sale etc of forfeited and surrendered shares.
36.	The Directors may at any time before any share so forfeited or surrendered shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture or surrender thereof upon such conditions as they think fit.	Power to annul forfeiture.
37.	For the purpose of giving effect to any sale of forfeited or surrendered shares, the Directors may authorise some person to transfer or to effect the transfer of, as the case may be, the shares sold to the purchaser.	Transfer of forfeited or surrendered shares
38.	Any Member whose shares shall have been forfeited or surrendered shall cease to be a Member in respect of the forfeited or surrendered shares but shall, notwithstanding such forfeiture or surrender, be liable to pay, and shall forthwith pay to the Company all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until payment, at the rate of eight per cent per annum and the Directors may enforce the payment of such moneys or any part thereof if they think fit, but shall not be under any obligation so to do. Any residue after the satisfaction of the unpaid calls, accrued interest and expenses shall be paid to the person whose shares have been forfeited or surrendered, his executors, administrators, trustees or assignees or as he shall direct.	Liability on forfeited share.
39(1).	A statutory declaration in writing that the declarant is a Director or the Secretary, and that a share has been duly forfeited, surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate, where the same be required, delivered to a purchaser or (where the purchaser is a Depositor) to the Depository or the allottee thereof, as the case may be, shall (subject to the execution of a transfer if the same be required) constitute a good title to the share.	Declaration by Director or Secretary conclusive of fact of forfeiture.

39(2).	<p>(a) In the event of such sale, re-allotment or disposal, where the person (the “Relevant Person”) to whom the share is sold, re-allotted or disposed of is not a Depositor, the share shall be registered in the Register in the name of the Relevant Person and, where the Relevant Person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of.</p> <p>(b) The Relevant Person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.</p>	
TRANSFER OF SHARES		
40.	Save as provided by these Articles, there shall be no restriction on the transfer of fully paid shares (except where required by law or by the rules, bye-laws or listing rules of the Exchange). All transfers of shares may be effected by way of book-entry in the Depository Register Provided Always that the legal title in the shares may be transferred by the registered holders thereof by an instrument of transfer in the form approved by the Exchange. The instrument of transfer shall be left at the Office accompanied by the certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain the registered holder of the shares until the name of the transferee is entered in the Register in respect thereof.	Shares to be transferable.
41.	The instrument of transfer shall be signed both by the transferor and by the transferee, and it shall be witnessed Provided Always that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository.	Instrument of transfer.
42.	Shares of different classes shall not be comprised in the same instrument of transfer.	Only shares of same class to be in same instrument.
43.	No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.	Restriction on transfer.
44(1).	All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same.	Retention of Instrument of transfer and disposal of documents.

44(2).	<p>The Company shall be entitled to destroy:–</p> <ul style="list-style-type: none"> (a) all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof; (b) all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof; and (c) all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof. 	
44(3)	<p>It shall be conclusively presumed in favour of the Company that every entry in the Register purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and that:</p> <ul style="list-style-type: none"> (a) every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered; (b) every share certificate so destroyed was a valid and effective certificate duly and properly cancelled; and (c) every other document hereinbefore mentioned so destroyed was a valid and effective document; <p>in accordance with the recorded particulars thereof in the books or records of the Company.</p>	
44(4)	<p>Articles 44(2) and 44(3) shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant.</p>	
44(5)	<p>Nothing contained in this Article 44 shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstance which would not attach to the Company in the absence of this Article 44, and references in this Article 44 to the destruction of any document include references to the disposal thereof in any manner.</p>	
45.	<p>The Directors may decline to accept any instrument of transfer unless:–</p> <ul style="list-style-type: none"> (a) all or any part of the stamp duty (if any) payable on each share transfer and such fee not exceeding two Singapore Dollars for each transfer or such other sum as may from time to time be prescribed by the Exchange is paid to the Company; and (b) such fee not exceeding two Singapore Dollars as the Directors may from time to time determine is paid to the Company in respect of the registration of any instrument of transfer, probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares. 	Fees relating to transfers.

46.	The Directors may refuse to register the transfer of shares or allow the entry of or against a person's name in the Depository Register in respect of shares transferred or to be transferred to such person:– (a) which are not fully paid up; or (b) on which the Company has a lien.	Power of Directors to refuse to register.
47.	If the Directors refuse to register any transfer of any share they shall, where required by the Statutes, serve on the transferor and transferee, within one month beginning with the day on which the transfer was lodged with the Company, a notice in writing informing each of them of such refusal and of the facts which are considered to justify the refusal.	Notice of refusal to be sent by Company.
48.	The Register may be closed at such times and for such periods as the Directors may from time to time determine Provided Always that the Register shall not be closed for more than thirty days in any year Provided Always that the Company shall give prior notice of such closure as may be required to the Exchange stating the period and purpose or purposes for which such closure is to be made.	Closure of the Register.
INCREASE OF CAPITAL		
57.	The Company in General Meeting may from time to time by Ordinary Resolution, whether all the shares for the time being issued have been fully paid up or not, increase its capital by the creation and issue of new shares, such aggregate increase to be of such amount and to be divided into shares of such respective amounts as the Company by the resolution authorising such increase shall direct.	Power to increase capital.
58(1).	Unless otherwise determined by the Company in General Meeting or except as permitted under the Exchange's listing rules, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings, in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled.	Issue of new shares to Members.
58(2).	The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered in the manner hereinbefore provided.	Notice of issue.
59.	Subject to any directions that may be given in accordance with the powers contained in the Memorandum of Association or these Articles, any capital raised by creation of new shares shall be considered as part of the original capital and all new shares shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as if it had been part of the original capital.	New capital considered part of original capital.

ALTERATION OF CAPITAL		
60(1).	<p>The Company may by Ordinary Resolution:–</p> <p>(a) consolidate and divide all or any of its share capital; or</p> <p>(b) cancel the number of shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the number of the shares so cancelled; or</p> <p>(c) sub-divide its existing shares or any of them. The resolution by which the subdivision is effected may determine that, as between the holders of the resulting shares, one or more of such shares may have any such preferred, deferred or other special rights or be subject to any restriction as the Company has power to attach to unissued or new shares; and</p> <p>(d) subject to the Statutes, convert any class of shares into any other class of shares.</p>	Alteration of Capital.
60(2).	The Company may by Special Resolution reduce its share capital, in any manner and with and subject to any requirement authorised and consent required by law.	
MODIFICATION OF CLASS RIGHTS		
61.	<p>Subject to the Statutes and save as provided by these Articles, all or any of the special rights or privileges attached to any class of shares in the capital of the Company for the time being issued may, at any time, as well before as during liquidation, be modified, affected, altered or abrogated, either with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting, but so that the quorum thereof shall be not less than two persons personally present and holding or representing by proxy one-third of issued shares of the class, and that any holder of shares of the class, present in person or by proxy, shall on a poll be entitled to one vote for each share of the class held or represented by him, and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of shares of the class who are personally present shall be a quorum. The Directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or Resolution to the Registrar of Companies.</p>	Modification of class rights.
GENERAL MEETINGS		
66.	In addition to any other meetings, a General Meeting shall be held once at least in every calendar year, at such time and place as may be determined by the Directors, but so that no more than fifteen months shall be allowed to elapse between any two such General Meetings.	General Meetings.

67.	The abovementioned General Meetings shall be called Annual General Meetings. All other General Meetings shall be called Extraordinary General Meetings.	Annual General Meetings.
68.	The First Annual General Meeting of the Company shall be held at such time within a period of not more than eighteen months from the date of incorporation of the Company and at such time and place as the Directors may determine.	First Annual General Meeting.
69.	The Directors may call an Extraordinary General Meeting of the Company whenever they think fit in accordance with the Statutes.	Directors may call Extraordinary General Meetings.
70.	<p>The Directors shall, on the requisition of the holders of not less than one-tenth of the issued capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an Extraordinary General Meeting of the Company, and in the case of such requisition the following provisions shall have effect:–</p> <p>(a) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Office, and may consist of several documents in like form each signed by one or more requisitionists.</p> <p>(b) If the Directors of the Company do not proceed to cause a meeting to be held within twenty-one days from the date of the requisition being so deposited, the requisitionists or any of them representing more than one half of the voting rights of all of them may themselves convene the meeting, but any meeting so convened shall not be held after three months from the date of the deposit.</p> <p>(c) In the case of a meeting at which a resolution is to be proposed as a Special Resolution the Directors shall be deemed not to have duly convened the meeting if they do not give such notice as is required by the Statutes.</p> <p>(d) Any meeting convened under this Article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by Directors.</p>	Extraordinary General Meetings called on requisition of shareholders.

