

**EXIT OFFER LETTER DATED 15 OCTOBER 2015**

**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 also refer to paragraph 6.2 (*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 YONG XIN INTERNATIONAL HOLDINGS LTD.  
FROM THE OFFICIAL LIST OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

by

**BETTER ACE INTERNATIONAL LIMITED**

(Incorporated in the British Virgin Islands)  
(Company Registration Number 679579)

to acquire all the issued ordinary shares (excluding treasury shares) in the capital of



**YONG XIN INTERNATIONAL HOLDINGS LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration Number 200515483H)

**THE EXIT OFFER WILL CLOSE AT 5.30 P.M. ON 12 NOVEMBER 2015 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR (THE "CLOSING DATE").**

## CONTENTS

1.	INTRODUCTION .....	3
2.	THE EXIT OFFER .....	5
3.	BENCHMARKING OF THE EXIT OFFER .....	7
4.	INFORMATION ON THE OFFEROR.....	8
5.	OFFEROR'S INTENTIONS .....	8
6.	COMPULSORY ACQUISITION AND IMPLICATIONS OF DELISTING FOR SHAREHOLDERS.....	8
7.	MARKET QUOTATION.....	9
8.	CONFIRMATION OF FINANCIAL RESOURCES .....	10
9.	DISCLOSURES .....	10
10.	ACTIONS TO BE TAKEN BY THE SHAREHOLDERS .....	11
11.	OVERSEAS SHAREHOLDERS.....	12
12.	INFORMATION RELATING TO CPFIS INVESTORS.....	13
13.	GENERAL.....	13
14.	DOCUMENTS FOR INSPECTION.....	14
15.	RESPONSIBILITY STATEMENT .....	14
	APPENDIX I PROCEDURES FOR ACCEPTANCE AND OTHER DETAILS .....	16
	APPENDIX II ADDITIONAL INFORMATION ON THE OFFEROR .....	22
	APPENDIX III COMPANY'S LETTER TO SHAREHOLDERS.....	25
	APPENDIX IV RELEVANT EXCERPTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY .....	61
	APPENDIX V AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014.....	83
	APPENDIX VI SUMMARY OF VALUATION REPORT ON LAND USE RIGHT AND PROPERTY .....	134

# BETTER ACE INTERNATIONAL LIMITED

(Incorporated in the British Virgin Islands)  
(Company Registration Number 679579)

15 October 2015

To: The Shareholders of Yong Xin International Holdings Ltd.

Dear Sir/Madam

## **DELISTING OF YONG XIN INTERNATIONAL HOLDINGS LTD. PURSUANT TO RULE 1315 OF THE LISTING MANUAL AND EXIT OFFER BY BETTER ACE INTERNATIONAL 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**

Yong Xin International Holdings Ltd. (“**Company**”) was placed on the watch-list (“**Watch-list**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) with effect from 5 March 2013 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 2013, i.e. by 5 March 2015, failing which the SGX-ST may either delist the Company or suspend trading of the Company’s shares with a view to delisting the Company.

As the Company had informed the SGX-ST that it was unable to meet the requirements under Rule 1314 for its removal from the Watch-list, on 3 March 2015, the Company received a Notification of Delisting issued by the SGX-ST (“**Notification of Delisting**”) informing it that SGX-ST will proceed to delist the Company pursuant to Rule 1315 of the Listing Manual (“**Delisting**”). In the Notification of Delisting, the SGX-ST also directed, *inter alia*, that pursuant to Rule 1306 of the Listing Manual, the Company or its controlling shareholder(s) must comply with Rule 1309 of the Listing Manual which requires the Company or its controlling shareholder(s) to provide a reasonable exit offer to shareholders of the Company (“**Shareholders**”).

#### **1.2 Joint Announcement**

On 30 April 2015 (“**Joint Announcement Date**”), the Company and Better Ace International Limited (“**Offeror**”) jointly announced (“**Joint Announcement**”) that the Offeror has presented to the directors of the Company (“**Directors**”) a formal proposal (“**Proposal**”) to make an exit offer to the Shareholders pursuant to Rules 1306 read with 1309 of the Listing Manual in connection with the Delisting. Under the Proposal, the Offeror would make an exit offer (“**Exit Offer**”) in cash on the terms set out in this letter (“**Exit Offer Letter**”).

Shareholders should note that Shareholders’ approval is **not** required for the Delisting directed by the SGX-ST pursuant to the 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 (excluding treasury shares) (“**Shares**”)<sup>1</sup> held by all the Shareholders, other than those Shares already held by the Offeror as at the date of the Exit Offer (“**Offer Shares**”).

The Exit Offer may only be accepted by the relevant Shareholder to whom this Exit Offer Letter is addressed. The Exit Offer Letter and the Acceptance Forms (as defined below) shall not be construed as, may not be used for the purpose of, and do not constitute, a notice or proposal or

<sup>1</sup> Unless otherwise stated, in this Exit Offer Letter, all references to the total number of issued Shares shall be to 212,412,966 Shares (excluding treasury shares) as at the Latest Practicable Date (as defined herein).

advertisement or an offer or invitation or solicitation in any jurisdiction or in any circumstances in which such notice or proposal or advertisement or an offer or invitation or solicitation is unlawful or unauthorised, or to any person to whom it is unlawful to make such a notice or proposal or advertisement or an offer or invitation or solicitation.

Subject to paragraph 11 (*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. You are advised to read this Exit Offer Letter carefully.

#### 1.4 Company’s Letter to Shareholders

The letter issued by the Company to the Shareholders in relation to the 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 8 October 2015 (“**Latest Practicable Date**”).

#### 1.6 Cautionary Statement

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.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Exit Offer Letter. **If you are in any doubt about the Exit Offer, you should consult your stockbroker, bank manager, solicitor or other professional adviser immediately.**

#### 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 (pursuant to Rule 1315 of the Listing Manual as the Company was not able to meet the requirements of Rule 1314 of the Listing Manual for its removal from the SGX-ST Watch-list), the Company or its controlling shareholder(s) must comply with the requirements of Rule 1309 of the Listing Manual. As stated in paragraph 1.1 (*Watch-list Status and SGX-ST Notification of Delisting*) above, the Company received the Notification of Delisting from SGX-ST on 3 March 2015.

For the purposes of Rule 1309 of the Listing Manual, if the Company is seeking to delist from the SGX-ST:

- (a) a reasonable exit alternative, which should normally be in cash, should be offered to all Shareholders; and

(b) the Company should normally appoint an IFA 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 Exit Offer Price

The offer price for each Offer Share will be S\$0.008 in cash ("**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.

### 2.2 No Encumbrances

The Offer Shares will be acquired fully paid and free from all liens, equities, mortgages, 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 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).

### 2.3 Acceptances

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\$0.80 for every 100 Offer Shares tendered for acceptance under the Exit Offer.

The Exit Offer is **not** conditional upon a minimum number of acceptances being received.

### 2.4 Warranty

Acceptance of an Exit Offer by a Shareholder will be deemed to constitute an unconditional and irrevocable warranty by that accepting 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).

### 2.5 Duration and Closing Date

The Exit Offer will remain open for acceptance by Shareholders for a period of at least 28 days after the day of despatch of the Exit Offer Letter to Shareholders 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 12 November 2015 or such later date(s) as may be announced from time to time by or on behalf of the Offeror ("**Closing Date**").**

## 2.6 Conditions

There are no conditions attached to the Exit Offer.

## 2.7 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 Code applied to the Exit Offer. The SIC ruled on 27 April 2015, *inter alia*, that:

- (a) the Exit Offer is exempted from 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 28 on acceptances; and
  - (iv) Rule 29 on the right of acceptors to withdraw their acceptances,subject to:-
  - (1) disclosure in the Exit Offer Letter of:
    - (A) the consolidated net tangible asset (“**NTA**”) value 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 Exit Offer Letter; and
    - (B) particulars of all known material changes as of the latest practicable date which may affect the consolidated NTA per Share referred to in paragraph 2.7(a)(1)(A) above or a statement that there are no such known material changes;
  - (2) the Exit Offer being kept open for at least 28 days after the despatch of the Exit Offer Letter; and
- (b) Ms Pu Xiaofang and Mr Pu Qixing (collectively, “**Relevant Directors**”) are exempted from the requirement to make a recommendation on the Exit Offer to the Shareholders as the Relevant Directors face irreconcilable conflicts of interests in doing so. Nevertheless, the Relevant Directors must still assume responsibility for the accuracy of the facts stated and opinions expressed in documents and advertisements issued by, or on behalf of, the Company to the Shareholders in connection with the Exit Offer.

Messrs Yuan Xuanli, Tsang Siu For Thomas, and Tan Woon Hum, 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.

## 2.8 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. BENCHMARKING OF THE EXIT OFFER

#### 3.1 Market Price Comparison

The following table benchmarks the Exit Offer Price against the historical transacted prices of the Shares on the SGX-ST:

Description <sup>(3)</sup>	Share Price (S\$) <sup>(1)</sup>	Premium/ (Discount) over/ (to) Share Price <sup>(2)</sup> (%)
(a) Last transacted price per Share on 2 April 2015 (being the last trading day (" <b>Last Trading Day</b> ") immediately prior to suspension of trading of the Company's Shares on the SGX-ST)	0.011	(27.272)
(b) VWAP for the one-month period prior to and including the Last Trading Day	0.012	(33.333)
(c) VWAP for the two-month period prior to and including the Last Trading Day	0.013	(38.462)
(d) VWAP for the three-month period prior to and including the Last Trading Day	0.013	(38.462)
(e) VWAP for the six-month period prior to and including the Last Trading Day	0.013	(38.462)

**Notes:**

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

#### 3.2 Net Asset Value Comparison

In addition, the Exit Offer Price compared to the net asset value ("**NAV**") per Share of the Company and its subsidiaries (collectively, the "**Group**") is as follows:

	Financial Year Ended 31 December 2013 (Audited)	Financial Year Ended 31 December 2014 (Audited)
NAV per Share of the Group	S\$0.048 <sup>(1)</sup>	S\$0.042 <sup>(2)</sup>
Exit Offer Price / NAV per Share	0.167 times	0.190 times

**Notes:**

- (1) Based on the NAV of the Group of approximately RMB48,646,000 (which is equivalent to approximately S\$10,147,267.418 based on an exchange rate extracted from Bloomberg L.P. of S\$1: RMB4.794 as at 31 December 2013) and based on 212,412,966 Shares, being the total number of Shares in issue as at 31 December 2013 as extracted from the annual report of the Company for the financial year ended 31 December 2013.
- (2) Based on the NAV of the Group of approximately RMB41,409,000 (which is equivalent to approximately S\$8,836,747.759 based on an exchange rate extracted from Bloomberg L.P. of S\$1: RMB4.686 as at 31 December 2014) and based on 212,412,966 Shares being the total number of Shares in issue as at 31 December 2014, as extracted from the annual report of the Company for the financial year ended 31 December 2014.

#### 4. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands (“**BVI**”) under the International Business Companies Act on 5 October 2005, and re-registered under the BVI Business Companies Act on 1 January 2007, 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 a controlling shareholder of the Company, holding approximately 55.28% of the total number of issued Shares.

Additional information on the Offeror can be found in Appendix II of this Exit Offer Letter.

#### 5. OFFEROR’S INTENTIONS

The Exit Offer is made in compliance with Rules 1306 read with 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 immediate plans for (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.

#### 6. COMPULSORY ACQUISITION AND IMPLICATIONS OF DELISTING FOR SHAREHOLDERS

##### 6.1 Compulsory Acquisition of Shares

Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires 90% or more of the shares of the Company (other than those already held by the Offeror as at the date of the Exit Offer and excluding any shares of the Company held as treasury shares), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Exit Offer at a price equal to the Exit Offer Price.

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

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

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

##### 6.2 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 0.2% of the consideration or the NTA value of the Shares transferred based on the latest audited accounts, whichever is higher (subject to a minimum stamp duty of S\$1.00).

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 Dissenting Shareholders 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.

Upon Delisting, 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. The Share Registrar of the Company, B.A.C.S. Private Limited, 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.**

## 7. MARKET QUOTATION

### 7.1 Closing Prices of the Shares

The closing prices of the Shares on the SGX-ST (a) on the Latest Practicable Date, (b) on 2 April 2015, being the Last Trading Day immediately prior to suspension of trading of the Company’s Shares on the SGX-ST from 9.00 a.m. on 6 April 2015 (“**Suspension Day**”), and (c) at the end of each of the six (6) calendar months prior to the Last Trading Day, commencing from October 2014, as reported by Bloomberg L.P., are set out below:

Item	Date	Closing Price (S\$)
(a)	8 October 2015, being the Latest Practicable Date <sup>(1)</sup>	–
(b)	2 April 2015, being the Last Trading Day	0.011
(c)	October 2014	0.012
	November 2014	0.012
	December 2014	0.036
	January 2015	0.032

Item	Date	Closing Price (S\$)
	February 2015	0.024
	March 2015	0.009

**Note:**

- (1) Trading in the Company's Shares has remained suspended from 9.00 a.m., 6 April 2015 pursuant to the SGX-ST's Notification of Delisting.

## 7.2 Highest and Lowest Closing 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 Suspension Day and ending on the Latest Practicable Date (being October 2014 to 8 October 2015 (both dates inclusive)), and the respective dates of relevant sales during the aforesaid period are as follows:

	Price (S\$)	Date(s) Transacted
Highest closing price	0.036	22 December 2014
Lowest closing price	0.009	31 March 2015

## 8. **CONFIRMATION OF FINANCIAL RESOURCES**

UOB Kay Hian Private Limited has confirmed that the Offeror has deposited a cash amount of S\$759,868.37 ("**Deposit Amount**") into a trust account maintained with them for and on behalf of the Offeror, which Deposit Amount is available to be applied towards the satisfaction in full of all acceptances of the Exit Offer on the basis of the Exit Offer Price. For the avoidance of doubt, UOB Kay Hian Private Limited is not acting as the financial adviser to the Offeror.