71.	Subject to the Statutes relating to the convening of meetings to pass Special Resolutions and agreements for shorter notice, at least fourteen clear days' notice in writing specifying the place, day and hour of the meeting, and in case of special business, a notice in writing setting out the general nature of such special business, accompanied by a statement regarding the effect of any proposed resolution in respect of such special business, shall be given to all Members and the Exchange other than such as are not entitled under these Articles to receive such notices from the Company. At least fourteen days' notice in writing of any General Meeting shall be given and at least twenty-one days' notice in writing in the case of a Meeting to pass Special Resolution shall be given to all Members and the Exchange. Every such notice shall be published in at least one English Language daily newspaper circulating in Singapore at least fourteen clear days before the meeting. Whenever any meeting is adjourned for fourteen days or more, at least seven days' notice in writing of the place and hour of such adjourned meeting shall be given in like manner Provided Always that when a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.	Notice of meeting.
72.	Any Member entitled to be present and vote at a meeting or his proxy may submit any resolution to any General Meeting, provided that at least for the prescribed time before the day appointed for the meeting he shall have served upon the Company a notice in writing by him containing the proposed resolution, and stating his intention to submit the same. The prescribed time abovementioned shall be such that, between the date that the notice is served and the day appointed for the meeting, there shall be not less than three nor more than fourteen intervening days.	Members may submit resolution to meeting on giving notice to Company.
73.	Upon receipt of any such notice as in the last preceding Article mentioned, the Secretary shall include in the notice of the meeting in any case where the notice of intention is received before the notice of the meeting is issued, and shall in any other case issue as quickly as possible to the Members notice that such resolution will be proposed.	Secretary to give notice to Members.
74.	The accidental omission to give any notice to or non-receipt of any notice by any Member shall not invalidate the meeting or any resolution passed or proceedings at any such meeting.	Accidental omission to give notice.
PROCEEDINGS AT GENERAL MEETINGS		
75.	All business shall be deemed special that is transacted at an Extraordinary General Meeting and also all business that is transacted at an Annual General Meeting with the exception of the consideration of the accounts, balance sheets and reports (if any) of the Directors and Auditors, the fixing of the remuneration of Directors, the election of Directors in the place of those retiring, the declaration of dividends and the appointment of and the fixing of the remuneration of the Auditors.	Special business.
76.	Save as is herein otherwise provided, two Members present in person or by proxy shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the quorum is present at the commencement of the business. A corporation or a limited liability partnership being a Member shall be deemed to be personally present if represented in accordance with the provisions of Article 91.	Quorum.

77.	If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place. At the adjourned meeting, any two or more Members present in person or by proxy shall be a quorum.	If quorum not present.
78.	The Chairman (if any) of the Board of Directors shall preside as Chairman at every General Meeting, but if there be no such Chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding the same, or shall be unwilling to act as Chairman, the Members present shall choose some Director or, if no Director be present or if all the Directors present decline to take the chair, one of themselves to be Chairman of the meeting.	Chairman.
79.	The Chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.	Adjournment.
80.	At every General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands by the Members present in person and entitled to vote, unless before or upon the declaration of the result of the show of hands a poll be demanded by:— (a) the Chairman of the meeting; or (b) not less than two Members present in person or by proxy and entitled to vote; or (c) a Member or Members present in person or by proxy, holding or representing, as the case may be:— (i) not less than one-tenth of the total voting rights of all Members entitled to vote at the meeting; or (ii) shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.	How matters are to be decided.
81(1)	If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the results of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.	Chairman's direction as to poll.
81(2).	No poll shall be demanded on the election of a Chairman of a meeting or on a question of adjournment. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs.	

82.	Unless a poll be so demanded, a declaration by the Chairman of the meeting that a resolution has been carried, or has been carried by a particular majority, or lost, or not carried by a particular majority shall be conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.	Declaration of Chairman conclusive.
83(1).	No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting, as the case may be, at which the vote objected to is or may be given, tendered or cast, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.	Objection to admissibility.
83(2).	If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting, or at any adjournment thereof, and unless in the opinion of the Chairman at the meeting or at any adjournment thereof as the case may be, it shall be of sufficient importance to vitiate the result of the voting.	
84.	In 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, as the case may be, shall have a second or casting vote.	In the event of equality of votes.
VOTES OF MEMBERS		
85(1).	<p>Subject to and without prejudice to any special privileges or restriction as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company:—</p> <p>(a) every Member who is present in person or by proxy shall have one vote on a show of hands, the Chairman to decide which proxy shall be entitled to vote where a Member is represented by two proxies; and</p> <p>(b) every Member who is present in person or by proxy, in case of a poll, shall have one vote for every share which he holds or represents and upon which all calls or other sums due thereon to the Company have been paid.</p>	Voting rights.
85(2).	For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting upon a poll being called, the number of shares held or represented shall, in relation to the shares of that Depositor, be the number of shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company.	
86.	In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register or the Depository Register, as the case may be.	Right of joint holders.

87.	Unless the Directors otherwise determine, no person other than a Member who shall have paid everything for the time being due from him and payable to the Company in respect of his shares, shall be entitled to be present or to vote on any question either personally or by proxy at any General Meeting.	Members only entitled to vote upon full payment.
88.	A Member 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 the committee, curator bonis, or other person in the nature of committee or curator bonis appointed by that Court, and any such committee, curator bonis, or other person may, on a poll, vote by proxy.	Votes of Members of unsound mind.
89.	On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.	Vote personal or by proxy.
90(1)	A proxy need not be a Member.	Proxies.
90(2).	<p>A Member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting Provided Always that where the Member is a Depositor, the Company shall be entitled and bound:—</p> <p>(a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company;</p> <p>(b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company, whether that number be greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor; and</p> <p>(c) in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.</p>	
90(3).	In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.	

91.	Any corporation or a limited liability partnership which is a Member may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meetings of the Company or any class of Members of the Company, and such representative shall be entitled to exercise the same powers on behalf of the corporation or a limited liability partnership which he represents as if he had been an individual shareholder.	Corporation may appoint representative.
92.	<p>An instrument appointing a proxy shall be in writing in any usual or common form (including the form approved from time to time by the Depository) or in any other form which the Directors may approve and:–</p> <p>(1) in the case of an individual shall be signed by the appointor or his attorney;</p> <p>(2) in the case of a corporation or a limited liability partnership shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation or limited liability partnership.</p>	Execution of instrument of proxy on behalf of appointor.
93.	Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company) if required by law, be duly stamped and be deposited at the Office, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.	Lodgement of instrument appointing proxy.
94.	The signature on an instrument of proxy need not be witnessed.	No witness needed for instrument of proxy.
95.	A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or transfer of the share in respect of which the vote is given Provided Always that no notice in writing of the death or revocation or transfer shall have been received at the Office one hour at least before the time fixed for holding the meeting.	When vote by proxy valid though authority revoked.
96.	An instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll and to speak at the meeting.	Instrument deemed to confer authority.
97.	Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.	Voting in respect of shares of different monetary denominations.

DIVIDENDS		
135.	The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles as to the reserve fund shall be divisible among the Members in proportion to the amount of capital paid up on the shares held by them respectively.	Appropriation of profits.
136.	The Company in General Meeting may by Ordinary Resolution declare a dividend on or in respect of any share to the Members according to their rights and interest in the profits and may fix the time for payment. No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend.	Declaration of Dividend.
137.	No dividend shall be payable except out of the profits of the Company. No dividend shall carry interest.	Dividend payable out of profits.
138.	The declaration of the Directors as to the net profits of the Company shall be conclusive.	Declaration conclusive.
139.	The Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies provided no such dividends shall be declared more than once in six months.	Interim dividend.
140.	The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities, or engagements in respect of which the lien exists.	Debts may be deducted.
141.	A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer or the entry of the shares against the Depositor's name in the Depository Register, as the case may be.	Effect of transfer.
142.	Any General Meeting declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets, and in particular of wholly or partly paid-up shares, debentures, or debenture stock of the Company, or wholly or partly paid-up shares, debentures, or debenture stock of any other company, or in any one or more of such ways, and the Directors shall give effect to such resolution; and where any difficulty arises in regard to the distribution, they may settle the same as they think expedient, and in particular may issue fractional certificates, 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 Member upon the footing of the value so fixed, in order to adjust the rights of all parties, and may vest any such specific assets in trustees upon such trusts for the persons entitled to the dividends as may seem expedient to the Directors. Where requisite, a proper contract shall be filed in accordance with Section 63 of the Act, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend, and such appointment shall be effective.	Dividend in specie.

143.	The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmissions of shares hereinbefore contained entitled to become a Member, or which any person under those provisions is entitled to transfer until such person shall become a Member in respect of such shares or shall duly transfer the same.	Power to retain dividends.
144.	In case several persons are registered in the Register or entered in the Depository Register, as the case may be, as the holders of any share, any resolution of the Directors or the Company in General Meeting declaring a dividend on shares of any class may specify that the dividend shall be payable to such persons at the close of business on a particular date and thereupon the dividend shall be payable in accordance with their respective holdings so registered. Any person registered in the Register or in the Depository Register, as the case may be, as the holder or joint holder of any share or is entitled jointly to a share in consequence of the death or bankruptcy of the holder may give effectual receipts for dividends, bonuses, other moneys payable or properties distributable and payment on account of dividends on or in respect of such shares.	Payment to and receipt by joint holders.
145.	Notice of declaration of any dividend, whether interim or otherwise, may be given by advertisement.	Notice of dividend.
146.	Unless otherwise directed, any dividend may be paid by cheque, dividend warrant or Post Office Order, sent through the post to the registered address appearing in the Register or the Depository Register, as the case may be, of the Member or person entitled, or where two or more persons are registered in the Register or entered in the Depository Register, as the case may be, as joint holders or are entitled to the dividend as a result of the death or bankruptcy of the holder, to that one whose name shall stand first on the Register or the Depository Register, as the case may be, in respect thereof and every cheque, dividend warrant or Post Office Order so sent shall be made payable to the order of the person to whom it is sent or to any person and address as such Member(s) or persons(s) may direct in writing. The Company shall not be responsible for the loss of any cheque, dividend warrant or Post Office Order, which shall be sent by post duly addressed to and at the sole risk of the Member or person for whom it is intended. Payment of the cheque, dividend warrant or Post Office Order by the bank upon which they are respectively drawn shall be a full and valid discharge to the Company. Notwithstanding the provisions of these Articles, payment by the Company to the Depository of any dividend payable to a Depositor shall also be a full and valid discharge of the Company from liability to the Depositor in respect of that payment to the extent of the payment made to the Depository.	Payment by post.
147.	The Depository will hold all dividend unclaimed for six years after having been declared and paid before release to the Directors, and the Directors may invest or otherwise make use of the unclaimed dividends for the benefit of the Company until claimed.	Unclaimed dividends.

CAPITALISATION OF PROFITS AND RESERVES		
148(1)	<p>The Company in General Meeting may, upon the recommendation of the Directors, resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve funds or to the credit of the profit and loss account or otherwise available for distribution; and accordingly that such sum be set free for distribution amongst the holders of shares in the Register or in the Depository Register, as the case may be, who would have been entitled thereto if distributed by way of dividends and in the same proportions 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 Members respectively or paying up on full unissued shares or debentures of the Company to be allotted and distributed credited as fully paid up to and amongst such holders or in their nominees in the proportion aforesaid or partly in the one way and partly in the other and the Directors shall give effect to such resolution.</p>	Capitalisation of profits and reserves.
148(2)	<p>Whenever such resolution as aforesaid shall have been passed, the Directors shall make all appropriations and applications of the amounts resolved to be capitalised thereby and all allotments and issues of fully paid shares or debentures, if any, and generally, shall do all acts and things required to give effect thereto with full power to the Directors to make such provision for the satisfaction of the right of the holders of such shares in the Register or in the Depository Register, as the case may be, under such resolution to a fractional part of a share by the issue of fractional certificates or by payment in cash or otherwise as they think fit and also to authorise any persons to enter on behalf of such holders entitled thereto or their nominees into an agreement with the Company providing for the allotment to them respectively credited as fully paid up of any further shares to which they may be entitled upon such capitalisation; and any agreement made under such authority shall be effective and binding on all such holders and their nominees.</p>	

APPENDIX V

AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013



CHINA POWERPLUS LIMITED

(Registration No: 200208614Z)

Directors' Report and Financial Statements

Year Ended 31 December 2013

RSM Chio Lim LLP
8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095
T +65 6533 7600 F +65 6594 7811
info@rsmchiolim.com.sg www.RSMChioLim.com.sg

UEN: T09L0008J

RSM Chio Lim LLP is a member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

Business Advisors to Growing Businesses



Globally Connected
RSM International

Directors' Report and Financial Statements

Contents	Page
Directors' Report.....	1
Statement by Directors	4
Independent Auditors' Report.....	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	7
Statements of Financial Position.....	8
Statements of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Financial Statements.....	11

Directors' Report

The directors of the company are pleased to present their report together with the audited consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company for the reporting year ended 31 December 2013.

1. Directors at Date of Report

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

Xue Yongwen
 Guo Dianyan
 Hao Yanping
 Chen Yulin (Alternate to Hao Yanping)
 Seah Yang Hwee Damien
 Oh Beng Teck Danny
 Ong Su Aun Jeffrey (Appointed on 27 August 2013)

2. Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

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

3. Directors' Interests in Shares and Debentures

The directors of the company holding office at the end of the reporting year had no interests in the share capital of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act") except as follows:

Name of directors and companies in which interests are held	<u>Direct Interest</u>		<u>Deemed Interest</u>	
	At beginning of the reporting year or date of appointment if later	At end of the reporting year	At beginning of the reporting year or date of appointment if later	At end of the reporting year
<u>The Company</u>	<u>Number of shares of no par value</u>			
Xue Yongwen	—	—	126,900,000	126,900,000
Guo Dianyan	126,900,000	126,900,000	—	—
Hao Yanping	—	66,901,000	—	—
Oh Beng Teck Danny	4,700,000	4,700,000	—	—

By virtue of section 7 of the Act, Mr Xue Yongwen and Mdm Guo Dianyan are deemed to have an interest in the subsidiaries of the company.

The directors' interests as at 21 January 2014 were the same as those at the end of the reporting year.

4. Contractual Benefits of Directors

Since the beginning of the reporting year, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Act by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

There were certain transactions (shown in the financial statements under related party transactions) with corporations in which certain directors have an interest.

5. Share Options

During the reporting year, no option to take up unissued shares of the company or any subsidiary was granted and there were no shares of the company or any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the company or any subsidiary under option.

6. Audit Committee

The members of the audit committee at the date of this report are as follows:

Oh Beng Teck Danny	(Chairman of Audit Committee and Independent Director)
Ong Su Aun Jeffrey	(Independent Director)
Seah Yang Hwee Damien	(Non-executive Director)

The Audit Committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditors their audit plan;
- Reviewed with the independent external auditors their evaluation of the company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by the management's officers to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures including those relating to financial, operational and compliance controls and risk management and the assistance given by the management to the internal auditors;
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX).

6. Audit Committee (Cont'd)

Other functions performed by the Audit Committee are described in the Corporate Governance Report included in the Annual Report and it includes an explanation of how independent external auditors' objectivity and independence is safeguarded when they provide non-audit services. The Audit Committee, having reviewed all non-audit services provided by the independent external auditors, is satisfied that the nature and extent of such services would not affect their independence.

The Audit Committee has recommended to the board of directors that RSM Chio Lim LLP be nominated for re-appointment as independent auditors at the next annual general meeting of the company.

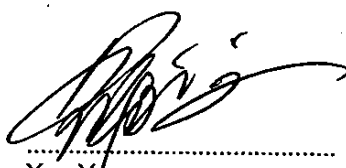
7. Independent Auditors

The independent auditors, RSM Chio Lim LLP, have expressed their willingness to accept re-appointment.

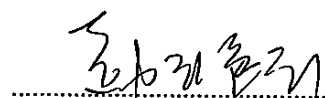
8. Subsequent Developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 27 February 2014, which would materially affect the group's and the company's operating and financial performance as of the date of this report except for adjustments of RMB4,033,000 and RMB1,829,000 in respect of impairment losses on property, plant and equipment and investment in associate respectively which are charged into the consolidated statement of profit or loss and other comprehensive income under other charges.

On Behalf of The Directors



.....
Xue Yongwen
Director



.....
Hao Yanping
Director

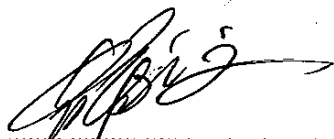
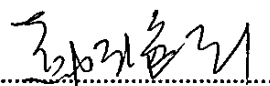
4 April 2014

Statement by Directors

In the opinion of the directors,

- (a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, statements of changes in equity, consolidated statement of cash flows, and notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December 2013 and of the results and cash flows of the group and changes in equity of the company and of the group for the reporting year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On Behalf of The Directors


.....
Xue Yongwen
Director
.....
Hao Yanping
Director

4 April 2014

**Independent Auditors' Report to the Members of
CHINA POWERPLUS LIMITED (Registration No: 200208614Z)**

Report on the Financial Statements

We have audited the accompanying financial statements of China Powerplus Limited (the "company"), and its subsidiaries (collectively, the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

**Independent Auditors' Report to the Members of
CHINA POWERPLUS LIMITED (Registration No: 200208614Z)**

Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the financial statements. During the reporting year ended 31 December 2013, the group and company incurred loss, net of tax of RMB82,925,000 and RMB11,605,000 respectively. The group and the company have been incurring losses since 2009. The accumulated losses of the group totalled RMB157,191,000 as at the end of the reporting year. The operating cash inflow of the group was RMB603,000 for the reporting year and cash and cash equivalents the group totalled RMB1,381,000 as at 31 December 2013. These indicate the existence of a material uncertainty which may cast significant doubt about the abilities of the group and the company to continue as going concerns.

As is more fully disclosed in Note 2, the directors have prepared these financial statements on a going concern basis on the assumptions that the group and company will be able to generate sufficient cash flows from their operations going forward.

If the group and the company are unable to continue in operational existence for the foreseeable future, the group and the company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the group and the company may have to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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



RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

4 April 2014

Partner-in-charge: Chan Weng Keen
Effective from the reporting year ended 31 December 2010

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Reporting Year Ended 31 December 2013

	<u>Notes</u>	<u>2013</u> RMB'000	<u>2012</u> RMB'000
Revenue	6	334,970	335,034
Cost of Sales		(297,063)	(290,556)
Gross Profit		37,907	44,478
<u>Other Items of Income</u>			
Interest Income	7	6	25
Other Credits	8	602	4,303
<u>Other Items of Expense</u>			
Distribution Costs		(16,863)	(15,151)
Administrative Expenses	9	(27,534)	(26,280)
Other Charges	8	(70,219)	(10,838)
Share of Profit/(Loss) From an Equity-Accounted Associate		269	(33,898)
Loss Before Income Tax		(75,832)	(37,361)
Income Tax Expense	11	(7,093)	(12,933)
Loss, Net of Tax		(82,925)	(50,294)
<u>Other Comprehensive Income</u>			
Items that may be reclassified subsequently to Profit or Loss:			
Share of Other Comprehensive Income/(Loss) from Equity-Accounted Associate, Net of Tax		225	(172)
Foreign Currency Translation Differences, Net of Tax		6,062	2,122
Other Comprehensive Income for the Year, Net of Tax		6,287	1,950
Total Comprehensive Loss for the year		(76,638)	(48,344)
Loss Per Share		RMB Cents	RMB Cents
Basic and Diluted	13	(19.5)	(11.8)

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

Statements of Financial Position
As at 31 December 2013

		<u>Group</u>		<u>Company</u>	
	<u>Notes</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
<u>Non-Current Assets</u>					
Property, Plant and Equipment	14	96,519	122,570	—	2
Intangible Assets	15	—	3,662	—	—
Land Use Rights	16	13,830	14,468	—	—
Investments in Subsidiaries	17	—	—	134,548	143,816
Investment in an Associate	18	—	1,427	—	1,427
Deferred Income Tax Assets	11	—	7,093	—	—
Total Non-Current Assets		110,349	149,220	134,548	145,245
<u>Current Assets</u>					
Inventories	19	73,210	67,692	—	—
Trade and Other Receivables	20	49,402	70,918	2	—
Other Assets	21	4,889	3,351	75	60
Cash and Cash Equivalents	22	1,381	3,772	11	4
Total Current Assets		128,882	145,733	88	64
Total Assets		239,231	294,953	134,636	145,309
EQUITY AND LIABILITIES					
<u>Equity</u>					
Share Capital	23	206,515	206,515	206,515	206,515
Accumulated Losses		(157,191)	(74,266)	(171,432)	(159,827)
Other Reserves	24	118,589	112,302	4,126	7,294
Total Equity		167,913	244,551	39,209	53,982
<u>Current Liabilities</u>					
Trade and Other Payables	25	71,318	50,402	95,427	91,327
Total Equity and Liabilities		239,231	294,953	134,636	145,309