## 9. **DISCLOSURES**

### 9.1 Interests in Shares

Please refer to Appendix II (*Additional Information on the Offeror*) to this Exit Offer Letter which sets out, *inter alia*, the interests of the Offeror, and the director of the Offeror ("**Offeror Director**") 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) are collectively referred to as the "**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 Director 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.

## 9.2 Dealings in Relevant Securities

Neither the Offeror, the Offeror Director 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 Joint Announcement Date and ending on the Latest Practicable Date.

## 9.3 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 2014, the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 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 2014, being the date of the last balance sheet laid before the Shareholders in a general meeting.

Further disclosures by the Offeror can be found in Appendix II (*Additional Information on the Offeror*) to this Exit Offer Letter.

## 10. **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 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, B.A.C.S. Private Limited, at 8 Robinson Road #03-00 ASO Building, Singapore 048544, 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. 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.

## 11. OVERSEAS SHAREHOLDERS

### 11.1 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.

### 11.2 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, B.A.C.S. Private Limited, at 8 Robinson Road #03-00 ASO Building, Singapore 048544. Alternatively, an Overseas Shareholder may write in to the Offeror through B.A.C.S. Private Limited 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).**

### 11.3 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.**

11.4 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.

**12. 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.

**13. GENERAL**

13.1 Valid Acceptances

The Offeror reserves the right to treat acceptances of the Exit Offer as valid if received by or on behalf of the Offeror at any place or places determined by it 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.

13.2 Governing Law

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.

### 13.3 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.

### 13.4 Accidental Omissions

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.

### 13.5 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.

### 13.6 Costs and Expenses

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

## 14. **DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected at 143 Cecil Street, #17-00 GB Building, Singapore 069542, 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; and
- (b) the Joint Announcement.

## 15. **RESPONSIBILITY STATEMENT**

The Offeror Director has 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 Director 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 Director accepts 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, and the 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 Director 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.**

Yours faithfully

Pu Xiaofang  
Director

For and on behalf of  
**BETTER ACE INTERNATIONAL LIMITED**  
15 October 2015  
*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:

**BETTER ACE INTERNATIONAL 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:

**BETTER ACE INTERNATIONAL 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 12 November 2015 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" until the consideration for the Offer Shares has been despatched to you.

**(f) Notification**

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.

**(g) 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:

**BETTER ACE INTERNATIONAL LIMITED**

c/o B.A.C.S. Private Limited  
8 Robinson Road  
#03-00 ASO Building  
Singapore 048544

as soon as possible but in any event to arrive **NOT LATER THAN 5.30 P.M. ON THE CLOSING DATE, being 12 November 2015 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, at your own risk, the relevant share certificate(s), other document(s) of title and/or any other relevant document(s) required by the Offeror together with a duly completed and signed FAT accompanied by the transfer form(s), duly completed and 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 your share certificate(s) or transfer form(s) and/or other relevant document(s) required by the Offeror, is/are not readily available or is/are lost, please contact B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building, Singapore 048544.

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 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).

### **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 B.A.C.S. Private Limited, as the case may be, for and on behalf of the Offeror, shall be conclusive evidence in favour of the Offeror, B.A.C.S. Private Limited 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 B.A.C.S. Private Limited, 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, B.A.C.S. Private Limited 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, B.A.C.S. Private Limited 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 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 within ten (10) days of the date of receipt of the acceptances of the Exit Offer.

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

#### **5. INFORMATION PERTAINING TO CPFIS INVESTORS**

##### **5.1 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.

## **5.2 Implications.**

The implications of holding unquoted Shares are set out in paragraph 6.2 (*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, B.A.C.S. Private Limited 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 0.2% of the consideration or the NTA value of the Shares transferred based on the latest audited accounts, whichever is higher (subject to a minimum stamp duty of S\$1.00).

## APPENDIX II

### ADDITIONAL INFORMATION ON THE OFFEROR

#### 1. DIRECTOR OF THE OFFEROR

As at the Latest Practicable Date, the sole director of the Offeror is Ms Pu Xiaofang, who is the Executive Chairman and Chief Executive Officer (“CEO”) of the Company. Ms Pu’s address is care of 143 Cecil Street #17-00 GB Building, Singapore 069542.

#### 2. SHAREHOLDERS OF THE OFFEROR

As at the Latest Practicable Date, Ms Pu Xiaofang holds approximately 19.36% of the total issued share capital of the Offeror. Ms Pu Xiaofang’s mother, Mdm Wang Yufen, holds approximately 61.94% of the total issued share capital of the Offeror.

Mr Pu Qixing, a Non-Executive Director of the Company, also holds approximately 13.5% interest in the Offeror. Mr Pu Qixing is the brother of Ms Pu Xiaofang’s late father. The remaining shareholdings in the Offeror are held by unrelated parties of Ms Pu Xiaofang, Mdm Wang Yufen and Mr Pu Qixing.

#### 3. 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.

#### 4. PRINCIPAL ACTIVITIES OF THE OFFEROR

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

#### 5. SHARE CAPITAL

As at the Latest Practicable Date, the Offeror has an authorized share capital of US\$50,000 divided into 50,000 ordinary shares on US\$1.00 each, of which 5,000 shares have been issued and are fully paid-up.

#### 6. SUMMARY OF FINANCIAL INFORMATION

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

#### 7. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save for the disposal of 18,000,000 Shares of the Company by the Offeror on 19 February 2010, as well as the making of the Exit Offer, there has been no known material change in the financial position of the Offeror since 5 October 2005, being the date of its incorporation.

#### 8. 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.

## **9. DISCLOSURE OF SHAREHOLDINGS AND DEALINGS**

### **9.1 Shareholdings in the Company**

As at the Latest Practicable Date, the Offeror owns an aggregate of 117,429,420 Shares, representing approximately 55.28% of the total number of issued Shares, and is a controlling shareholder of the Company.

### **9.2 Dealings in Shares**

The Offeror has not dealt for value in any Relevant Securities during the three (3)-month period immediately preceding the Joint Announcement Date and ending on the Latest Practicable Date.

### **9.3 No undertaking**

As at the Latest Practicable Date, the Offeror has not received any irrevocable undertaking from any party to accept or reject the Exit Offer.

### **9.4 Indemnity Agreements**

As at the Latest Practicable Date, the Offeror does not have 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.

### **9.5 Security Interests, Borrowed Securities and Convertible Securities**

As at the Latest Practicable Date, the Offeror has not:

- (a) granted a security interest over any Relevant Securities to another person, whether through a charge, pledge or otherwise;
- (a) borrowed from another person any Relevant Securities (excluding borrowed securities which have been on-lent or sold); or
- (c) lent any Relevant Securities to another person; and
- (d) owned, controlled or agreed to acquire any Relevant Securities.

## **10. GENERAL**

### **10.1 Agreement having any connection with or dependence upon the Exit Offer**

Save as 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 person acting in concert with it, 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.

### **10.2 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.

### 10.3 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.

### 10.4 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.

### 10.5 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 Joint Announcement Date and ending on the Latest Practicable Date.

### 10.6 Material Change in Financial Position or Prospects

Save as disclosed in this Exit Offer Letter and save for the information relating to the Company that is publicly available (including but not limited to announcements released by the Company in respect of its financial results), to the best of the Offeror's knowledge, there has been no known material change in the financial position or prospects of the Group since 31 December 2014, being the date to which the Company's last published audited accounts were made up and laid before the Company in general meeting.

## APPENDIX III

### COMPANY'S LETTER TO SHAREHOLDERS

#### YONG XIN INTERNATIONAL HOLDINGS LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration Number 200515483H)

#### Directors

Pu Xiaofang (*Executive Chairman and Chief Executive Officer*)  
Yuan Xuanli (*Executive Director and Chief Operation Officer*)  
Pu Qixing (*Non-Executive Director*)  
Tsang Siu For Thomas (*Lead Independent Director*)  
Tan Woon Hum (*Independent Director*)

#### Registered Office

143 Cecil Street  
#17-00 GB Building  
Singapore 069542

15 October 2015

To: The Shareholders of Yong Xin International Holdings Ltd. ("**Shareholders**")

Dear Sir/Madam,

#### **DELISTING OF YONG XIN INTERNATIONAL HOLDINGS LTD. ("COMPANY") PURSUANT TO RULE 1315 OF THE LISTING MANUAL AND EXIT OFFER BY BETTER ACE INTERNATIONAL LIMITED ("OFFEROR") PURSUANT TO RULES 1306 READ WITH 1309 OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

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

#### **1. INTRODUCTION**

##### **1.1 Watch-List Status**

The Company was placed on the Watch-list of SGX-ST with effect from 5 March 2013 pursuant to Rule 1311 of the Listing Manual. The Company would have to meet the requirements of Rule 1314 of the Listing Manual within 24 months from 5 March 2013, i.e. by 5 March 2015, failing which the SGX-ST may either delist the Company or suspend trading of the Company's shares with a view to delisting the Company.

##### **1.2 Notification of Delisting**

As the Company had informed the SGX-ST that it was unable to meet the requirements under Rule 1314 for its removal from the Watch-list, on 3 March 2015, the Company received the Notification of Delisting issued by the SGX-ST informing it that SGX-ST will proceed to delist the Company pursuant to Rule 1315 of the Listing Manual.

In the Notification of Delisting, the SGX-ST also directed, *inter alia*, that:

- (a) Pursuant to Rule 1306, the Company or its controlling shareholder(s) must comply with Rule 1309 which requires the Company or its controlling shareholder(s) to provide a reasonable exit offer to Shareholders;
- (b) Trading in the Company's securities will continue until 5.00 p.m., 2 April 2015 and the trading will remain suspended from 9.00 a.m., 6 April 2015 until the completion of the exit offer.

### 1.3 Joint Announcement

On 30 April 2015, the Company and the Offeror issued the Joint Announcement to Shareholders, jointly announcing that the Offeror has presented to the Directors the Proposal to make an Exit Offer to the Shareholders pursuant to Rules 1306 read with 1309 of the Listing Manual in connection with the Delisting.

### 1.4 Exit Offer and Exit Offer Letter

Under the Proposal, the Offeror would make the Exit Offer in cash on the terms set out in the Exit Offer Letter. The Exit Offer Letter contains the terms of the Exit Offer made by the Offeror to acquire all the Offer Shares.

### 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 no extraordinary general meeting of the Shareholders will be convened for the purpose of the Delisting. In addition, Shareholders' attention is drawn to the Section headed "Compulsory Acquisition of Shares" and "Implications of Delisting for Shareholders" highlighted in paragraphs 6.1 and 6.2 of the Exit Offer Letter, respectively.**

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

- (a) *SGX-ST's Watch List status: The Company was placed on the SGX-ST's Watch List with effect from 5 March 2013 pursuant to Rule 1311 of the Listing Manual of the SGX-ST with a 24-month timeframe to meet the requirements of Rule 1314 of the Listing Manual for its removal from the Watch List. **The Company was unable to meet the criteria of***

**the SGX-ST by the said deadline and the SGX-ST will proceed to delist the Company pursuant to Rule 1315 of the Listing Manual. Shareholders should note that there are NO conditions attached to the Exit Offer.**

- (b) *Exit Offer Price: Although the Offeror (through Madam Wang Yufen and Ms Pu Xiaofang, who together holds 55.28% of the total number of the Shares as at the Latest Practicable Date) has stated that there is no present intention to making material changes to the Company's existing business or to redeploy the Company's fixed assets, under Rule 1306 of the Listing Manual, it provides that if the SGX-ST 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. Such a reasonable exit offer may include a voluntary liquidation of the issuer's assets and distribution of cash back to shareholders. It should be noted that the Group continues to operate in an increasingly difficult operating environment. Accordingly an analysis was therefore made in the assessment of the Exit Offer Price in consideration of a sale of the Group's assets for the purpose of realising the value of the Group's assets. Based on our best estimates, **the estimated net realisable NTA per Share ranged from S\$0.008 to S\$0.011 (or the equivalent of up to approximately 80% discount to the Group's book NTA per Share). The Exit Offer Price of S\$0.008 is within the range of the estimated net realisable NTA per Share.***
- (c) *Given that trading in Shares has been suspended, there is no public market for the disposal of the Shares. The last transacted price at S\$0.011 on the Last Trading Day represents a discount of approximately 78.000% from the Highest Price transacted for the Shares over the 12-month period prior to the Last Trading Day. The Shares of the Company are thinly traded with an Average Daily Trading Volume of approximately 0.020 million Shares over the 12-month period prior to the Last Trading Day and 0.100 million Shares traded prior to the suspension in trading of Shares, or the equivalent of 0.028% and 0.140% of the free float of approximately 71.405 million Shares. The last transacted price of S\$0.011 therefore does not represent a benchmark price for Shareholders nor does it reflect an alternative exit price for Shareholders as it would take approximately over 700 Market Days for them to divest their Shares through the market. This option is also no longer available as the Shares are suspended pending their delisting from the SGX-ST.*
- (d) *No alternative offer: As at the Latest Practicable Date, there are no alternative offer for the Shares. The Offeror has also stated that it does not intend to revise the Exit Offer under any circumstances. Further, due to the suspension of the trading of the Shares as provided in the SGX-ST Notification of Delisting, Shareholders are unable to dispose of their Shares or exit their investment in the public market. **The Exit Offer presents the only firm offer to the Shareholders to monetise their Shares and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if they do not accept the Exit Offer.***
- (e) *Certainty of delisting and the implications of delisting: **The Company will be delisted from the Official List of the SGX-ST regardless of whether the Shareholders accept or reject the Exit Offer. Upon the delisting of the Company, Shareholders who rejected the Exit Offer will hold shares in an unlisted public company and it is possible that there may not be another exit offer for the Shares.***

*Subsequent to the delisting of the Company, Shareholders who did not accept the Exit Offer will continue to hold shares in an unlisted public company. **Shareholders should note that shares of an unlisted public company are generally valued at a discount to the shares of comparable listed companies due to the lack of marketability.** Further, we wish to highlight that following the delisting of the Company, the Company will no longer be obligated to comply with the listing requirements of the SGX-ST, hence, Shareholders will no longer enjoy the same level of protection, transparency and accountability afforded and imposed on the Company by the Listing Manual; there is also no guarantee that the Company, operating as an unlisted public company, will eventually be profitable, as such,*

none of the Company, its Directors and executive officers, or any other person represents or warrants to any Shareholder the future results, performance or achievements of the Company.

- (f) Other relevant considerations in relation to the Exit Offer such as:
- (i) Historical performance and financial position of the Group;
  - (ii) Market quotation and trading liquidity of the Shares;
  - (iii) Valuation statistics of the Group implied by the Exit Offer Price versus those of broadly comparable companies;
  - (iv) Comparison with recent SGX-ST directed delisting offers, the certainty of and the implications of delisting;
  - (v) Compulsory acquisition;
  - (vi) Further implications of delisting;
  - (vii) No transaction costs in relation with the disposal of the Shares; and
  - (viii) Dividend track record of the Company.

**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.”**

### **2.3 Valuation of Land Use Right and Property**

The IFA had considered the estimated net realisable value of the Group’s assets (including its land use right and property) in its assessment of the Exit Offer Price (as referred to in paragraph 9(b) of the IFA Letter above). The estimated net realisable value of the land use right and property was based on separate valuation reports issued by an independent valuer, Jiangsu Jin Ning Da Real Estate Evaluation and Consultant Co., Ltd (the “**Valuer**”), and commissioned by the Company. The Valuer is a Registered Land Appraiser and a Registered Real Estate Appraiser with the Jiangsu Land Appraisers Society and the Ministry of Housing of Urban-Rural Development of the PRC, respectively.

#### **(a) Information on Land Use Right**

The valuation of the land use right of the land located at Huangniba Village, Yuqi County, Huishan District, Wuxi, PRC is RMB17,295,700 (the “**Land Current Market Value**”), based on the valuation report dated 23 September 2015 (the “**Land Valuation Report**”) issued by the Valuer, as compared to its net book value of RMB8,480,530 as at 30 June 2015.

The Land Current Market Value of RMB17,295,700 is assessed based on the value of the land use right alone, details of which are set out in Appendix VI of this Exit Offer Letter.

According to the Land Valuation Report, the valuation of the land was conducted on the basis of a combination of the following approaches:

- (i) the cost approach (成本逼近法): valuation based on the sum of basis costs (comprising cost of land and development cost of infrastructure, and also its corresponding profit and interest) and the corresponding economic benefits generated from the land use rights; and

- (ii) the land datum value method (基准地价修正法): valuation based on benchmark land prices and correction coefficients in order to ensure there is no significant deviation of price from similar assets under the same conditions.

**(b) Information on Property**

The valuation of the property (the “**Property**”) situated at Huangniba Village, Yuqi County, Huishan District, Wuxi, PRC is RMB22,269,400 (the “**Property Current Market Value**”), based on the valuation report dated 23 September 2015 (the “**Property Valuation Report**”) issued by the Valuer, as compared to its net book value of RMB26,193,830 as at 30 June 2015.

The Property Current Market Value of RMB22,269,400 is assessed based on the value of the Property for which assessment on the valuation was carried out on the Property alone, details of which are set out in Appendix VI of this Exit Offer Letter.

According to the Property Valuation Report, the valuation of the Property was conducted on the basis of cost approach (成本法), being the necessary expenses to develop or build the Property, together with profit and tax of the Property.

**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.

Mr Tsang Siu For Thomas and Mr Yuan Xuanli are both of the view that although the Exit Offer Price is within the range of the estimated net realisable NAV per Share, it is not meaningful in this instance as there is no immediate plans by the Offeror for making material changes to the Company's existing business or to re-deploy the Company's fixed assets. Nevertheless, they note that the Exit Offer presents the only firm offer to Shareholders to monetise their Shares and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares. Accordingly, on the basis of the above and on balance, Mr Tsang Siu For Thomas and Mr Yuan Xuanli believe that it is in the best interest of the Shareholders to accept the Exit Offer, and recommend that Shareholders accept the Exit Offer.

Mr Tan Woon Hum took note of the following:

- (a) All relevant factors as set out in the IFA Letter (including, but not limited to, the mandatory delisting, there being no alternative offer, the implications of holding shares in an unlisted public company, the historical performance and financial position of the Group, and the macro-economic factors and uncertainty faced by the Group).
- (b) The Exit Offer Price is substantively lower than the NAV per Share of the Group as at the Latest Practicable Date. In addition, the Exit Offer Price is substantively lower than the volume-weighted average price per Share for the Last Trading Day, the last 1 month, 3 months, 6 months, and 12 months prior to the Last Trading Day.
- (c) The Exit Offer Price is at the lower range of the net realisable NTA per Share.

For the above reasons, Mr Tan Woon Hum agrees with the IFA's recommendation that it is fair and reasonable although he does not feel that the offer is compelling. Since it is a mandatory delisting with no alternative offer, Mr Tan Woon Hum believes that it is in the best interest of the Shareholders to accept the Exit Offer, and recommends that Shareholders 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 implications of holding on to Shares in an unlisted or delisted company (as set out in paragraph 6.2 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 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 of the Company (excluding treasury shares).

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
<b>Name of Directors</b>				
Pu Xiaofang <sup>(1)</sup>	-	-	117,429,420	55.28
Yuan Xuanli	-	-	-	-
Pu Qixing <sup>(2)</sup>	-	-	-	-
Tsang Siu For Thomas	-	-	-	-
Tan Woon Hum	-	-	-	-
<b>Substantial Shareholders (other than Directors)</b>				
Offeror	117,429,420	55.28	-	-
Wang Yufen <sup>(1)</sup>	-	-	117,429,420	55.28
Phillip Securities Pte Ltd	23,578,324	11.10	-	-

**Note:**

- (1) Ms Pu Xiaofang, the Executive Chairman and Chief Executive Officer of the Company, together with her mother, Madam Wang Yufen, collectively own approximately 81.3% interest in the Offeror, and accordingly Ms Pu Xiaofang is deemed to be interested in the 117,429,420 Shares held by the Offeror in the Company by virtue of Section 7 of the Companies Act (Cap. 50).
- (2) Mr Pu Qixing is the brother of Ms Pu Xiaofang’s late father.

- (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 in the Offeror**

- (a) 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.
- (b) The Company has not dealt for value in any Offeror Securities during the Relevant Period.
- (c) As at the Latest Practicable Date, Ms Pu Xiaofang, the Executive Chairman and CEO of the Company, holds approximately 19.36% of the total issued share capital of the Offeror. Ms Pu Xiaofang’s mother, Mdm Wang Yufen, holds approximately 61.94% of the total issued share capital of the Offeror. Mr Pu Qixing, a Non-Executive Director of the Company, also holds approximately 13.5% interest in the Offeror. Mr Pu Qixing is the brother of Ms Pu Xiaofang’s late father. The remaining shareholdings in the Offeror are held by unrelated parties of Ms Pu Xiaofang, Mdm Wang Yufen and Mr Pu Qixing.

Ms Pu Xiaofang is also the sole director of the Offeror as at the Latest Practicable Date.

- (d) Save as disclosed above, as at the Latest Practicable Date, none of the Directors has any direct or deemed interest in the Offeror Securities.
- (e) None of the Directors has dealt for value in the Offeror Securities in the Relevant Period.

## **5.3 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 or proposed Director and the Company or any of its subsidiaries during the Relevant Period.

## **5.4 Arrangements Affecting Directors**

- (a) There are no payments or other benefits which will be made or given to any Director or any director of any corporation, which is by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Exit Offer.
- (b) There are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Exit Offer.
- (c) Save for Ms Pu Xiaofang and Mr Pu Qixing, whose respective interests in the Offeror are disclosed in paragraph 5.2(c) of 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

### 6.1 Legal Status and Principal Activities of the Company

The Company was incorporated in Singapore on 8 November 2005, and listed on the Main Board of the SGX-ST on 31 July 2007. It is primarily engaged in manufacturing and distribution of high-precision and ultra-thin wide stainless steel strips, cold-rolled steel strips, chrome-plated steel strips and other metal strips.

### 6.2 Directors of the Company

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

<b>Name</b>	<b>Address</b>	<b>Designation</b>
Pu Xiaofang	Care of 143 Cecil Street #17-00 GB Building Singapore 069542	Executive Chairman and Chief Executive Office
Yuan Xuanli	Care of 143 Cecil Street #17-00 GB Building Singapore 069542	Executive Director and Chief Operation Officer
Pu Qixing	Care of 143 Cecil Street #17-00 GB Building Singapore 069542	Non-Executive Director
Tsang Siu For Thomas	Care of 143 Cecil Street #17-00 GB Building Singapore 069542	Lead Independent Director
Tan Woon Hum	Care of 143 Cecil Street #17-00 GB Building Singapore 069542	Independent Director

### 6.3 Registered Office of the Company

The registered office of the Company is at 143 Cecil Street, #17-00 GB Building, Singapore 069542.

## 7. SHARE CAPITAL OF THE COMPANY

### 7.1 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\$30,776,609.56 comprising 212,730,966 shares, of which 318,000 shares are held in treasury. As such, the total number of issued shares in the capital of the Company (excluding treasury shares) is 212,412,966 Shares.

### 7.2 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.

### 7.3 Number of Shares issued since the end of the last financial year

No new Shares have been issued by the Company since the financial year (“FY”) ended 31 December 2014 up to the Latest Practicable Date.

### 7.4 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.

## 8. SUMMARY OF FINANCIAL INFORMATION

### 8.1 Consolidated Statement of Comprehensive Income

A summary of the audited profit and loss statements of the Group for the FY2012, FY2013 and FY2014 is set out below.

	Audited FY2012 RMB'000	Audited FY2013 RMB'000	Audited FY2014 RMB'000
<b>Continuing Operations</b>			
<b>Revenue</b>	130,815	115,509	130,920
Cost of sales	(130,410)	(110,295)	(119,777)
<b>Gross profit</b>	405	5,214	11,143
Other income	2,046	1,614	692
Selling and distribution expenses	(2,038)	(2,079)	(2,232)
Administrative expenses	(13,523)	(11,359)	(11,332)
Other operating expenses	(2,444)	(1,679)	(1,986)
Finance income	347	316	415
Finance expenses	(4,859)	(5,383)	(5,105)
<b>Profit (Loss) before income tax</b>	<b>(20,066)</b>	<b>(13,356)</b>	<b>(8,405)</b>
Income tax expenses	-	-	-
<b>Profit (Loss) from continuing operations</b>	<b>(20,066)</b>	<b>(13,356)</b>	<b>(8,405)</b>
<b>Discontinued operations</b>			
Profit (loss) from discontinued operations	(4)	(3)	2,154
<b>Total profit (loss) for the financial year</b>	<b>(20,070)</b>	<b>(13,359)</b>	<b>(6,251)</b>
<b>Other comprehensive income (loss):</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Currency translation differences arising from consolidation, net of tax, representing total items that may be reclassified to profit or loss	809	(793)	(986)
<b>Total comprehensive income (loss) for the financial year</b>	<b>(19,261)</b>	<b>(14,152)</b>	<b>(7,237)</b>
<b>Basic and diluted earnings (loss) per share from continuing operations (RMB cents)</b>	(9.44)	(6.28)	(3.96)
<b>Basic and diluted earnings (loss) per share from discontinued operations (RMB cents)</b>	(0.002)	(0.001)	1.01

**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 143 Cecil Street, #17-00 GB Building, Singapore 069542 during normal business hours.

The audited financial statements of the Group for FY2014 are set out in Appendix V of the Exit Offer Letter.

## 8.2 Statement of Financial Position

A summary of the audited balance sheets of the Group for FY2013 and FY2014 is set out below.

	<b>Audited 2013 RMB'000</b>	<b>Audited 2014 RMB'000</b>
<b>ASSETS</b>		
<b>Non-Current assets</b>		
Property, plant and equipment	61,872	49,653
Land use rights	8,787	8,583
Investment in subsidiaries	-	-
<b>Total non-current assets</b>	<b>70,659</b>	<b>58,236</b>
<b>Current assets</b>		
Inventories	15,836	13,732
Trade and other receivables	37,529	51,028
Cash and bank balances	20,915	11,622
<b>Total current assets</b>	<b>74,280</b>	<b>76,382</b>
<b>Total assets</b>	<b>144,939</b>	<b>134,618</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	142,883	142,883
Treasury shares	(55)	(55)
Other reserves	5,027	4,041
Accumulated losses	(99,209)	(105,460)
<b>Total equity</b>	<b>48,646</b>	<b>41,409</b>
<b>Current liabilities</b>		
Trade and other payables	18,293	19,209
Interest-bearing bank borrowings	78,000	74,000
<b>Total current liabilities</b>	<b>96,293</b>	<b>93,209</b>
<b>Total liabilities</b>	<b>96,293</b>	<b>93,209</b>
<b>Total equity and liabilities</b>	<b>144,939</b>	<b>134,618</b>
<b>Net tangible asset ("NTA") per share (RMB cents)</b>	<b>22.90</b>	<b>19.49</b>

**Note:**

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

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 143 Cecil Street, #17-00 GB Building, Singapore 069542 during normal business hours.