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

Statements of Changes in Equity
Reporting Year Ended 31 December 2013

Group	Total Equity RMB'000	Share Capital RMB'000	Statutory Reserve RMB'000	Capital Reserve RMB'000	Foreign Currency Translation Reserve RMB'000	Accumulated Losses RMB'000
Current Year:						
Opening Balance at 1 January 2013	244,551	206,515	25,520	93,330	(6,548)	(74,266)
Total Comprehensive (Loss)/Income for the Year	(76,638)	—	—	—	6,287	(82,925)
Closing Balance at 31 December 2013	<u>167,913</u>	<u>206,515</u>	<u>25,520</u>	<u>93,330</u>	<u>(261)</u>	<u>(157,191)</u>
Previous Year:						
Opening Balance at 1 January 2012	292,895	206,515	25,520	93,330	(8,498)	(23,972)
Total Comprehensive (Loss)/Income for the Year	(48,344)	—	—	—	1,950	(50,294)
Closing Balance at 31 December 2012	<u>244,551</u>	<u>206,515</u>	<u>25,520</u>	<u>93,330</u>	<u>(6,548)</u>	<u>(74,266)</u>

Company	Total Equity RMB'000	Share Capital RMB'000	Foreign Currency Translation Reserve RMB'000	Accumulated Losses RMB'000
Current Year:				
Opening Balance at 1 January 2013	53,982	206,515	7,294	(159,827)
Total Comprehensive Loss for the Year	(14,773)	—	(3,168)	(11,605)
Closing Balance at 31 December 2013	<u>39,209</u>	<u>206,515</u>	<u>4,126</u>	<u>(171,432)</u>
Previous Year:				
Opening Balance at 1 January 2012	78,268	206,515	3,726	(131,973)
Total Comprehensive (Loss)/Income for the Year	(24,286)	—	3,568	(27,854)
Closing Balance at 31 December 2012	<u>53,982</u>	<u>206,515</u>	<u>7,294</u>	<u>(159,827)</u>

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

Consolidated Statement of Cash Flows
Year Ended 31 December 2013

	<u>2013</u> RMB'000	<u>2012</u> RMB'000
<u>Cash Flows From Operating Activities:</u>		
Loss Before Income Tax	(75,832)	(37,361)
Depreciation of Property, Plant and Equipment	10,179	9,851
Impairment Loss on Property, Plant and Equipment	18,381	–
Loss on Disposal of Property, Plant and Equipment	489	805
Allowance for Impairment on Inventories	1,514	–
Allowance for Impairment on Trade Receivables	35,589	6,016
Allowance for Impairment on Investment in Associate	1,829	–
Amortisation of Land Use Rights	638	639
Amortisation of Intangible Assets	3,662	3,948
Intangible Asset Written-off	–	18
Impairment Loss on Other Assets	368	51
Interest Income	(6)	(25)
Share of (Profit)/Loss From an Equity-Accounted Associate	(269)	33,898
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	6,156	(5,074)
Operating Cash Flows Before Changes in Working Capital	2,698	12,766
Trade and Other Receivables	(14,073)	(17,268)
Inventories	(7,032)	10,948
Other Assets	(1,906)	5,492
Trade and Other Payables	20,916	(17,011)
Net Cash Flows From/(Used in) Operating Activities	603	(5,073)
<u>Cash Flows From Investing Activities:</u>		
Purchase of Plant and Equipment	(3,455)	(8,445)
Proceeds From Disposal of Property, Plant and Equipment	455	190
Interest Income Received	6	25
Net Cash Flows Used in Investing Activities	(2,994)	(8,230)
Net Decrease in Cash and Cash Equivalents	(2,391)	(13,303)
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Beginning Balance	3,772	17,075
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Ending Balance (Note 22)	1,381	3,772

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

Notes to the Financial Statements
31 December 2013

1. General

China Powerplus Limited (the "company") is incorporated in Singapore with limited liability and listed on the Singapore Exchange Securities Trading Limited.

The financial statements are presented in Chinese Renminbi ("RMB") and they cover the company and its subsidiaries and associate (collectively, the "group").

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The company is an investment holding company and the principal activities of the subsidiaries are disclosed in Note 17 below.

The registered office the company is located at 80 Robinson Road #02-00, Singapore 068898. The principal place of business of the company is in Singapore.

2. Going Concern Assumption

During the reporting year ended 31 December 2013, the group and company incurred loss, net of tax of RMB82,925,000 and RMB11,605,000 respectively. The group and the company have been incurring losses since 2009 and the total losses incurred by the group since the reporting year ended 31 December 2009. The accumulated losses of the group totalled RMB157,191,000 as at the end of the reporting year. The operating cash inflow of the group was RMB603,000 for the reporting year and cash and cash equivalents the group totalled RMB1,381,000 as at 31 December 2013. These indicate the existence of a material uncertainty which may cast significant doubt about the abilities of the group and the company to continue as going concerns.

In the opinion of the directors, the group and the company are able to continue as going concerns despite incurring losses since the reporting year ended 31 December 2009 and holding low cash and cash equivalents of RMB1,381,000 as at 31 December 2013 due to the following factors:

- The projected cash flows of the group for the reporting year ending 31 December 2014 show that the group will still able to generate net cash inflow in the foreseeable future.
- Subsequent to the reporting year ended 31 December 2013 up till 28 February 2014, the group has collected approximately RMB 14.5 million trade receivables from its customers.
- No material capital expenditure expected to be incurred in the reporting year ending 31 December 2014 as most of the machinery and equipment required for production were already made in the past few years.
- With continuous engagement in research and development over the years, the group successfully innovated and produced new products to meet the customers' need, and these new products have brought better profit margins and higher sales to the group. At the same time, the group has also gradually phased out those old products which delivered low profit margins.
- Generally, the group had built up rapport and good relationship with the suppliers and these suppliers will not demand for early payments.

2. Going Concern Assumption (Cont'd)

- The existing property, plant and equipment have not been pledged as security for bank facilities, and the group could readily apply for new bank facilities if required.
- With no external bank borrowing and proportion of trade and other payables as a whole is not significant to the group, the group does not expect to have any short term obligations which would significantly affect the cash flows of the group.

In view of the above factors, the directors of the company are of the view that the use of the going concern assumption is appropriate for the preparation of these financial statements.

If the group and the company are unable to continue in operational existence for the foreseeable future, the group and the company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the group and the company may have to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements.

3. Summary of Significant Accounting Policies

Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Singapore Companies Act, Chapter 50. The financial statements are prepared under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the current reporting year that were recognised in other comprehensive income in the current or previous reporting years.

Basis of Presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its directly or indirectly controlled subsidiaries. The consolidated financial statements are the financial statements of the group presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including profit or loss and other comprehensive income items and dividends are eliminated on consolidation. The results of any subsidiary acquired or disposed of during the reporting year are accounted for from the respective dates of acquisition or up to the date of disposal which is the date on which effective control is obtained of the acquired business, until that control ceases.

3. Summary of Significant Accounting Policies (Cont'd)

Basis of Presentation (Cont'd)

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The equity accounting method is used for the associate in the group financial statements.

The company's financial statements have been prepared on the same basis, and as permitted by the Singapore Companies Act, Chapter 50, no statement of profit or loss is presented for the company.

Basis of Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this note to financial statements, where applicable.

Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes, returns and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Interest income is recognised using the effective interest method. Dividend income from equity instruments is recognised when the entity's right to receive payment is established.

Employee Benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund such as the Central Provident Fund in Singapore (a government managed retirement benefit plan) or social insurance, including pension insurance, medical insurance, unemployment insurance, etc., and housing accumulation fund, which is managed by the local government in the People's Republic of China.

3. Summary of Significant Accounting Policies (Cont'd)

Employee Benefits (Cont'd)

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Income Tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Foreign Currency Transactions

The functional currency of the company is Singapore dollars ("S\$") as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss.

3. Summary of Significant Accounting Policies (Cont'd)

Foreign Currency Transactions (Cont'd)

The presentation currency is Chinese Renminbi ("RMB") as it reflects the primary economic environment where the group operates. For the RMB financial statements, assets and liabilities of the company are translated at year end rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity.

Translation of Financial Statements of Other Entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

Segment Reporting

The group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Property, Plant and Equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Factory buildings	–	5%
Plant and Equipment	–	6.25% to 20%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

3. Summary of Significant Accounting Policies (Cont'd)

Property, Plant and Equipment (Cont'd)

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Land Use Rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the remaining lease terms. The annual rate of amortisation is 3.58%.

Intangible Assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The annual rates of amortisation are as follows:

TOPSO trademark	–	20%
Other trademarks and patents	–	10%

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights or the ability to appoint or remove the majority of the members of the board of directors or to cast the majority of votes at meetings of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the reporting entity controls another entity.

In the company's own separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

3. Summary of Significant Accounting Policies (Cont'd)

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with FRS 103 Business Combinations. However the entire carrying amount of the investment is tested under FRS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in FRS 39 indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with FRS 39 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

In the company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

Impairment of Non-Financial Assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of non-financial assets is reviewed at the end of each reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. When the fair value less costs to sell method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

3. Summary of Significant Accounting Policies (Cont'd)

Impairment of Non-Financial Assets (Cont'd)

At the end of each reporting year, non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Financial Assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following four categories under FRS 39 is as follows:

- #1. Financial assets at fair value through profit or loss: As at end of the reporting year, there were no financial assets classified in this category.