The audited financial statements of the Group for FY2014 are set out in Appendix V to the Exit Offer Letter.

### 8.3 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 FY2014, which are set out in Appendix V to the Exit Offer Letter.

### 8.4 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.

## 9. 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 2014, being the date to which the Company's last published audited accounts were made up.

## 10. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business of the Group) entered into by the Group with Interested Persons (as defined below), during the period beginning 3 years preceding the date of this Company's Letter to Shareholders:

- (a) The conditional sale and purchase agreement ("**SPA**") entered into between the Company, Oriental International Capital Limited ("**Vendor**"), the Offeror and Pu Xiaofang on 22 May 2013, pursuant to which the Company agreed to acquire from the Vendor the entire issued and paid-up share capital of Oriental Land Limited for a consideration to be satisfied in full by the issue and allotment of New Consolidated Shares (as defined therein) in the capital of the Company;
- (b) The conditional sale and purchase agreement (the "**Disposal Agreement**") entered into between the Company and the Offeror on 22 May 2013, pursuant to which the Company agreed to dispose of its entire equity interest in Yongxin Precision Material (Wuxi) Co., Ltd, a wholly-owned subsidiary of the Company, to the Offeror for an aggregate consideration of S\$7,350,000 to be satisfied in cash;
- (c) The termination and release agreement (the "**SPA Termination Agreement**") entered into between the Company, the Vendor, the Offeror and Pu Xiaofang on 10 October 2014, pursuant to which the SPA will be terminated with effect from 10 October 2014 with the mutual release and discharge of the respective parties' obligations under the SPA in accordance with the terms and conditions of the SPA Termination Agreement; and
- (d) The termination and release agreement (the "**Disposal Termination Agreement**") entered into between the Company and the Offeror on 10 October 2014, pursuant to which the Disposal Agreement will be terminated with effect from 10 October 2014 with the mutual release and discharge of the respective parties' obligations under the Disposal Agreement in accordance with the terms and conditions of the Disposal Termination Agreement.

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:

- (i) a director, chief executive officer, or substantial shareholder of the company;
- (ii) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company;
- (iii) 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;
- (iv) 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;
- (v) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
- (vi) any company in which a substantial shareholder (being a company) and any of the companies listed in (v) above together (directly or indirectly) have an interest of 30% or more.

#### **11. 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 rise to any proceedings which might materially and/or adversely affect the financial position or business of the Company or its subsidiaries taken as a whole.

#### **12. EXEMPTION RELATING TO DIRECTORS’ RECOMMENDATIONS**

The SIC ruled on 27 April 2015 that the Relevant Directors are exempted from the requirement to make a recommendation to the Shareholders on the Exit Offer as the Relevant Directors face irreconcilable conflicts of interests in doing so. Nevertheless, the Relevant Directors must still assume responsibility for the accuracy of the facts stated and opinions expressed in documents and advertisements issued by, or on behalf of, the Company to the Shareholders in connection with the Exit Offer.

#### **13. DIRECTORS’ RESPONSIBILITY STATEMENT**

The Directors 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.

## **14. CONSENTS**

### **14.1 Consent from IFA**

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 containing its recommendation or opinion, and the references to its name, in the form and context in which they are included and appear in this Company's Letter to Shareholders.

### **14.2 Consent from Share Registrar**

The Company's share registrar, B.A.C.S. Private Limited, has given and has not withdrawn its written consent to the issue of this Exit Offer Letter with the inclusion of its name in this Exit Offer Letter, and all references thereto in the form and context in which they appear in this Exit Offer Letter.

### **14.3 Consent from UOB Kay Hian Private Limited**

UOB Kay Hian Private Limited has given and has not withdrawn its written consent to the issue of this Exit Offer Letter with the inclusion of its name in this Exit Offer Letter, and all references thereto in the form and context in which they appear in this Exit Offer Letter.

### **14.4 Consent from Jiangsu Jin Ning Da Real Estate Evaluation Consulting Co., Ltd**

Jiangsu Jin Ning Da Real Estate Evaluation Consulting Co., Ltd has given and has not withdrawn its written consent to the issue of this Exit Offer Letter with the inclusion of its name in this Exit Offer Letter, and all references thereto in the form and context in which they appear in this Exit Offer Letter.

## **15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at the Company's registered office at 143 Cecil Street, #17-00 GB Building, Singapore 069542 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 FY2012, FY2013 and FY2014;
- (e) the SPA;
- (f) the Disposal Agreement;
- (g) the SPA Termination Agreement;
- (h) the Disposal Termination Agreement;

- (i) the valuation report of Jiangsu Jin Ning Da Real Estate Evaluation Consulting Co., Ltd on the land use right and property of the Group, a summary of which is set out in Appendix VI of this Exit Offer Letter; and
- (j) the letters of consent referred to in paragraph 14 of this Company's Letter to Shareholders.

**16. ADDITIONAL INFORMATION**

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

Yours faithfully

Tsang Siu For Thomas  
Lead Independent Director

For and on behalf of  
The Board of Directors of  
**YONG XIN INTERNATIONAL HOLDINGS LTD.**  
15 October 2015  
*Singapore*

## ANNEX A TO APPENDIX III

### LETTER FROM NRA CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS OF YONG XIN INTERNATIONAL HOLDINGS LTD.

**nra capital**

05 October 2015

The Independent Directors  
Yong Xin International Holdings Ltd  
143 Cecil Street  
#17-00 GB Building  
Singapore 069542

Dear Sirs

#### **DIRECTED DELISTING OF YONG XIN INTERNATIONAL HOLDINGS LTD (THE “COMPANY”) PURSUANT TO RULES 1315 AND 1306, READ WITH 1309 OF THE LISTING MANUAL**

*Unless otherwise defined or the context otherwise requires, all terms defined in the exit offer letter dated 15 October 2015 issued by Better Ace International Limited (the “Offeror”) (the “Exit Offer Letter”) shall have the same meanings herein.*

#### **1. INTRODUCTION**

Yong Xin International Holdings Ltd was placed on the Singapore Exchange Securities Trading Limited’s (the “SGX-ST”) Watch List with effect from 5 March 2013 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 2013; 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.

The Company was unable to meet the requirements of Rule 1314 of the Listing Manual within the aforesaid timeframe and on 3 March 2015, the Company received a notification from the SGX-ST (the “SGX-ST Notification of Delisting”) stating 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”). In the same notification, it was stated that trading in the Company’s securities will continue until 5.00 p.m., 2 April 2015 (the “Last Trading Day”) and the trading will remain suspended from 9.00 a.m., 6 April 2015 until the completion of an exit offer. The Company informed SGX-ST that it was unable to meet the requirements under Rule 1314 for its removal from the Watch List; therefore, the SGX-ST will proceed to delist the Company pursuant to Rule 1315.

On 30 April 2015 (the “Joint Announcement Date”), the Company and the Offeror jointly announced (the “Joint Announcement”) that the Offeror has presented to the board of directors of the Company (the “Directors”) a delisting proposal (the “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 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 we 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 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 05 October 2015 (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/her/its 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 15 October 2015 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 Exit Offer Price**

The offer price for each Offer Share will be S\$0.008 in cash ("**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.

#### **3.2 Offer Shares**

The Exit Offer is extended to all the issued ordinary shares in the capital of the Company (excluding treasury shares) ("Shares") not 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, mortgages, 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 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 2.6)*

*"There are no conditions attached to the Exit Offer"*

#### **3.5 Warranty**

*(As extracted from the Exit Offer Letter under paragraph 2.4)*

*"Acceptance of an Exit Offer by a Shareholder will be deemed to constitute an unconditional and irrevocable warranty by that accepting 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 remain open for acceptance by Shareholders for a period of at least 28 days after the day of despatch of the Exit Offer Letter to Shareholders 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 12 November 2015 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 Appendix II section 9.3)*

*“As at the Latest Practicable Date, the Offeror has not received any irrevocable undertaking from any party to accept or reject the Exit Offer.”*

## **5. INFORMATION ON THE OFFEROR**

*(As extracted from the Exit Offer Letter under paragraph 4)*

*“The Offeror is a company incorporated in the British Virgin Islands (“BVI”) under the International Business Companies Act on 5 October 2005, and re-registered under the BVI Business Companies Act on 1 January 2007, 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 a controlling shareholder of the Company, holding approximately 55.28% of the total number of issued Shares.”*

*(As extracted from the Exit Offer Letter under Appendix II section 2)*

### **“2. SHAREHOLDERS OF THE OFFEROR**

*As at the Latest Practicable Date, Ms Pu Xiaofang holds approximately 19.36% of the total issued share capital of the Offeror. Ms Pu Xiaofang’s mother, Mdm Wang Yufen, holds approximately 61.94% of the total issued share capital of the Offeror.*

*Mr Pu Qixing, a Non-Executive Director of the Company, also holds approximately 13.5% interest in the Offeror. The remaining shareholdings in the Offeror are held by unrelated parties of Ms Pu Xiaofang, Mdm Wang Yufen and Mr Pu Qixing.”*

## 6. INFORMATION ON THE COMPANY

The Company was incorporated in Singapore on 8 November 2005 and was listed on the Mainboard of the SGX-ST on 31 July 2007. It is principally engaged in the manufacturing and distribution of high-precision and ultra-thin wide stainless steel strips, cold-rolled steel strips, chrome-plated steel strips and other metal strips. The Group's customers are wholly based in the People's Republic of China ("PRC").

As at the Latest Practicable Date, the issued share capital of the Company comprises of 212,412,966 Shares and 318,000 treasury shares. The Company has not issued any instruments convertible into, rights to subscribe for, nor options in respect of, securities which carry voting rights of the Company.

## 7. RATIONALE FOR THE DELISTING

The Company was placed on the SGX-ST's Watch List with effect from 5 March 2013 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 2013, 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 timeframe. On the 3 March 2015, the Company received the SGX-ST Notification of Delisting stating 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. In the same notification, it was stated that trading in the Company's securities will continue until 5.00 p.m., 2 April 2015 and the trading will remain suspended from 9.00 a.m., 6 April 2015 until the completion of an exit offer. The Company informed SGX-ST that it was unable to meet the requirements under Rule 1314 for its removal from the Watch List; therefore, the SGX-ST will proceed to delist the Company pursuant to Rule 1315.

On 30 April 2015, the Company and the Offeror jointly announced the Exit Offer. Further details of the Exit Offer can be found in the Exit Offer Letter.

## 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) Historical financial performance and financial position of the Group
- (b) Market quotation and trading liquidity of the Shares;
- (c) Valuation statistics of the Group implied by the Exit Offer Price versus those of broadly comparable companies;
- (d) NTA of the Group against the Exit Offer Price;
- (e) Comparison with recent SGX-ST directed delisting offers, the certainty of and the implications of delisting;
- (f) No alternative offer and no revision of the Exit Offer Price;
- (g) Compulsory acquisition;
- (h) Further implications of delisting;
- (i) No transaction costs in relation with the disposal of the Shares; and
- (j) Dividend track record of the Company.

## 8.1 Historical financial performance and financial position of the Group

A summary of the audited financial performances of the Group for the last three financial years ("FY") from FY2012 to FY2014 are set out as follows:

### Review of financial results

(RMB'000)	FY2012	FY2013	FY2014
Revenue	130,815	115,509	130,920
Cost of Sales	(130,410)	(110,295)	(119,777)
Gross profit	405	5,214	11,143
Profit/(Loss) from continuing operations, net of tax	(20,066)	(13,356)	(8,405)
Profit/(loss) from discontinued operations, net of tax	(4)	(3)	2,154
Total Profit/(Loss)	(20,070)	(13,359)	(6,251)

Source: The Group's audited accounts for FY2012, FY2013 and FY2014 ended on 31 December for the respective financial year.

#### (a) FY2013 vs FY2012

Revenue of the Group declined by approximately RMB15.3 million or approximately 11.7% from FY2012 to FY2013. This decrease in revenue was primarily due to the reduction in selling price as a result of cheaper product cost. Gross profit increased by approximately RMB4.8 million or approximately 1187.4% from FY2012 to FY2013, partly because of the write-back of allowance of approximately RMB3.2 million for impairment of inventories.

The Group recorded a lower net loss from continuing operations in FY2013 as compared to FY2012, due primarily to the increase in gross profit (as highlighted above), a decrease in administrative expenses (decrease in salaries and social insurance expenses) and other operating expenses (primarily due to a net currency gain), partially offset by an increase in interest expenses from bank borrowings and bills. Total loss decreased by approximately RMB6.7 million or approximately 33.4% from FY2012 to FY2013.

#### (b) FY2014 vs FY2013

Revenue of the Group increased by approximately RMB15.4 million or approximately 13.3% from FY2013 to FY2014. This increase in revenue was mainly due to the growth in sales of the Group's three main products namely, high-precision chrome-plated steel strips, high-precision cold-rolled steel strips and high-precision stainless steel strips. As a result, gross profit increased by approximately RMB5.9 million or approximately 113.7% from FY2013 to FY2014.

The Group recorded a lower net loss from continuing operations in FY2014 as compared to FY2013, due mainly to the increase in gross profit, the decrease in interest expenses from bank borrowings and bills, partially offset by the increase in selling and distribution expenses. The Group recognised a gain in discontinued operations in FY2014 relating to the cessation in operations of its subsidiary, Xuzhou Yongsheng Coking Trading Co Ltd amounting to approximately RMB2.2 million. Total loss decreased by approximately RMB7.1 million or approximately 53.2% from FY2013 to FY2014.