3. Summary of Significant Accounting Policies (Cont'd)

Financial Assets (Cont'd)

Subsequent measurement (cont'd):

- #2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.
- #3. Held-to-maturity financial assets: As at end of the reporting year, there were no financial assets classified in this category.
- #4. Available for sale financial assets: As at end of the reporting year, there were no financial assets classified in this category.

Cash and Cash Equivalents

Cash and cash equivalents include bank and cash balances. For the consolidated statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction, if any.

Financial Liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

3. Summary of Significant Accounting Policies (Cont'd)

Financial Liabilities (Cont'd)

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

- #1. Liabilities at fair value through profit or loss: As at the end of the reporting year, there were no financial liabilities classified in this category.
- #2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Fair Value of Measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless state otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

3. Summary of Significant Accounting Policies (Cont'd)

Fair Value of Financial Instruments (Cont'd)

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

Equity

Equity instruments are contracts that give a residual interest in the net assets of the company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Government Grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant. A government grant related to assets, including non-monetary grants at fair value, is presented in the statement of financial position by setting up the grant as deferred income. The interest saved from government loans is regarded as additional government grant.

3. Summary of Significant Accounting Policies (Cont'd)

Critical Judgements, Assumptions and Estimation Uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Impairment of property, plant and equipment:

An assessment is made at each reporting date whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units have been determined based on fair value less cost to sell method. The fair value is based on independent valuation. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the group's property, plant and equipment at the end of the reporting year was RMB96,519,000 (2012: RMB122,570,000).

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. If the actual useful lives of these items of plant and equipment were to differ by management's estimates, the carrying amount of the plant and equipment would be affected. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the group's property, plant and equipment at the end of the reporting year was RMB96,519,000 (2012: RMB122,570,000).

Allowance for doubtful accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade receivables and historical bad debts, customer concentrations, and customer creditworthiness when evaluating the adequacy of the allowance for doubtful trade receivables. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note on trade and other receivables.

3. Summary of Significant Accounting Policies (Cont'd)

Critical Judgements, Assumptions and Estimation Uncertainties (Cont'd)

Net realisable value of inventories:

A review is made periodically on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of the group's inventories at the end of the reporting year was RMB73,210,000 (2012: RMB67,692,000).

Estimated impairment of subsidiaries:

When a subsidiary is in net equity deficit and has suffered losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset disclosed in Note 17.

4. Related Party Relationships and Transactions

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions apply: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The ultimate controlling parties are Xue Yongwen, Guo Danyan and Hao Yanping.

4.1. Related companies:

Related companies in these financial statements refer to the company's subsidiaries and associates.

4. Related Party Relationships and Transactions (Cont'd)

4.1. Related companies (cont'd):

There are transactions and arrangements between the company and its related companies and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related company balances are unsecured without fixed repayment terms and interest unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

4.2. Related parties:

There are transactions and arrangements between the group and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and interest unless stated otherwise.

4.3. Key management compensation:

	<u>Group</u>	
	<u>2013</u> RMB'000	<u>2012</u> RMB'000
Salaries and other short-term employee benefits	<u>2,399</u>	<u>2,238</u>

The above amount is included under employee benefits expense. Included in the above amount are following items:

	<u>Group</u>	
	<u>2013</u> RMB'000	<u>2012</u> RMB'000
Remuneration of directors of the company	1,451	1,064
Fees to directors of the company	<u>591</u>	<u>807</u>

Further information about the remuneration of individual directors is provided in the Corporate Governance Statement.

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The above amount for key management compensation is for all the directors and other key management personnel of the group.

4.4. Other payables to related parties:

The movements are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2013</u> RMB'000	<u>2012</u> RMB'000	<u>2013</u> RMB'000	<u>2012</u> RMB'000
<u>Other payables to directors:</u>				
Balance at beginning of the year	2,604	4,125	2,604	1,612
Amounts paid out and settlement of liabilities on behalf of related party	–	(1,521)	–	–
Amounts paid in and settlement of liabilities on behalf of the company	<u>103</u>	<u>–</u>	<u>103</u>	<u>992</u>
Balance at end of the year (Note 25)	<u>2,707</u>	<u>2,604</u>	<u>2,707</u>	<u>2,604</u>

4. Related Party Relationships and Transactions (Cont'd)

4.4. Other payables to related parties (cont'd):

The movements are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Other payables to non-controlling shareholders:</u>				
Balance at beginning of the year	684	466	684	466
Amounts paid in and settlement of liabilities on behalf of the company	–	218	–	218
Balance at end of the year (Note 25)	<u>684</u>	<u>684</u>	<u>684</u>	<u>684</u>

5. Financial Information by Operating Segments

5A. Information about Reportable Segment Profit or Loss, Assets and Liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108, Operating Segments. This disclosure standard has no impact on the reported results or financial position of the group.

For management purposes the group is organised into three major operating segments: agriculture and forestry, garden and lawn and others. Such structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It represents the basis on which the management reports its primary segment information. They are managed separately because each business requires different strategies.

The segments and the types of products are as follows:

- (i) Agriculture and forestry segment – manufactures and sale of hand-held agricultural equipment such as hand-sprayers and mist-dusters, using components manufactured by the group and those purchased from third parties;
- (ii) Garden and lawn segment – manufactures and sale of hand-held garden and lawn equipment such as brush cutter, hedge trimmer, blower, chain saw lawn movers etc, using components manufactured by the group and those purchased from third parties; and
- (iii) Other segment – manufactures and sale of equipment other than segments mentioned above. These include gasoline engine, water pump, tea picker, rotating plough machine and other equipment using components manufactured by the group and third parties.

5. Financial Information by Operating Segments (Cont'd)

5A. Information about Reportable Segment Profit or Loss, Assets and Liabilities (Cont'd)

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results comprises operating results before interests and income taxes and other unallocated items.

5B. Profit or Loss From Operations and Reconciliations

	Agriculture & Forestry RMB'000	Garden & Lawn RMB'000	Others RMB'000	Total RMB'000
2013:				
Revenue	98,813	208,045	28,112	334,970
Segmental results	4,015	9,706	7,323	21,044
Interest income				6
Share of profit from an equity- accounted associate				269
Unallocated corporate expenses				(97,151)
Loss before income tax				(75,832)
Income tax expense				(7,093)
Loss, net of tax				(82,925)
2012:				
Revenue	102,190	208,568	24,276	335,034
Segmental results	8,066	15,985	5,276	29,327
Interest income				25
Share of loss from an equity- accounted associate				(33,898)
Unallocated corporate expenses				(32,815)
Loss before income tax				(37,361)
Income tax expense				(12,933)
Loss, net of tax				(50,294)

Capital expenditure, depreciation and amortisation, and loss on disposal of property, plant and equipment are not allocated to the respective business segments as the property, plant and equipment, intangible assets and land use rights of the group are general purpose that can be used to undertake production of different types of products.

5C. Assets and Liabilities, and Reconciliations

The assets and liabilities are not allocated to business segments because they are not directly attributable to the segments or cannot be allocated to the respective segments on a reasonable basis.

5. Financial Information by Operating Segments (Cont'd)

5D. Geographical Information

	<u>Revenue</u>		<u>Non-Current Assets</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000	RMB'000	RMB'000
People's Republic of China ("PRC")	93,976	129,305	110,349	142,125
Asia excluding PRC	60,859	75,309	—	2
Europe and Australia	121,553	71,291	—	—
Others	58,582	59,129	—	—
Subtotal for all foreign countries	240,994	205,729	—	2
Total	334,970	335,034	110,349	142,127

Others include North America, South America and Africa. There are no operations in Singapore.

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts.

5E. Information About Major Customers

In 2013, revenue of RMB74,223,467 is derived from one external customer. There was no customer with revenue transactions of over 10% of group revenue in 2012.

6. Revenue

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Sale of goods	333,572	334,048
Sale of scraps	1,203	713
Others	195	273
	334,970	335,034

7. Interest Income

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Interest income	6	25

8. Other Credits and (Other Charges)

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Amortisation of intangible assets	(3,662)	(3,948)
Allowance for impairment on trade receivables	(35,589)	(6,016)
Allowance for impairment on inventories	(1,514)	—
Allowance for impairment on investment in associate	(1,829)	—
Foreign exchange adjustment (losses)/gains, net	(8,387)	4,303
Government grant income	602	—
Impairment losses on property, plant and equipment	(18,381)	—
Impairment losses on other assets	(368)	(51)
Intangible asset written-off	—	(18)
Loss on disposal of property, plant and equipment	(489)	(805)
Net	<u>(69,617)</u>	<u>(6,535)</u>
Presented in profit or loss as:		
Other Credits	602	4,303
Other Charges	<u>(70,219)</u>	<u>(10,838)</u>
Net	<u>(69,617)</u>	<u>(6,535)</u>

9. Administrative Expenses

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Depreciation and amortisation	2,599	2,425
Employee benefits expense	13,848	11,913
Local levies in China	1,030	1,398
Other administrative expenses	10,057	10,544
	<u>27,534</u>	<u>26,280</u>

10. Employee Benefits Expense

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Salaries, wages and bonuses	38,204	27,052
Contributions to defined contribution plans	1,010	984
	<u>39,214</u>	<u>28,036</u>

The employee benefits expense is charged as follows:

Cost of Sales	19,398	12,439
Distribution Costs	5,968	3,684
Administrative Expenses	13,848	11,913
	<u>39,214</u>	<u>28,036</u>

11. Income Tax

11A. Components of tax expense recognised in profit or loss include:

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Deferred tax expense/(income)	7,093	(440)
Deferred tax expense related to changes in tax rate	—	8,011
Over adjustments to deferred tax assets in respect of prior years	—	5,362
Total income tax expense	<u>7,093</u>	<u>12,933</u>

The reconciliation of income taxes below is determined by applying Singapore Corporate tax rate. The income tax in profit or loss varied from the amount determined by applying the Singapore income tax rate of 17% (2012: 17%) to loss before income tax as a result of the following differences:

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Loss before income tax	(75,832)	(37,361)
Less: Share of (profit)/loss from an equity-accounted associate	(269)	33,898
	<u>(76,101)</u>	<u>(3,463)</u>
Income tax income at the above rate	(12,937)	(589)
Effect of different tax rates in different countries	1,281	68
Non deductible items	11,656	81
Change in tax rates	—	8,011
Reversal of deferred tax assets	7,093	—
Over adjustments to deferred tax assets in respect of prior years	—	5,362
Total income tax expense	<u>7,093</u>	<u>12,933</u>

A subsidiary, Linyi Sanhe Yongjia Power Co., Ltd, has been awarded the "High Technology Enterprise" tax incentive by the government of People's Republic of China. Under the tax incentive, the profit of the subsidiary from 31 October 2011 for a period of 3 years will be taxed at a concessionary rate of 15% while the prevailing corporate income tax rate is 25%.