## Review of financial position

(RMB'000)	FY2013	FY2014
Non-current assets	70,659	58,236
Current assets	74,280	76,382
Non-current liabilities	-	-
Current liabilities	96,293	93,209
Total borrowings	78,000	74,000
Total equity	48,646	41,409
Net tangible assets ("NTA")	48,646	41,409

Source: The Group's audited accounts for FY2013 and FY2014 as at 31 December for the respective financial year.

The Group's assets as at 31 December 2014, comprised mainly of its plant and equipment of approximately RMB26.4 million and leasehold buildings of approximately RMB22.3 million and trade and other receivables of approximately RMB51.0 million. The Group's liabilities comprised mainly of a current liabilities of bank borrowings (interest bearing) of approximately RMB74.0 million, of which approximately RMB25.0 million of the bank borrowings are secured by the Group's leasehold buildings and land use rights. The remainder of the Group's liabilities comprised of trade and other payables amounting to approximately RMB19.2 million, of which primarily the trade and other payables are related to accrued operating expenses of approximately RMB10.4 million. As at 31 December 2014, total equity decreased by approximately RMB7.2 million or 14.9% from FY2013 to FY2014.

The Group's gearing (based on total borrowings divided by total equity) as at 31 December 2014 was approximately 1.79 times. As at 31 December 2014, the Group also had negative working capital position of approximately RMB16.8 million.

## Review of cash flow statement

(RMB'000)	FY2013	FY2014
Net cash flows (used in)/generated from operating activities	2,989	(4,546)
Net cash flows (used in)/generated from investing activities	(134)	(1,218)
Net cash flows (used in)/generated from financing activities	6,398	(2,143)
Cash and cash equivalents at beginning of financial year	11,455	19,915
Cash and cash equivalents at end of financial year	19,915	11,022

Source: The Group's audited accounts for FY2013 and FY2014 as at 31 December for the respective financial year.

- (a) Net cash used in operating activities amounted to approximately RMB4.5 million in FY2014, compared to net cash generated from operating activities of approximately RMB3.0 million in FY2013, due primarily to increase in trade and other receivables.
- (b) Net cash used in investing activities amounted to approximately RMB1.2 million in FY2014, compared to net cash used in investing activities of approximately RMB0.1 million in FY2013, due primarily to increase in purchase of property, plant and equipment.
- (c) Net cash used in financing activities amounted to approximately RMB2.1 million in FY2014, compared to net cash generated from financing activities of approximately RMB6.4 million, due primarily to the increase in repayment of bank borrowings and the decrease in proceeds from bank borrowings.
- (d) The Group's cash and cash equivalents decreased from approximately RMB20.0 million as at FY2013 to approximately RMB11.0 million as at FY2014.

As at FY2014, the Group's liabilities are wholly comprised of current liabilities; hence, the ability of the Group to generate positive operating cash flow going forward would affect its ability to meet its short-term obligations as and when they fall due and its ability to continue as a going concern.

### Outlook of the Group

We would like to highlight on page 2 of the FY2014 audited annual report of the Company in relation to the general outlook of the Group's business, which we have reproduced in italics below:

*“Global business conditions continue to be challenging and uncertain given the weak global economic recovery and slowing domestic economic growth in China. With the implementation of macroeconomic policies such as stabilising growth, industrial structural adjustment and improving efficiency, China's economic growth should remain steady. In view of this, traditional industries in China will continue to face challenges.”*

*“Sales of the Group's chrome-plated steel strips, which are used in the optical fiber communications industry, are expected to be stable as the Chinese government is actively increasing network speed. Our stainless steel strips which are used widely in smart phones and electrical products will face both opportunities and challenges ahead.”*

*“For cold-rolled steel strips products, our Group's newly developed product used in producing LED frames has been produced in small batches since last year. We intend to increase the customer base for this industry. In the meantime, the Group will focus on the promotion of our cold-rolled steel strips to high-end customers with more value-added services.”*

*“In conclusion, 2015 will be a year with many opportunities and challenges for the Group. As such, the management will continue to increase the quality of products, create new products, lower costs and increase sales.”*

Notwithstanding the outlook provided in the aforementioned, since the release of the Group's FY2014 annual report, China's national gross domestic product (“GDP”) for the first quarter of 2015 showed GDP growth slowed to a 7% from a year earlier (at 7.4%) (according to China's National Bureau of Statistics). The figure (7%) also marked growth in China's GDP at its slowest pace since 2009. Further, the central government of China has also set the expected GDP growth rate for this year at about 7%.

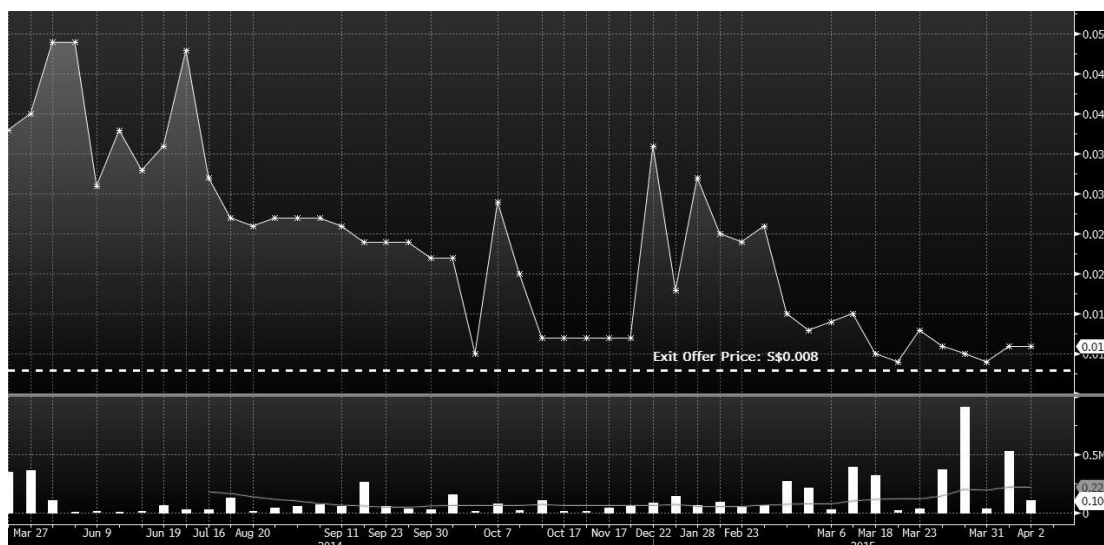
The weaker macro-economic environment seems to have had an adverse impact on the Group's business. The Company has indicated that there is a deterioration in its receivables aging in FY2015 which seems to coincide with the weaker macro-economic figures. The account receivables turnover for FY2013 was 3.27 times whereas for FY2014, it was 2.96 times and on an annualised basis for the first half of FY2015, it was 1.63 times.

## **8.2 Market quotation and trading liquidity 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 and up to the Last Trading Day immediately prior to the suspension in trading as stated in the SGX-ST Notification of Delisting.



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 and including the Last Trading Day (2 April 2015) are as follows:

	VWAP (\$)	Premium/ (Discount) of Exit Offer Price over/ to VWAP (%)	Highest Price (\$)	Lowest Price (\$)	Average Daily Trading Volume (million) <sup>(1)</sup>	Average Daily Trading Volume as percentage of Free Float <sup>(2)</sup> (%)
<b>Periods prior and up to the Last Trading Day</b>						
Last 12 months	0.016	(50.000)	0.049	0.009	0.020	0.028
Last 6 months	0.013	(38.462)	0.036	0.009	0.031	0.043
Last 3 months	0.013	(38.462)	0.032	0.009	0.056	0.078
Last 1 month	0.012	(33.333)	0.026	0.009	0.134	0.188
Last Trading Day (2 April 2015)	0.011 <sup>(3)</sup>	(27.272)	0.011	0.011	0.100	0.140

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 71.405 million Shares as at the Latest Practicable Date.
- (3) This represents the last transacted price (instead of the VWAP) on 2 April 2015, being the last Market Day on which the Shares were traded prior to the suspension in trading of the Shares.

We note the following:

- (i) Over the 12-month period prior to the Last Trading Day, the Shares have traded from a low S\$0.009 to a high of S\$0.049 per Share.
- (ii) The Exit Offer Price represents a discount of approximately 50.000%, 38.462%, 38.462% and 33.333% to the VWAP for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Trading Day, respectively.
- (iii) The Exit Offer Price represents a discount of approximately 27.272% to the VWAP for the Last Trading Day on which the Shares were traded prior to the suspension in trading of Shares.
- (iv) Over the 12-month period prior to and including the Last Trading Day, the Shares were traded only over 45 days out of a total of 252 Market Days or equivalent to approximately 17.857% of the total Market Days.
- (v) The average daily traded volume of the Shares for the periods of 12 months, 6 months, 3 months and 1 month prior to the Last Trading Day represent approximately 0.028%, 0.043%, 0.078% and 0.188% of the Free Float, respectively.
- (vi) The trading volume of the Shares on the Last Trading Day represents 0.140% of the Free Float.
- (vii) The corresponding Highest Price transacted over the 12-month, 6-month, 3-month, 1-month period prior to and including the Last Trading Day have consistently dropped. The Highest Price transacted on the Last Trading Day represents a discount of approximately 78.000% from the Highest Price transacted for the Shares over the 12-month period prior to the Last Trading Day. The Lowest Price transacted for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Trading Day stayed constant at S\$0.009. The Lowest Price transacted on the Last Trading Day represents a rise of 22.222% over the Lowest Price transacted for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Trading Day.
- (viii) Given that trading in Shares has been suspended, there is no public market for the disposal of the Shares. The last transacted price at S\$0.011 on the Last Trading Day represents a discount of approximately 78.000% from the Highest Price transacted for the Shares over the 12-month period prior to the Last Trading Day as provided above. The Shares of the Company are thinly traded with an Average Daily Trading Volume of approximately 0.020 million Shares over the 12-month period prior to the Last Trading Day and 0.100 million Shares traded prior to the suspension in trading of Shares or the equivalent of 0.028% and 0.140% of the free float of approximately 71.405 million Shares. The last transacted price of S\$0.011 therefore does not represent a benchmark price for Shareholders nor does it reflect an alternative exit price for Shareholders as it would take approximately over 700 Market Days for them to divest their Shares through the market. This option is also no longer available as the Shares are suspended pending their delisting from the SGX-ST.

**Shareholders should note that the past trading performance of the Shares serves only as an illustrative guide and is not an indication of the future trading performance of the Shares.**

### **8.3 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:

<b>Company</b>	<b>Principal Business</b>	<b>Primary Exchange</b>
Hokuetsu Metal Co Ltd ("Hokuetsu Metal")	Hokuetsu Metal manufactures steel bars, wire rods and other shaped steel products. The company also produces processed steel products used in civil engineering and construction industries.	Japan
Sanyu Co Ltd ("Sanyu")	Sanyu manufactures and sells cold-rolled steel bars and wires. The company also processes and sells steel products.	Japan
Kisco Holdings Co Ltd ("Kisco Holdings")	Kisco Holdings manufactures a variety of steel products. The company's products include steel plates, steel pipes, reinforcing bars, steel channels, hot-rolled steel bars, steel angles and forged steel bars.	Korea
Kyeong Nam Steel Co Ltd ("Kyeong Nam")	Kyeong Nam manufactures cold-rolled steel and galvanised steel. The company supplies its products to automobile and electronic products manufacturers.	Korea
Delong Holdings Ltd ("Delong Holdings")	Delong Holdings manufactures and trades in steel. The company specialises in the manufacture of hot-rolled mid-width steel coils.	Singapore

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:

<b>Valuation Ratio</b>	<b>General Description</b>
<b>P/E</b>	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.
<b>P/NTA</b>	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.

<b>Valuation Ratio</b>	<b>General Description</b>
<b>EV/EBITDA</b>	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. EBITDA refers to the historical consolidated earnings before interest, taxes, depreciation and amortisation.

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

<b>Comparable Companies</b>	<b>Market Capitalisation as at the Latest Practicable Date<sup>(1)</sup> (S\$' million)</b>	<b>P/E<sup>(2)</sup> (times)</b>	<b>P/NTA<sup>(3)</sup> (times)</b>	<b>EV/EBITDA (times)<sup>(4)</sup></b>
Kisco Holdings	292.10	38.86	0.30	9.37
Delong Holdings	53.40	5.41	0.10	4.48
Hokuetsu Metal	66.10	18.80	0.38	3.52
Kyeong Nam	50.10	5.43	0.57	6.78
Sanyu	22.40	10.39	0.27	4.31
High		38.86	0.57	9.37
Low		5.41	0.10	3.52
Mean		15.77	0.32	5.69
Median		10.39	0.30	4.48
<b>Company (implied by the Exit Offer Price)</b>	<b>1.69</b>	<b>n.m.</b>	<b>0.18<sup>(5)</sup></b>	<b>6.13</b>

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) Based on the NTA of the Group of approximately RMB41,409,000 (which is equivalent to approximately S\$9,263,758 based on an exchange rate extracted from Bloomberg L.P. of S\$1:RMB4.47 as at the Latest Practicable Date) and based on 212,412,966 Shares being the total number of Shares in issue as at the Latest Practicable Date (i.e., book NTA per Share of approximately S\$0.043).
- (6) "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.
- (7) "n.a." means not available.

Based on the above, we note that:

- (a) Based on FY2014's earnings of the Group, the computed historical PE ratio is negative as the Group recorded a net loss. As such, comparison with the Comparable Companies in this regard is not meaningful.
- (b) The range of P/NTA ratios among the Comparable Companies is between 0.10 times and 0.57 times. We also note that the mean and median P/NTA ratio of the Comparable Companies as at the Latest Practicable Date is 0.32 and 0.30 times, respectively. The P/NTA ratio of the Group as implied by the Exit Offer Price of 0.18 times is within the range of the Comparable Companies. The P/NTA ratio of the Group as implied by the Exit Offer Price is below the mean and median P/NTA ratios of the Comparable Companies.
- (c) The range of EV/EBITDA ratios among the Comparable Companies is between 3.52 times to 9.37 times. We also note that the mean and median EV/EBITDA ratio of the Comparable Companies as at the Latest Practicable Date is 5.69 and 4.48 times, respectively. The EV/EBITDA ratio of the Group as implied by the Exit Offer Price of 6.13 is within the range of the Comparable Companies. The EV/EBITDA ratio of the Group as implied by the Exit Offer Price is above the mean and median EV/EBITDA ratios of the Comparable Companies.

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 FTSE ST Small Cap Index ("FSTS") and FTSE Straits Times Index ("FSSTI") are trading at a P/E ratio of 12.44 and 13.00 times, respectively, while the Korean KOSPI Index and the Japanese TOPIX Index are trading at a P/E ratio of 16.32 times and 15.39 times, respectively.

In addition, we wish to highlight the following:

- (i) As highlighted earlier in this section 8.3, there are limitations in the Comparable Companies being directly comparable to the Group and that any comparison made in this section 8.3 serves only as an illustrative guide for Shareholders. Also, the list of Comparable Companies is by no means exhaustive.
- (ii) 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.

#### **8.4 NTA of the Group against the Exit Offer Price**

The NTA-based valuation 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 asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings-based valuation.

A NTA-based approach is meaningful only in so far as it shows the extent to which the value of each Share is backed by tangible assets, and would be relevant in the event that the Group changes the nature of its business or realises or converts the uses of all or most of its assets. In this regard, we note that the Offeror has not explicitly stated any intentions to propose any major changes to the businesses of the Company or to redeploy the fixed assets of the Company.

We further note that if the Group continues to be in a net loss-making position going forward, there is a possibility that the Group may have to liquidate its assets to satisfy its liabilities and other expenses. Accordingly, in a worst case scenario, in the situation of a hypothetical sale of

the Group's assets, for the purposes of illustration, the Group's assets are likely to be realised at much distressed values in comparison to the book values as the assets are being sold and liquidated within a short period of time or in a non-orderly manner in order to satisfy the Group's liabilities and other expenses (refer to Notes 1 to 4 below).

For illustration purposes, we note that based on the audited balance sheet of the Group as at 31 December 2014, plant and equipment (approximately RMB26.4 million), accounted for approximately 20% of the Group's total assets as at 31 December 2014. Such assets are recorded in the Group's financial statements at a "value" based on the Group's business continuing as a going concern (the "Current Book Amount"). However, assuming a situation of a hypothetical sale of such assets arising from a change or cessation in the Group's business, we understand that under such hypothetical situation, the "value" realisable from such sale of assets is likely to be much lower than the Current Book Amount.

Although the Directors had indicated that FY2015 will be a year with many opportunities and challenges, it is also the view of the Directors that the global business conditions continue to be challenging and uncertain given the weak global economic recovery and slowing domestic economic growth in China. Based on the guidance indicated by the Directors and the increasingly weak economic situation in China, NRA Capital estimates the net realisable assets of the Group as follows:

	Estimated net realisable value <sup>(1)</sup> (RMB'000)	First Half for FY2015 (RMB'000)
Total Asset Value	101,365 to 104,009	121,110
Plant and equipment	0 to 2,644 <sup>(3)</sup>	50,643 <sup>(2)</sup>
Leasehold buildings and land use rights	39,565 <sup>(4)</sup>	
Motor vehicles and furniture and fittings	918	
Inventories	13,732	19,016
Trade and other receivables	35,528 <sup>(5)</sup>	38,602
Cash and bank balances	11,622	12,849
Total Liabilities	93,209	86,500
Trade and other payables	19,209	13,500
Interest-bearing bank borrowings	74,000	73,000

Notes:

- (1) NRA Capital's estimates.
- (2) This figure is the summation of Plant & equipment, leasehold buildings & land use rights, and motor vehicles and furniture and fittings.
- (3) The Group has been in a net loss-making position since FY2010. We further note that that such plant and equipment are of specific industrial use and accounting for the costs incidental to the sale of such plant and equipment, the plant and equipment will have little to no value (90% to 100% write-down).
- (4) Based on the valuation report prepared by the independent valuer (commissioned by the Company), JiangSu JinNingDa Real Estate Evaluation & Consultant Co., Ltd. (the "Independent Valuer") dated March 2015 (the "Valuation Report"), there is a revaluation surplus in relation to the land use rights from approximately RMB8.6 million (FY2014 audited figures) to approximately RMB 17.3 million and there is no change in the leasehold buildings at approximately RMB22.3 million.
- (5) Based on the FY2014 annual report of the Company, approximately RMB7.1 million of the trade receivables are past due but not impaired. We estimate that in the situation of a hypothetical sale and liquidation of the assets of the Group where the assets are being sold and liquidated within a short period of time or in a non-orderly manner in order to satisfy the Group's liabilities and other expenses, approximately RMB15.5 million of the receivables may not be recovered.

From the illustration above, we note that the estimated realisable NTA ranges from approximately RMB8.2 million to approximately RMB10.8 million or the equivalent of estimated realisable NTA per Share of approximately RMB0.038 per Share to approximately RMB0.050 per Share (approximately S\$0.008 to approximately S\$0.011 per Share based on an exchange rate of S\$1:RMB4.474 as at Latest Practicable Date). In this regard, in the absence of a better alternative exit offer as at the Latest Practicable Date, **the Exit Offer Price of S\$0.008 is within the range of the estimated realisable NTA per Share of S\$0.008 to S\$0.011.** Further, we wish to highlight that based on the audited figures for the financial year ended 31 December 2014, the Group is in a negative working capital position of approximately RMB16.8 million and net borrowing position of approximately RMB62.4 million as at 31 December 2014 (Total Interest-bearing Bank Borrowings of RMB 74.0 million less Cash and Bank Balances of RMB 11.6 million). We also note that a total of RMB25.0 million of the bank borrowings are secured by leasehold buildings and land use rights as at 31 December 2014. As a result, the Group may not be able to easily find buyers for or be able to dispose of or realised the value of the properties (including the revaluation surplus from the revised value of the land use rights) as assessed by the Independent Valuer.

We wish to further highlight that in the situation of a sale of the Group's assets, there will be expenses incurred in relation to such sale including, but not limited to, compensation to the Group's employees, profession fees in relation to the sale and other fees incidental to the sale of the Group's assets. Following the satisfaction of the creditors, liabilities and expenses provided for in the aforementioned, the remaining proceeds, if any, will then be distributed to the Shareholders in accordance to their respective rights and interests in the Company.

The computation set out in the aforementioned is for illustrative purposes only and does not imply that the assets will be disposed-off at the value indicated above nor does it imply that after payment of all liabilities and obligations, the amount indicated for the computed estimated NTA is realisable or distributable to the Shareholders as it is dependent on, amongst others, availability of potential buyers for the assets, the prevailing regulations, market and economic conditions.

In our evaluation of the financial terms of the Exit Offer, we have reviewed the audited balance sheet of the Group as at 31 December 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.

## **8.5 Comparison with recent SGX-ST directed delisting offers, the certainty of and the implications of delisting**

In assessing the reasonableness of the Exit Offer Price, we have 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 April 2015 ("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 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.

The data used in the table and information on the companies listed below have been compiled from publicly available information and serves as a guide to the premium/(discount) in connection with Mandatory Delistings of companies listed on the SGX-ST, without regard to their specific industry characteristics or other considerations. Each of the Mandatory Delisting should be judged on its own commercial and financial merits. The list of Mandatory Delistings is by no means exhaustive and as such any comparison made only serves as an illustration.

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

Company	Date Delisted	Exit Offer	Premium/ (Discount) of Offer Price over/ to		
			Last Transacted Price prior to announcement/suspension (%)	1-month VWAP prior to announcement/suspension (%)	P/NTA (times)
Chuan Soon Huat Industrial Group Ltd <sup>(2)</sup>	01-Apr-10	No		n.a.	
General Magnetics Ltd <sup>(3)</sup>	01-Apr-10	No		n.a.	
Fastech Synergy Ltd <sup>(4)</sup>	16-July-10	No		n.a.	
Ocean International Holdings Limited	31-Mar-11 <sup>(5)</sup>	Yes	100.00	100.00	1.00
Rotol Singapore Ltd <sup>(6)</sup>	18-Aug-11	No		n.a.	
FirstLink Investments Corporation Limited <sup>(7)</sup>	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 <sup>(8)</sup>	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	14.50	1.90	0.69
Jets Technics International Holdings Limited <sup>(9)</sup>	25-Oct-13	No		n.a.	
FDS Networks Group Ltd <sup>(10)</sup>	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 <sup>(11)</sup>	30-Jan-14	Proposed voluntary liquidation was rejected by shareholders and therefore did not occur; there was no subsequent exit offer		n.a.	
GEMS TV Holdings Ltd	18-Aug-14	Yes	34.60	(6.00) <sup>(12)</sup>	1.00

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 (%)	
China Powerplus Limited	05-Sep-14	Yes	16.70	25.00	0.40
High			100.00	100.00	1.00
Low			14.50	(6.00)	0.40
<b>Company (implied by the Exit Offer Price)</b>			<b>(27.27)</b>	<b>(33.33)</b>	<b>0.18</b>

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.
- (12) This represents the discount from the volume-weight closing price for GEMS's shares for 1 month period prior to the suspension date (28 March 2014) instead of the VWAP.

We note that in our examination of the Mandatory Delistings, in 5 out of 13 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 4 out of the 13 Mandatory Delistings had final exit offers.

In a voluntary liquidation, at least 75% of the Shareholders must consent for the voluntary liquidation. In this regard, we wish to highlight that both Madam Wang Yufen, together with her daughter, Ms Pu Xiaofang together holds 55.28% of the total issued share capital of the Company, and has through the Offeror (Madam Wang Yufen and Ms Pu Xiaofang collectively owned 81.30% of the interest in the Offeror), has stated in paragraph 5 of the Exit Offer Letter that the Offeror has no immediate plans for (a) making material changes to the Company's existing business, (b) redeploying 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.**

Further, the Offeror has provided in the Exit Offer Letter that it does not intend to revise the Exit Offer Price under any circumstances. In addition, as at the Latest Practicable Date, the Directors have confirmed that there are no competing offer received. **The Company will be delisted regardless of whether Shareholders accept or reject the Exit Offer.** In this regard, we wish to note that despite the approximately 80% discount implied by the Exit Offer Price to the Group's NTA per Share; **when the Company is delisted by Exchange, 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 public market for the disposal of the Shares. Further, subsequent to delisting, the Company will no longer be obligated to comply with the listing requirements of the SGX-ST and hence, Shareholders will no longer enjoy the same level of protection, transparency and accountability afforded and imposed on the Company by the Listing Manual.

## 8.6 No alternative offer and no revision of the Exit Offer Price

There is no publicly available evidence of any alternative offer for the Shares or the Company from any third party. The Directors have confirmed that, as at the Latest Practicable Date, apart from the Exit Offer proposed by the Offeror, no competing offer or an enhancement or revision of the Exit Offer has been received. Accordingly, we wish to also note as stated in paragraph 2.1 of the Exit Offer Letter that **"The Offeror does not intend to revise the Exit Offer Price under any circumstances."** Further, we wish to highlight that in view of the suspension of the trading of Shares as provided for in the SGX-ST Notification of Delisting, Shareholders are unable to dispose of their Shares or exit their investments in the public market, and as at the Latest Practicable Date, the Exit Offer is the only publicly available option for exit.

The possibility of any alternate take-over would be remote given that the Offeror, through Madam Wang Yufen and Ms Pu Xiaofang, together holds 55.28% of the total number of the Shares as at the Latest Practicable Date and have, through the Offeror, stated that there are no immediate plans for (a) making material changes to the Company's existing business, (b) redeploying 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. Additionally, it would also be very unlikely that there would be any alternate take-over given that the Company's Shares faces a de-listing from the SGX-ST.

## 8.7 Compulsory acquisition

As stated in paragraph 6.1 of the Exit Offer Letter: *"Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires 90% or more of the shares of the Company (other than those already held by the Offeror as at the date of the Exit Offer and excluding any shares*

of the Company held as treasury shares), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Exit Offer at a price equal to the Exit Offer Price.

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

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

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

We further note that the Offeror through Madam Wang Yufen, together with her daughter, Ms Pu Xiaofang together holds 55.28% of the total issued share capital of the Company as at the Latest Practicable Date.

## **8.8 Further implications of delisting**

We wish to highlight that **there are no conditions attached to the Exit Offer. The Company will be delisted from the Mainboard and become an unlisted public company. Subsequent to the delisting, it is likely to be challenging for Shareholders who did not accept the Exit Offer to dispose and sell their Shares in the absence of a public market for the Shares.** Shareholders should note that shares of unlisted public companies are generally valued at a discount to the shares of comparable listed companies due to the lack of marketability.