There are no income tax consequences of dividends to shareholders of the company.

11B. Deferred tax income recognised in profit or loss include:

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Tax loss carryforwards	1,500	7,456
Allowance for impairment on trade receivables	2,238	3,253
Allowance for impairment on inventories	195	130
Allowance for impairment on other assets	205	124
Impairment losses on intangible assets	2,955	1,970
Total deferred tax expense recognised	<u>7,093</u>	<u>12,933</u>

11. Income Tax Income (Cont'd)**11C. Deferred tax balance in the statement of financial position:**

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Tax loss carryforwards	—	1,500
Impairment losses on intangible assets	—	2,955
Allowance for impairment on trade receivables	—	2,238
Allowance for impairment on inventories	—	195
Allowance for impairment on other assets	—	205
Total	<u>—</u>	<u>7,093</u>

It is impracticable to estimate the amount expected to be settled or used within one year.

11D. Unrecognised deferred tax assets:

	<u>Group</u>			
	<u>2013</u>		<u>2012</u>	
	Gross amount RMB'000	Tax effect RMB'000	Gross amount RMB'000	Tax effect RMB'000
Tax loss carryforwards	<u>39,858</u>	<u>6,776</u>	<u>32,690</u>	<u>5,557</u>

No deferred tax asset (on deductible temporary differences and unused tax losses) has been recognised in respect of the above balance, as the future profit streams are not probable. The tax loss carryforwards relates to a subsidiary of the company in the People's Republic of China. The realisation of future income tax benefit from this tax loss carryforwards is available for a period of 5 years, subjected to the agreement of the tax authority and compliance with conditions imposed by the tax legislation in the People's Republic of China. As at the end of the reporting year, unrecognised tax losses that will expire in 2014, 2015 and 2018 were RMB26,690,000, RMB6,000,000 and RMB7,168,000 respectively.

12. Items in Profit or Loss

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Audit fees to the independent auditors of the company	451	478
Audit fees to the other independent auditors	90	100
Other fees to the independent auditors of the company	<u>10</u>	<u>13</u>

13. Loss Per Share

Basic loss per share is calculated by dividing the loss, net of tax attributable to equity holders of the company by the weighted average number of ordinary shares of no par value in issue during the reporting year. The weighted average number of equity shares refers to shares in circulation during the reporting year.

There is no dilution of loss per share as there are no potential dilutive ordinary shares outstanding as at the end of the reporting year. The denominators used are the same as those detailed below for both basic and diluted loss per share.

The following table reflect the numerators and denominators used in the computation of loss per share for the reporting year:

	<u>Group</u>	
	<u>2013</u> RMB'000	<u>2012</u> RMB'000
Loss, net of tax for the year attributable to equity holders of the company	<u>(82,925)</u>	<u>(50,294)</u>
Weighted average number of equity shares on issue for basic loss per share	<u>424,800,000</u>	<u>424,800,000</u>

14. Property, Plant and Equipment

<u>Group</u>	<u>Factory building</u> RMB'000	<u>Plant and equipment</u> RMB'000	<u>Assets under construction</u> RMB'000	<u>Total</u> RMB'000
<u>Cost:</u>				
At 1 January 2012	73,134	89,021	3,845	166,000
Additions	—	7,954	491	8,445
Disposals	(7)	(2,164)	—	(2,171)
At 1 January 2013	73,127	94,811	4,336	172,274
Additions	—	3,413	42	3,455
Disposals	—	(2,254)	—	(2,254)
Reclassification	—	345	(345)	—
At 31 December 2013	73,127	96,315	4,033	173,475
<u>Accumulated depreciation and impairment losses:</u>				
At 1 January 2012	17,254	23,775	—	41,029
Depreciation for the year	3,338	6,513	—	9,851
Disposals	(1)	(1,175)	—	(1,176)
At 1 January 2013	20,591	29,113	—	49,704
Depreciation for the year	3,338	6,841	—	10,179
Disposals	—	(1,310)	—	(1,310)
Impairment for the year	3,537	10,811	4,033	18,381
Foreign exchange adjustments	—	2	—	2
At 31 December 2013	27,466	45,457	4,033	76,956
<u>Net book value:</u>				
At 1 January 2012	55,880	65,246	3,845	124,971
At 31 December 2012	52,536	65,698	4,336	122,570
At 31 December 2013	45,661	50,858	—	96,519

14. Property, Plant and Equipment (Cont'd)

<u>Company</u>	<u>Plant and equipment</u> <u>RMB'000</u>
<u>Cost:</u>	
At 1 January 2012, 31 December 2012 and 31 December 2013	<u>7</u>
<u>Accumulated depreciation:</u>	
At 1 January 2012	3
Depreciation for the year	<u>2</u>
At 31 December 2012	5
Depreciation for the year	<u>2</u>
At 31 December 2013	<u>7</u>
<u>Net book value:</u>	
At 1 January 2012	<u>4</u>
At 31 December 2012	<u>2</u>
At 31 December 2013	<u>-</u>

- (a) The depreciation expense of the group is charged as follows:

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Cost of Sales	8,218	8,064
Administrative Expenses	<u>1,961</u>	<u>1,787</u>
	<u>10,179</u>	<u>9,851</u>

- (b) Assets under construction of the group at the end of the reporting year represent cost incurred in the construction of a staff canteen.
- (c) Further details of the group's factory building together with the related land use rights are disclosed in Note 16 below.

In November 2013, the management engaged a third party independent professional valuer to estimate the fair value of the property, plant and equipment for the purpose of asset impairment review. The recoverable value is estimated to be RMB93,771,000. As the carrying amount of the property, plant and equipment was RMB108,119,000 as at 30 November 2013, the group recognised an impairment loss of RMB14,348,000 in the profit or loss for the reporting year ended 31 December 2013. In addition, the management recognised an impairment loss of RMB4,033,000 on assets under construction as at 31 December 2013, in view that the subsidiary has insufficient funds to complete the construction of these assets. The total impairment loss recognised in 2013 is RMB18,381,000 (see Note 8).

14. Property, Plant and Equipment (Cont'd)

A description of the valuation techniques and the significant unobservable and observable inputs used in the fair value measurement are as follows:

Asset:	Factory building at Lanshan District, Linyi City, Shangdong, People's Republic of China
Fair value:	RMB45,939,000
Fair value hierarchy:	Level 3
Valuation technique:	Depreciated replacement cost
Significant unobservable inputs and range to fair value (weighted average):	Original cost, net book value and depreciated replacement cost. RMB73,127,000, RMB49,198,000 and RMB45,939,000 (RMB59,533,000)
Sensitivity on management's estimates – 10% variation from estimate:	Impact – lower by RMB4,593,900; higher by RMB4,593,900.
Asset:	Plant and equipment at Lanshan District, Linyi City, Shangdong, People's Republic of China
Fair value:	RMB47,832,000
Fair value hierarchy:	Level 2
Valuation technique:	Depreciated replacement cost and implied market value technique
Significant observable inputs and range to fair value (weighted average):	Original cost, net book value and depreciated replacement cost and implied market value. RMB96,315,000, RMB61,669,000 and RMB47,832,000 (RMB72,074,000)
Sensitivity on management's estimates – 10% variation from estimate:	Impact – lower by RMB4,783,200; higher by RMB4,783,200.

There were no transfers between Levels 1, 2 and 3 during the reporting year.

15. Intangible Assets

<u>Group</u>	<u>"TOPSO"</u> <u>trademark</u> RMB'000	<u>Other</u> <u>patents and</u> <u>trademark</u> RMB'000	<u>Total</u> RMB'000
<u>Cost:</u>			
At 1 January 2012	39,496	899	40,395
Written-off	—	(18)	(18)
At 31 December 2012 and 31 December 2013	39,496	881	40,377
<u>Accumulated amortisation and impairment losses:</u>			
At 1 January 2012	31,941	826	32,767
Amortisation for the year	3,948	—	3,948
At 31 December 2012	35,889	826	36,715
Amortisation for the year	3,607	55	3,662
At 31 December 2013	39,496	881	40,377
<u>Net book value:</u>			
At 1 January 2012	7,555	73	7,628
At 31 December 2012	3,607	55	3,662
At 31 December 2013	—	—	—

The amortisation expense is included under other charges in profit or loss.