Although following the delisting of the Company from the Mainboard, there may be cost savings attributed to expenses and fees relating to a continued listing, such as Directors' fees, audit expenses, travelling costs, compliance costs, and other incidental charges, there may be also increases in other financial and other expenses, such as cost of funding, provisions, and the requirement of providing additional corporate and/or personal guarantees for the Group's bank borrowings. The exact costs and benefits may not be accurately quantifiable at this point, however, it appears that the net cost savings associated with the delisting may not have any significant impact on the expected losses that may be incurred by the Company. Additionally, subsequent to the delisting of the Company from the Mainboard, the Company will no longer be obligated to comply with the listing requirements of the SGX-ST and hence, Shareholders will no longer enjoy the same level of protection, transparency and accountability afforded and imposed on the Company by the Listing Manual. As an unlisted public company, the Company will be subject to the compliance with the relevant Singapore laws and its memorandum and articles of associations, and the interest of Shareholders who did not accept the Exit Offer will be protected to the extent provided by the relevant Singapore laws and the Company's memorandum and articles of association. Further, following the delisting of the Company, there is no guarantee that the Company, operating as a public unlisted company, will eventually become profitable as the continued operation of the Company will involve known and unknown risks, uncertainties and other factors that may cause a negative impact on the Company's performance. As such, none of the Company, its Directors and executive officers, or any other person represents or warrants to any Shareholder the future results, performance or achievements of the Company.

## **8.9 No transaction costs in relation with the disposal of the Shares**

Shareholders who validly accept the Exit Offer will receive the entire proceeds in cash. The Exit Offer represents an opportunity for Shareholders to dispose of their Shares for cash without any transaction costs as opposed to the sales of Shares in the open market which will incur expenses such as brokerage commission and transaction costs.

## 8.10 Dividend track record of the Company

We note that the Company has not paid dividend since 2009. 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 5.03%. This illustration suggests that a Shareholder who accepts the Exit Offer may potentially experience an increase in investment income if he re-invests the proceeds in the shares of the constituent company(ies) of the FSTS. This is, however, on the assumption that the relevant company(ies) of the FSTS provides for a dividend payout.

We wish to highlight that the above 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 of 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.

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

- (a) SGX-ST's Watch List status: The Company was placed on the SGX-ST's Watch List with effect from 5 March 2013 pursuant to Rule 1311 of the Listing Manual of the SGX-ST with a 24-month timeframe to meet the requirements of Rule 1314 of the Listing Manual for its removal from the Watch List. **The Company was unable to meet the criteria of the SGX-ST by the said deadline and the SGX-ST will proceed to delist the Company pursuant to Rule 1315 of the Listing Manual. Shareholders should note that there are NO conditions attached to the Exit Offer.**
- (b) Exit Offer Price: Although the Offeror (through Madam Wang Yufen and Ms Pu Xiaofang, together holds 55.28% of the total number of the Shares as at the Latest Practicable Date) has stated that there is no present intention to making material changes to the Company's existing business or to redeploy the Company's fixed assets; under Rule 1306 of the Listing Manual, it provides that if the SGX-ST 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. Such a reasonable exit offer may include a voluntary liquidation of the issuer's assets and distribution of cash back to shareholders. It should be noted that the Group continues to operate in an increasingly difficult operating environment. Accordingly an analysis was therefore made in the assessment of the Exit Offer Price in consideration of a sale of the Group's assets for the purpose of realising the value of the Group's assets. Based on our best estimates, **the estimated net realisable NTA per Share ranged from S\$0.008 to S\$0.011 (or the equivalent of up to approximately 80% discount to the Group's book NTA per Share). The Exit Offer Price of S\$0.008 is within the range of the estimated net realisable NTA per Share.**
- (c) Given that trading in Shares has been suspended, there is no public market for the disposal of the Shares. The last transacted price at S\$0.011 on the Last Trading Day represents a discount of approximately 78.000% from the Highest Price transacted for the Shares over the 12-month period prior to the Last Trading Day. The Shares of the Company are thinly traded with an Average Daily Trading Volume of approximately 0.020 million Shares over the 12-month period prior to the Last Trading Day and 0.100 million Shares traded prior to the

suspension in trading of Shares, or the equivalent of 0.028% and 0.140% of the free float of approximately 71.405 million Shares. The last transacted price of S\$0.011 therefore does not represent a benchmark price for Shareholders nor does it reflect an alternative exit price for Shareholders as it would take approximately over 700 Market Days for them to divest their Shares through the market. This option is also no longer available as the Shares are suspended pending their delisting from the SGX-ST.

- (d) No alternative offer: As at the Latest Practicable Date, there are no alternative offer for the Shares. The Offeror has also stated that it does not intend to revise the Exit Offer under any circumstances. Further, due to the suspension of the trading of the Shares as provided in the SGX-ST Notification of Delisting, Shareholders are unable to dispose of their Shares or exit their investment in the public market. **The Exit Offer presents the only firm offer to the Shareholders to monetise their Shares and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if they do not accept the Exit Offer.**
- (e) Certainty of delisting and the implications of delisting: **The Company will be delisted from the Official List of the SGX-ST regardless of whether the Shareholders accept or reject the Exit Offer. Upon the delisting of the Company, Shareholders who rejected the Exit Offer will hold shares in an unlisted public company and it is possible that there may not be another exit offer for the Shares.**

Subsequent to the delisting of the Company, Shareholders who did not accept the Exit Offer will continue to hold shares in an unlisted public company. **Shareholders should note that shares of an unlisted public company are generally valued at a discount to the shares of comparable listed companies due to the lack of marketability.** Further, we wish to highlight that following the delisting of the Company, the Company will no longer be obligated to comply with the listing requirements of the SGX-ST, hence, Shareholders will no longer enjoy the same level of protection, transparency and accountability afforded and imposed on the Company by the Listing Manual; there is also no guarantee that the Company, operating as an unlisted public company, will eventually be profitable, as such, none of the Company, its Directors and executive officers, or any other person represents or warrants to any Shareholder the future results, performance or achievements of the Company.

- (f) Other relevant considerations in relation to the Exit Offer such as:
  - (i) Historical performance and financial position of the Group;
  - (ii) Market quotation and trading liquidity of the Shares;
  - (iii) Valuation statistics of the Group implied by the Exit Offer Price versus those of broadly comparable companies;
  - (iv) Comparison with recent SGX-ST directed delisting offers, the certainty of and the implications of delisting;
  - (v) Compulsory acquisition;
  - (vi) Further implications of delisting;
  - (vii) No transaction costs in relation with the disposal of the Shares; and
  - (viii) Dividend track record of the Company.

**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 Exit Offer. The recommendation made by them to the Board in relation to the delisting of the Company 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:

#### ISSUE OF SHARES

- 3(A). Subject to the Act and to these Articles, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and the terms of such approval, and to Article 5, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with Sections 70 and 75 of the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards Dividend, return of capital, participation in surplus assets and profits, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that no options shall be granted over unissued shares except in accordance with the Act and the Designated Stock Exchange's listing rules. *Shares under control of Company in General Meeting.*
- 3(B). The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognize a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.
- 3(C). Except so far as otherwise provided by the conditions of issue or by these Articles, all new shares shall be issued subject to the provisions of the Statutes and of these Articles with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.
4. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act. *Treasury shares*
- 5(A). Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted by the rules of the Designated Stock Exchange, all new shares shall before issue be offered to such persons who as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be *Authority of Directors to issue shares.*

deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 5(A).

5(B). Notwithstanding Article 5(A) above, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:-

- (a) (i) issue share in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and
- (b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force;

Provided that:-

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

5(C). The Company may, notwithstanding Articles 5(A) and 5(B) above, authorize the Directors not to offer new shares to Members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members on such terms and conditions as the Company may direct.

6. The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. *Commissions and brokerage.*
7. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period and charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant, subject to the conditions and restrictions mentioned in the Act.
- 8(A). Preference shares may be issued subject to such limitation thereof as may be prescribed by the Designated Stock Exchange. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance-sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any General Meeting convened for the purpose of reducing share capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the General Meeting directly affects their rights and privileges or when the Dividend on the preference shares is more than six months in arrears. *Preference shares.*
- 8(B). The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued. *Power of Company to issue further preference capital.*

#### **VARIATION OF RIGHTS**

- 9(A). Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these Articles relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting. *Variation of rights.*

- 9(B). The provisions in Article 9(A) shall *mutatis mutandis* apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.
- 9(C). The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

#### **ALTERATION OF SHARE CAPITAL**

10. The Company may by Ordinary Resolution:- *Alteration of share capital.*
- (a) consolidate and divide all or any of its share capital;
  - (b) sub-divide its shares, or any of them, provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be same as it was in the case of the share from which the reduced share is derived;
  - (c) convert or exchange any class of shares into or for any other class of shares; and/or
  - (d) cancel the number of shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the number of the shares so cancelled.
- 11(A). The Company may reduce its share capital or any other undistributable reserve in any manner permitted, and with, and subject to, any incident authorized, and consent or confirmation required, by law. *Reduction of share capital.*
- 11(B). The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Statutes and any applicable rules of the Designated Stock Exchange hereafter, the "Relevant Laws"), on such terms and subject to such conditions as the Company may in General Meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with the Relevant Laws. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles and the Statutes, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

## CALLS ON SHARES

17. The Directors may from time to time make calls upon the Members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed and may be made payable by installments. *Powers of Directors to make calls.*
18. Each Member shall (subject to receiving 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. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine. *Joint and several liability.*
19. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest in whole or part. *Interest on unpaid calls.*
20. Any sum which by the terms of issue of a share become payable upon allotment or at any fixed date shall for all the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In the case of non-payment, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture of otherwise shall apply as if such sum had become payment by virtue of a call duly made and notified. *Sums payable under terms of allotment to be deemed calls.*
21. The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment. *Difference in calls between various holders.*
22. The Directors may if they think fit receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish *pro tanto* the liability upon the shares in respect of which it is made and upon the moneys so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent per annum) as the Member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, whilst bearing interest, confer a right to participate in profits. *Payment of call in advance*

## FORFEITURE AND LIEN

23. If a Member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment. *Notice to be given of intended forfeiture.*

24. The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be made forfeit. *Form of notice.*
25. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be made forfeit by a resolution of the Directors to that effect. Such forfeiture shall include all Dividends declared in respect of the forfeit share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be made forfeit hereunder. *If notice not complied with shares may be forfeited.*
26. A share so made forfeit or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposal, the forfeiture or surrender may be cancelled on such terms as the Directors shall think fit. The Directors may, if necessary, authorize some person to transfer a share so made forfeit or surrendered to any such other person as aforesaid. *Sale etc of forfeited and surrendered shares.*
27. A member whose shares have been made forfeit or surrendered shall cease to be a Member in respect of such shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of such shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of such shares at that time of forfeiture or surrender or waive payment in whole or in part. *Liability on forfeited share.*
28. The Company shall have a first and paramount lien on every share (not being a fully paid share) and Dividends from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article 28. *Company to have a paramount lien on shares.*
29. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy. *Right to enforce lien by sale.*

30. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment of satisfaction of the debts or liabilities and any residue shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale, the Directors may authorize some person to transfer the shares sold to the purchaser. *Application of proceeds of sale.*
31. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly made forfeit or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt 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 delivered to a purchaser (or where the purchaser is a Depositor, the Depository Register) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share, or where such 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. Such 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. *Declaration by Director or Secretary conclusive of fact of forfeiture.*

#### **TRANSFER OF SHARES**

32. All transfers of shares shall be effected by written instruments of transfer in the form for the time being approved by the Directors and the Designated Stock Exchange. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided always that an instrument of transfer in respect of which the transferee is the CDP shall be effective although not signed or witnessed by or on behalf of the CDP. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof. *Instrument of transfer.*
33. The Registers of Members and of Transfers may be closed at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year, and that the Company shall give prior notice of each such closure, as may be required, to the Designated Stock Exchange, stating the period and purpose or purposes for which such closure is made. *Closure of the Register.*
- 34(A). There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated Stock Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days (or such period as the Directors may determine having regard to *Shares to be transferable.*

any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

- 34(B). The Directors may decline to register any instrument of transfer unless:- *Power of Directors to refuse to register.*
- (a) such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require is paid to the Company in respect thereof;
  - (b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;
  - (c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty), the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and
  - (d) the instrument of transfer is in respect of only one class of shares.
35. All instruments of transfer which are registered may be retained by the Company. *Retention of Instrument of transfer.*
36. The Company shall be entitled to destroy all the instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all Dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificate which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other documents so destroyed was duly and properly made and every share certificate so destroyed was valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:- *Disposal of documents.*
- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;

- (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and
- (c) references herein to the destruction of any document include references to the disposal thereof in any manner.

### **TRANSMISSION OF SHARES**

- 37(A). In case of the death of a Member whose name is registered in the Register of Members, the survivors or survivor, where the deceased was a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares. *On death of a Member only survivor or legal representative recognized.*
- 37(B). In the case of the death of a Member who is a Depositor, the survivors or survivor, where the deceased is a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder and where such executors or administrators are entered into the Depository Register in respect of any shares to the deceased Member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.
- 37(C). Nothing herein contained shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.
- 38. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, elect either to be registered himself as holder of the share or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer executed by such Member. *As to transfer of shares of deceased or bankrupt Members.*
- 39. Save as otherwise provided by or in accordance with these Articles, a person becoming entitled to a share in consequence of the death or bankruptcy of a Member (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same Dividends and other advantages as those to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to General Meetings of the Company until he shall have been registered as a Member in respect of the share. *Persons entitled by transmission may receive dividends without being registered as a Member but may not vote.*

40. There shall be paid to the Company in respect of the registration of any probate or letters of administration or certificate of death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require. *Transfer fee.*

#### **CENTRAL DEPOSITORY SYSTEM**

41. A reference to a Member shall be a reference to a registered holder of shares in the Company, or where such registered holder is CDP, the Depositors on behalf of whom CDP holds the shares, Provided that:-
- (a) a Depositor shall only be entitled to attend any General Meeting and to speak and vote thereat if his name appears on the Depository Register maintained by CDP forty-eight (48) hours before the General Meeting as a Depositor on whose behalf CDP holds shares in the Company, the Company being entitled to deem each such Depositor, or each proxy of a Depositor who is to represent the entire balance standing to the Securities Account of the Depositor, to represent such number of shares as is actually credited to the Securities Account of the Depositor as at such time, according to the records of CDP as supplied by CDP to the Company, and where a Depositor has apportioned the balance standing to his Securities Account between two proxies, to apportion the said number of shares between the two proxies in the same proportion as previously specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the proportion of Depositor's shareholding specified in the instrument of proxy, or where the balance standing to a Depositor's Securities Account has been apportioned between two proxies the aggregate of the proportions of the Depositors shareholding they are specified to represent, and the true balance standing to the Securities Account of a Depositor as at the time of the General Meeting, if the instrument is dealt with in such manner as is provided above;
  - (b) the payment by the Company to CDP of any Dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment;
  - (c) the delivery by the Company to CDP of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement; and
  - (d) the provisions in these Articles relating to the transfers, transmissions or certification of shares shall not apply to the transfer of book-entry securities (as defined in the Statutes).