16. Land Use Rights

<u>Group</u>	RMB'000
<u>Cost:</u>	
At 1 January 2012, 31 December 2012 and 31 December 2013	18,511
<u>Accumulated amortisation:</u>	
At 1 January 2012	3,404
Amortisation for the year	639
At 31 December 2012	4,043
Amortisation for the year	638
At 31 December 2013	4,681
<u>Net book value:</u>	
At 1 January 2012	15,107
At 31 December 2012	14,468
At 31 December 2013	13,830

The amortisation expense is included under administrative expenses in profit or loss.

Details of the group's land use rights and factory building are as follows:

<u>Address</u>	<u>Land Area</u> <u>(Square metre)</u>	<u>Lease Period</u>
East of North Section of E-Huang Road (West Outer Ring), Linyi Industry & Trade Development Zone, Shandong Province, People's Republic of China	93,300	1 June 2006 to 13 August 2034

17. Investments in Subsidiaries

	Company	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Unquoted equity interest, at cost	51,174	54,699
Loans to subsidiary	73,203	78,245
Fair value adjustment on interest-free loan to the subsidiary	10,171	10,872
Total carrying amount	<u>134,548</u>	<u>143,816</u>

The loans to subsidiary are non-interest bearing and not expected to be repaid in the foreseeable future. As the loans are extended to the subsidiary to fund its financial requirements in its expansion and are deemed to form part of the company's investment in the subsidiary, the fair value is not determinable.

The subsidiaries held by the company are listed below:

Name of subsidiary, country of incorporation, place of operations and principal activities	Cost in the books of the company		Effective equity held	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000	%	%
Linyi Sanhe Yongjia Power Co., Ltd ^(a) People's Republic of China Developing, manufacturing and selling of motorised and manual agricultural machineries	51,174	54,699	100	100

Held through Linyi Sanhe Yongjia Power Co., Ltd:

Shandong Yongjia Power Stock Co., Ltd ^(b) People's Republic of China Dormant	100 ^(c)	100
---	--------------------	-----

- (a) For the purpose of reporting the consolidated financial statements, the financial statements of the subsidiary are audited by Shandong Huide Certified Public Accountants Ltd, a member of the Chinese Institute of Certified Public Accountants and an approved firm by the China Securities Regulatory Commission.
- (b) Shandong Yongjia Power Stock Co., Ltd was acquired by Linyi Sanhe Yongjia Power Co., Ltd in 2011 for a consideration of RMB1. Its financial statements are not material and therefore there is no statutory audit requirement.
- (c) 0.2% of the shares in Shandong Yongjia Power Stock Co., Ltd are held in trust by Mr. Xue Yongwen, the company's Executive Chairman and Managing Director, on behalf of the group.

As is required by Rule 716 of the Listing manual of the Singapore Exchange Securities Trading Limited, the audit committee and the board of directors of the company have satisfied themselves that the appointment of different auditors for its subsidiary would not compromise the standard and effectiveness of the audit of the group.

17. Investment in Subsidiaries (Cont'd)

The directors are of the opinion that there is no indication of impairment in the company's cost of investment in Linyi Sanhe Yongjia Power Co., Ltd as the net assets of the subsidiary as at the end of the reporting year, after taking into consideration the impairment losses recognised in 2013, amounting to RMB180,508,000 was substantially higher than the net carrying amount of the company's cost of investment of RMB45,106,000 (net of Other Payable to Subsidiary of RMB89,442,000 in Note 25).

18. Investment in an Associate

	<u>Group</u>		<u>Company</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Quoted equity shares at cost	79,262	90,087	157,149	167,974
Goodwill at cost	77,887	77,887	—	—
Share of post-acquisition losses	(149,472)	(149,741)	—	—
Gain on dilution of interest	72,489	72,489	—	—
Share of other equity items of associate	(8,588)	(8,813)	—	—
Less: Allowance for impairment	<u>(71,578)</u>	<u>(80,482)</u>	<u>(157,149)</u>	<u>(166,547)</u>
Net carrying amount	<u>—</u>	<u>1,427</u>	<u>—</u>	<u>1,427</u>
Movements in carrying amount:				
Balance at beginning of the year	1,427	28,301	1,427	28,301
Share of profit/(loss) for the year	269	(33,898)	—	—
Other equity movements	225	(172)	—	—
Allowance for impairment	(1,829)	—	(1,335)	(28,370)
Foreign exchange adjustments	<u>(92)</u>	<u>7,196</u>	<u>(92)</u>	<u>1,496</u>
Balance at end of the year	<u>—</u>	<u>1,427</u>	<u>—</u>	<u>1,427</u>
Share of net book value of associate	<u>—</u>	<u>1,427</u>	<u>—</u>	<u>1,427</u>
Movements in above allowance for impairment:				
Balance at beginning of the year	80,482	80,224	166,547	132,219
Impairment loss charged to profit or loss included in other charges	1,829	—	1,335	28,370
Foreign exchange adjustments	<u>(10,733)</u>	<u>258</u>	<u>(10,733)</u>	<u>5,958</u>
Balance at end of the year	<u>71,578</u>	<u>80,482</u>	<u>157,149</u>	<u>166,547</u>

18. Investment in an Associate (Cont'd)

The associates held by the company are listed below:

Name of associate, country of incorporation, place of operations and principal activities	Cost in the books of the company		Effective equity held	
	2013 RMB'000	2012 RMB'000	2013 %	2012 %
China Steel Pte Ltd ("CSS") Singapore Investment holding	157,149	167,974	29.63	29.63

Held by China Steel Pte Ltd:

Linyi Yilida Steel Mill Co., Ltd People's Republic of China Manufacturing and sale of nickel pig iron and merchant pig iron.	29.63	29.63
---	-------	-------

The unaudited management financial statements for the period from 1 January 2013 to 31 December 2013 of the associates have been used for equity accounting since it is not significant to the group.

The summarised financial information of the associate, not adjusted for the percentage ownership held by the group, is as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Assets	35,240	36,215
Liabilities	(28,756)	(31,399)
Revenue	1,600	5,765
Profit/(loss) for the year	908	(113,982)

Linyi Yilida Steel Mill Co. Ltd ("LYS") is the sole operating subsidiary in CSS group.

LYS had ceased production using its Blast Furnace Facility 1 ("Plant 1") since January 2011 due to shortage of working capital. It is also facing a legal claim by an equipment supplier of Blast Furnace Facility 2 ("Plant 2"), which is under construction, for payment of the remaining balance due amounting to approximately RMB9.0 million plus interest.

In 2011, LYS recognised an impairment loss of approximately RMB80.7 million on its property, plant and equipments and other receivables.

Due to shortage of working capital to recommence operation, LYS leased its Plant 1 to a third party, Linyi Zhongyi Metal Technology Co., Ltd ("Linyi Zhongyi"), for one year from 1 June 2011 to 31 May 2012. The annual lease income is approximately RMB10 million. This lease agreement was not renewed upon expiry and the lease income remained uncollected as at 31 December 2012.

LYS also leased part of the unutilised land under its land use rights to Linyi Zhongyi for 10 years from 1 January 2011. The annual lease income is approximately RMB1.6 million. Linyi Zhongyi built a production facility on the leased land for production of stainless steel. However, no lease income was received from Linyi Zhongyi.

18. Investment in an Associate (Cont'd)

CSS's management continued their fund raising efforts but were not successful in securing the working capital to recommence operation of Plant 1 and the additional fund required to complete the construction of Plant 2. Consequently, CSS management wrote-down the assets of LYS to their estimated realisable values as at 31 December 2012.

LYS has yet to obtain the legal title of its land use rights where Plant 1 and Plant 2 are located.

There was no development in 2013. In view of this, the directors of the company determined that the estimated recoverable amount of the cost of investment in CSS to be negligible and recognised additional impairment loss during the reporting year to write down the carrying amount of the investment to Nil.

19. Inventories

	<u>Group</u>	
	<u>2013</u> RMB'000	<u>2012</u> RMB'000
Finished goods, finished components and goods for resale	41,327	36,618
Raw materials, consumables and supplies	31,883	31,074
	<u>73,210</u>	<u>67,692</u>
Inventories are stated after allowance as follows:		
Balance at beginning of the year	1,302	1,302
Charge to profit or loss included in other charges	1,514	—
Balance at end of the year	<u>2,816</u>	<u>1,302</u>
Included in cost of sales:		
Increase/(decrease) in closing inventories of finished goods	4,709	(10,948)
Raw materials and consumables used	<u>417,403</u>	<u>362,611</u>

There are no inventories pledged as securities for liabilities.

20. Trade and Other Receivables

	<u>Group</u>		<u>Company</u>	
	<u>2013</u> RMB'000	<u>2012</u> RMB'000	<u>2013</u> RMB'000	<u>2012</u> RMB'000
<u>Trade receivables:</u>				
Outside parties	90,824	76,313	—	—
Less: Allowance for impairment	(50,509)	(14,920)	—	—
Value Added Tax recoverable	8,837	9,152	—	—
Subtotal	<u>49,152</u>	<u>70,545</u>	<u>—</u>	<u>—</u>
<u>Other receivables:</u>				
Outside parties	248	373	—	—
Associated company	2	—	2	—
Subtotal	<u>250</u>	<u>373</u>	<u>2</u>	<u>—</u>
Total trade and other receivables	<u>49,402</u>	<u>70,918</u>	<u>2</u>	<u>—</u>
Movements in above allowance:				
Balance at beginning of the year	(14,920)	(8,904)	—	—
Charge to profit or loss included in other charges	(35,589)	(6,016)	—	—
Balance at end of the year	<u>(50,509)</u>	<u>(14,920)</u>	<u>—</u>	<u>—</u>

21. Other Assets

	<u>Group</u>		<u>Company</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to suppliers	4,814	3,291	—	—
Prepayments	75	60	75	60
	<u>4,889</u>	<u>3,351</u>	<u>75</u>	<u>60</u>

22. Cash and Cash Equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	<u>1,381</u>	<u>3,772</u>	<u>11</u>	<u>4</u>

The interest earning balances are not significant.