## EXCLUSION OF EQUITIES

42. Except as required by the Statutes or law, no person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these Articles or by the Statutes or law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the registered holder and nothing in these Articles contained relating to CDP or to Depositors or in any depository agreement made by the Company with any common depository for shares shall in any circumstances be deemed to limit, restrict or qualify the above.

## STOCK

43. The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares of any denomination. *Conversion of paid-up shares into stock.*
44. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previous to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine. *Directors to determine the transfer of stocks.*
45. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards Dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted. *Rights and privileges of holders of stock.*

## GENERAL MEETINGS

46. An Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. All other General Meetings shall be called Extraordinary General Meetings. The interval between the close of a financial year of the Company and the date of the Company's Annual General Meeting shall not exceed such period as may be prescribed by the Designated Stock Exchange and the provisions of the Act from time to time. *Annual General Meetings.*
47. The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting. *Directors may call Extraordinary General Meetings.*

## NOTICE OF GENERAL MEETINGS

48. Any Annual General Meeting and any Extraordinary General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by twenty-one days' notice in writing at the least and an Annual General Meeting or any other Extraordinary General Meeting, by fourteen days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in manner hereinafter mentioned to all Members other than such as are not under the provisions of these Articles entitled to receive such notices from the Company, Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:-

*Length of Notice.*

- (a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and
- (b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the Members having a right to vote at thereat;

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Designated Stock Exchange, Provided Always that in the case of any Extraordinary General Meeting at which it is proposed to pass a Special Resolution, at least twenty-one days' notice in writing of such Extraordinary General Meeting shall be given to the Designated Stock Exchange.

49(A). Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a Member of the Company.

*Notice to specify place, date and time of meeting.*

49(B). In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

49(C). In the case of any General Meeting at which business other than routine business ("special business") is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

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

51. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business. *Special business.*

#### **PROCEEDINGS AT GENERAL MEETINGS**

52. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any General Meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the Members present shall choose one of their number) to be chairman of the General Meeting. *Chairman of Directors to preside at all Meetings.*
53. No business other than the appointment of a Chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two Members present in person or by proxy, provided that (i) a proxy representing more than one Member shall only count as one Member for purpose of determining if the quorum aforesaid is present; and (ii) where a Member is represented by more than one proxy, such proxies of such Member shall only count as one Member for purposes of determining if the quorum aforesaid is present. *Quorum at General Meetings.*
54. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint. *Procedure if no quorum.*

55. The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or *sine die*) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a General Meeting is adjourned *sine die*, the time and place for the adjourned meeting shall be fixed by the Directors. When a General Meeting is adjourned for thirty days or more or *sine die*, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting. *Chairman may adjourn meeting with consent.*
56. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned General Meeting. *Notice of adjournment not necessary.*
57. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the General Meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon. *Substantive resolution shall not be invalidated by any error.*
58. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:- *How matters are to be decided.*
- (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) any Member present in person or by proxy, or where such a Member has appointed two proxies any one of such proxies, or any number or combination of such Members or proxies, holding or representing as the case may be not less than one-tenth of the total voting rights of all the Members having the right to vote at the General Meeting; or
  - (d) any Member present in person or by proxy, or where such a Member has appointed two proxies any one of such proxies, or any number or combination of such Members or proxies, holding shares conferring a right to vote at the General Meeting, of which an aggregate sum has been paid up equal to not less than 10 per cent. of the total sum paid up on all the share conferring that right,
- Provided Always that no poll shall be demanded on the choice of the chairman of the meeting or on a question of adjournment. A demand for a poll may be withdrawn only with the approval of the meeting.
59. Unless a poll is required, a declaration by the chairman of the General Meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner *Declaration of Chairman conclusive.*

(including the use of ballot or voting papers or tickets) as the chairman of the General Meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the General Meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

60. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the General Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote. *In the event of equality of votes.*
61. A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the Meeting) and place as the chairman of the Meeting may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the General Meeting for the transaction of any business other than the question on which the poll has been demanded. *Chairman's direction as to poll.*

#### **VOTES OF MEMBERS**

62. Subject to any special rights or restrictions as to voting attached by or in accordance with these Articles to any class of shares, and to Article 4, each Member entitled to vote may vote in person or by proxy. On a show of hands every Member who is present in person or by proxy shall have one vote (provided that in the case of a Member who is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the General Meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands) and on a poll every Member who is present in person or by proxy shall have one vote for every share of which he holds or represents. For the purposes of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the references to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP to the Company. A Member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a Member, or attend, vote or act at any General Meeting. *Voting rights.*
63. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or, as the case may be, the order in which the names appear in the Depository Register in respect of the joint holding. *Right of joint holders*
64. Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment *Votes of Members of unsound mind.*

as the Directors may require, permit such receiver or other person on behalf of such Member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by Membership in relation to General Meetings.

65. No Member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to General Meetings if any call or other sum payable to him to the Company in respect of such shares remains unpaid. *Members only entitled to vote upon full payment.*
66. No objection shall be raised as to the admissibility of any vote except at the General Meeting or adjourned General Meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the General Meeting whose decision shall be final and conclusive. *Objection of Chairman conclusive.*
67. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. *Vote personal or by proxy.*
- 68(A). A Member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting, provided that if the Member is a Depositor, the Company shall be entitled and bound:- *Proxies.*
- (a) to reject any instrument of proxy lodged if the Depositor, is not shown, to have any shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP to the Company; and
  - (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered into against the name of that Depositor in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.
- 68(B). Where a Member appoints more than one proxy, the Member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
- 68(C). A proxy need not be a Member of the Company.
- 69(A). An instrument appointing a proxy for any Member shall be in writing in any usual or common form or in any other form which the Directors may approve and:- *Execution of instrument of proxy on behalf of appointor.*
- (a) in the case of an individual Member, shall be signed by the Member or his attorney duly authorised in writing; and
  - (b) in the case of a Member which is a corporation shall be either given under its common seal or signed on its behalf by an attorney duly authorised in writing or a duly authorised officer of the corporation.

- 69(B). The signatures on an instrument of proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of a Member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument of proxy may be treated as invalid.
70. An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting (or, if no place is so specified, at the Office) not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the General Meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates. *Lodgment of instrument appointing proxy.*
71. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll and to speak at the General Meeting. *Instrument deemed to confer authority.*
72. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the General Meeting or adjourned General Meeting or (in the case of a poll take otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast. *When vote by proxy valid through authority revoked.*
73. Subject to these Articles and the Statutes, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Members who are unable to vote in person at any General Meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile. *Directors may approve and implement voting methods.*

## RESERVES

122. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same, the Directors shall comply with the provisions of the Statutes. *Formation of reserve fund.*

## DIVIDENDS

123. The Company may by Ordinary Resolution declare Dividends but no such Dividend shall exceed the amount recommended by the Directors. *Declaration of Dividend.*
124. If and so far as in the opinion of the Director, the profits of the Company justify such payments, the Directors may declare and pay the fixed Dividends on any class of shares carrying a fixed Dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim Dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit. *Fixed and Interim Dividends.*
125. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:- *Dividends to be apportioned.*
- (a) all Dividends in respect of shares must be paid in proportion to the number of shares held by a Member, but where shares are partly paid, all Dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all Dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the Dividend is paid.
- For the purposes of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored.
- 126(A). No Dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All Dividends remaining unclaimed after one year from having been first payable may be invested or otherwise made use of by the Directors for the benefit of the Company, and any Dividend or any such moneys unclaimed after six (6) years from having been first payable shall be forfeited and shall revert to the Company provided always that the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the Dividend so forfeited to the person entitled thereto prior to the forfeiture. If CDP returns any such Dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such Dividend or moneys against the Company if a period of six years has elapsed from the date of the declaration of such Dividend or the date on which such other moneys are first payable. *Dividend payable out of profits.*
- 126(B). A payment by the Company to CDP of any Dividend or other moneys payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment.
127. No Dividend or other monies payable on or in respect of a share shall bear interest as against the Company. *No interest on Dividend.*

- 128(A). The Directors may retain any Dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. *Power to retain dividends.*
- 128(B). The Director may retain the Dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.
129. The waiver in whole or in part of any Dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the Member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company. *How to effect waiver of Dividend.*
130. The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a Dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any 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 as may seem expedient to the Directors. *Dividend in specie.*
131. Any Dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the Member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such Member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. *Payment by post.*
132. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any Dividend or other moneys payable or property distributable on or in respect of the share. *Payment to and receipt by joint holders.*

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

#### **BONUS ISSUE AND CAPITALIZATION OF PROFITS AND RESERVES**

- 134(A). The Directors may, with the sanction of an Ordinary Resolution of the Company (including any Ordinary Resolution passed pursuant to Article 5(B)):
- Bonus issue and capitalization of profits and reserves.*
- (a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:
- (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or
- (ii) (in the case of an Ordinary Resolution passed pursuant to Article 5(B)) such other date as may be determined by the Directors, in proportion to their then holdings of shares; and/or
- (b) Capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:
- (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or
- (ii) (in the case of an Ordinary Resolution passed pursuant to Article 5(B)) such other date as may be determined by the Directors, in proportion to their then unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.
- 134(B). The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under this Article 134, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the

Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

- 134(C). In addition and without prejudice to the powers provided for by this Article 134, the Directors shall have power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any Dividend on any shares entitled to cumulative or non-cumulative preferential Dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by Members in General Meeting and on such terms as the Directors shall think fit.

### NOTICES

- 140(A). Any notice or document (including a share certificate) may be served on or delivered to any Member by the Company either personally or by sending it through the post in a prepaid cover addressed to such Member at his Singapore registered address appearing in the Register of Members or (as the case may be) the Depository Register, or (if he has no registered address within Singapore) to the address, if any, within Singapore supplied by him to the Company, or (as the case may be) CDP as his address for the service of notices, or by delivering it to such address as aforesaid. Where any notice or other document is served or delivered by post, service or delivery shall be deemed to have been served at the time the envelope or cover containing the same is posted, and in proving such service or delivery, it shall be sufficient to prove that such envelope or cover was properly addressed, stamped and posted. *How notices to be served to Members.*
- 140(B). Any notice of meeting or other document required or permitted to be given, sent or served under the Act, Memorandum of Association of the Company or these Articles may be given, sent or served by the Company using electronic communications in accordance with the Act. Any notice given, sent or served using electronic communication (as the case may be) shall be deemed to have been duly given, sent or served upon transmission of the electronic communication to the current address of such person or as otherwise provided under the Act and/or other applicable regulations or procedures.
141. Any notice given to that one of the joint holders of a share whose name stands first in the Register of Members or (as the case may be) the Depository Register in respect of the share shall be sufficient notice to all the joint holders in their capacity as such. For such purpose, a joint holder having no registered address in Singapore and not having supplied an address within Singapore for the service of notices shall be disregarded. *Notice to joint holders.*

142. A person entitled to a share in consequence of the death or bankruptcy of a Member upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, and upon supplying also to the Company or (as the case may be) CDP an address within Singapore for the service of notices, shall be entitled to have served upon or delivered to him at such address any notice or document to which the Member but for his death or bankruptcy would have been entitled, and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share. Save as aforesaid, any notice or document delivered or sent by post to or left at the registered address or given, sent or served by electronic communication to the current address (as the case may be) of any Member in pursuance of these Articles shall, notwithstanding that such Member be then dead or bankrupt or in liquidation, and whether or not the Company or (as the case may be) CDP have notice of his death or bankruptcy or liquidation, be deemed to have been duly served or delivered in respect of any share registered in the name of such Member in the Register of Members or, where such Member is a Depositor, entered against his name in the Depository Register as sole or first-named joint holder.
- Notice valid even though Member deceased.*
143. A Member who (having no registered address within Singapore) has not supplied to the Company or (as the case may be) CDP an address within Singapore for the service of notices shall not be entitled to receive notices from the Company.
- If no registered address within Singapore.*

**APPENDIX V**

**AUDITED FINANCIAL STATEMENTS OF THE GROUP  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**YONG XIN INTERNATIONAL HOLDINGS LTD  
AND ITS SUBSIDIARIES**

(Company registration number: 200515483H)  
(Incorporated in Singapore)

**REPORT OF THE DIRECTORS  
AND FINANCIAL STATEMENTS  
FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**MAZARS LLP**  
Public Accountants and  
Chartered Accountants  
Singapore

**YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES**

**REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS  
FINANCIAL YEAR ENDED 31 DECEMBER 2014**

---

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
Report of the Directors	1 - 3
Statement by the Directors	4
Independent Auditors' Report	5 - 6
Consolidated Statement