23. Share Capital

	<u>Group and Company</u>	
	<u>Number</u>	<u>Share</u>
	<u>of shares</u>	<u>Capital</u>
	<u>issued</u>	<u>Capital</u>
	<u>'000</u>	<u>RMB'000</u>
<u>Ordinary shares of no par value:</u>		
Balance at 1 January 2012, 31 December 2012 and 2013	<u>424,800</u>	<u>206,515</u>

The ordinary shares of no par value which are fully paid carry no right to fixed income. The holders of ordinary shares are entitled to receive dividends when declared by the company. All ordinary shares carry one vote per share without restrictions.

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

In order to maintain its listing on the Singapore Exchange, the company has to have share capital with at least a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the reporting year. The management does not set a target level of gearing but uses capital opportunistically to add value for shareholders.

23. Share Capital (Cont'd)

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

The group and the company have no borrowings as at 31 December 2013 and 31 December 2012. Therefore, the debt-to-adjusted capital ration does not provide a meaningful indicator of the risk of borrowings.

24. Other Reserves

	<u>Group</u>		<u>Company</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserve (Note 24A)	25,520	25,520	—	—
Foreign currency translation reserve (Note 24B)	(261)	(6,548)	4,126	7,294
Capital reserve (Note 24C)	93,330	93,330	—	—
Total	<u>118,589</u>	<u>112,302</u>	<u>4,126</u>	<u>7,294</u>

The above reserves are not available for distribution as cash dividends.

24A. Statutory Reserve

Under the regulations in the People's Republic of China, a subsidiary is required to set up a statutory reserve which represents a non-distributable reserve made at a rate of 10% of net profit after tax. Contribution to this reserve is no longer mandatory when the reserve reaches 50% of the registered share capital of the subsidiary. The reserve is to be used in accordance to the circumstances as stipulated in the relevant regulations.

24B. Foreign Currency Translation Reserve

	<u>Group</u>		<u>Company</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	(6,548)	(8,498)	7,294	3,726
Exchange differences on translating functional to presentation currency	—	—	(3,168)	3,568
Exchange differences on translating foreign operations	6,287	1,950	—	—
Balance at end of the year	<u>(261)</u>	<u>(6,548)</u>	<u>4,126</u>	<u>7,294</u>

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

24C. Capital Reserve

The capital reserve arose as a result of capitalisation of retained earnings by a subsidiary in the People's Republic of China.

25. Trade and Other Payables

	<u>Group</u>		<u>Company</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Trade payables:</u>				
Outside parties and accrued liabilities	67,927	47,114	2,594	2,649
<u>Other payables:</u>				
Directors (Note 4)	2,707	2,604	2,707	2,604
Non-controlling shareholders (Note 4)	684	684	684	684
Subsidiary (Note 4)	—	—	89,442	85,390
Subtotal	3,391	3,288	92,833	88,678
Total trade and other payables	71,318	50,402	95,427	91,327

26. Financial Instruments: Information on Financial Risks

26A. Classification of Financial Assets and Liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting year by FRS 39 categories:

	<u>Group</u>		<u>Company</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>				
Cash and cash equivalents	1,381	3,772	11	4
Loans and receivables	49,402	70,918	2	—
	50,783	74,690	13	4
<u>Financial liabilities:</u>				
Trade and other payables measured at amortised cost	71,318	50,402	95,427	91,327

Further quantitative disclosures are included throughout these financial statements.

There are no significant fair value measurements recognised in the statements of financial position.

26B. Financial Risk Management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the group's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. The management has certain practices for the management of financial risks and action to be taken in order to manage the financial risks. The following guidelines are followed:

- (i) Minimise interest rate, currency, credit and market risks for all kinds of transactions.
- (ii) Maximise the use of "natural hedge": favouring as much as possible the natural offsetting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
- (iii) All financial risk management activities are carried out and monitored by senior management staff.
- (iv) All financial risk management activities are carried out following market practices.

26. Financial Instruments: Information on Financial Risks (Cont'd)

26B. Financial Risk Management (Cont'd)

There have been no changes to the exposures to risk, the objectives, policies and processes for managing the risk and the methods used to measure the risk.

26C. Fair value of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

26D. Credit Risk on Financial Assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitment at the end of the reporting year. Credit risk on cash balances with entities is limited because the counterparties are banks with acceptable credit ratings. All bank deposits of the subsidiary are placed with reputable banks licensed in China. For credit risk on receivables an ongoing credit evaluation is performed of the debtors' financial condition and a loss from impairment is recognised in the profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk as the exposure is spread over a large number of counter-parties and customers.

Cash and cash equivalents balances disclosed in Note 22 represent amounts with less than 90-day maturity.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 150 days (2012: 150 days) but some customers take a longer period to settle the amounts.

- (a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
<u>Trade receivables:</u>		
151 - 365 days	13,643	23,557
1 - 2 years	5,473	—
Total	<u>19,116</u>	<u>23,557</u>

26. Financial Instruments: Information on Financial Risks (Cont'd)

26D. Credit Risk on Financial Assets (Cont'd)

- (b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
<u>Trade receivables:</u>		
Less than 150 days	401	—
151 - 365 days	27,778	2,965
Over 1 years	22,330	11,955
Total	<u>50,509</u>	<u>14,920</u>

The allowance is based on individual accounts that are determined to be impaired at the end of the reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity.

26E. Liquidity Risk

The following table analyses the financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at the end of the reporting year:

	<u>Group</u>		<u>Company</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	<u>71,318</u>	<u>50,402</u>	<u>95,427</u>	<u>91,327</u>

The above amounts disclosed in the maturity analysis are the contractual and undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity except as disclosed otherwise in the notes to the financial statements. The average credit period taken to settle trade payables is about 65 days (2012: 65 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments, the operating activities are expected to generate sufficient cash inflows (also see Note 2).

26F. Interest Rate Risk

The group and the company are not subject to significant interest rate risk exposure.

26. Financial Instruments: Information on Financial Risks (Cont'd)

26G. Foreign Currency Risk

Analysis of amount denominated in non-functional currencies at the end of the reporting year:

<u>Group</u>	<u>United States Dollars</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Trade and other receivables	<u>17,830</u>	<u>18,310</u>

There is exposure to foreign currency risk as part of the group's normal business.

Sensitivity analysis:

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
A hypothetical 10% strengthening in the exchange rate of RMB against the US\$ with all other variables held constant would have an adverse effect on loss before tax of	<u>(1,783)</u>	<u>(1,831)</u>

The above table shows sensitivity to a hypothetical 10% variation in RMB against US\$. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of RMB against US\$, there would be comparable impacts in the opposite direction on the profit or loss and reserves.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

27. Event after the End of the Reporting Year

Subsequent to the end of reporting year, the directors of company received a formal proposal (the "Delisting Proposal") from Apple Cove Limited to seek voluntary delisting of the company (the "Delisting") from the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") pursuant to Rules 1307 and 1309 of the Listing Manual of the SGX-ST.

Under the Delisting Proposal, the Apple Cove Limited will make an exit offer ("Exit Offer") in cash, conditional on the approval of shareholders of the company ("Shareholders") for the delisting being obtained, to acquire all the issued ordinary shares in the capital of the company ("Shares") held by all the Shareholders, other than those Shares already held, directly or indirectly, by the Apple Cove Limited and parties acting in concert with it as at the date of the Exit Offer.

The directors of the company have noted the Exit Offer and reviewed the Delisting Proposal and have resolved that in due course, an extraordinary general meeting of the company be convened to seek the approval of the Shareholders for the Delisting and an application be made to the SGX-ST for the Delisting.

27. Event after the End of the Reporting Year (Cont'd)

The offer price for each Offer Share will be S\$0.035 in cash ("Exit Offer Price"). The Exit Offer Price shall be applicable to any number of Offer Shares that are tendered for acceptance of the Exit Offer.

Shareholders may choose to accept the Exit Offer in respect of all or part of their holdings of Offer Shares. Each shareholder who accepts the Exit Offer will receive S\$35 for every 1,000 Offer Shares tendered for acceptance under Exit Offer.

28. Changes and Adoption of Financial Reporting Standards

For the current reporting year, the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

<u>FRS No.</u>	<u>Title</u>
FRS 1	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income
FRS 1	Amendment to FRS 1 Presentation of Financial Statements (Annual Improvements)
FRS 16	Amendment to FRS 16 Property, Plant and Equipment (Annual Improvements)
FRS 19	Employee Benefits (Revised)
FRS 32	Amendment to FRS 32 Financial instruments: Presentation (Annual Improvements)
FRS 36	Amendments to FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (relating to goodwill) (early adoption) (*)
FRS 107	Amendments to FRS 32 and 107 titled Offsetting Financial Assets and Financial Liabilities
FRS 113	Fair Value Measurements
INT FRS 120	Stripping Costs in the Production Phase of a Surface Mine (*)

(*) Not relevant to the entity.

29. Future Changes in Financial Reporting Standards

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

<u>FRS No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
FRS 27	Consolidated and Separate Financial Statements (Amendments to)	1 July 2013
FRS 27	Separate Financial Statements (Revised)	1 January 2014
FRS 28	Investments in Associates and Joint Ventures (Revised)	1 January 2014
FRS 36	Amendments to FRS 36: Recoverable Amount	1 January 2014
	Disclosures for Non-Financial Assets (relating to goodwill)	
FRS 32	Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting (*)	1 January 2014
FRS 110	Consolidated Financial Statements	1 January 2014
FRS 111	Joint Arrangements	1 January 2014
FRS 112	Disclosure of Interests in Other Entities	1 January 2014
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112	1 January 2014
INT FRS 121	Levies (*)	1 January 2014

(*) Not relevant to the entity.

This page has been intentionally left blank.

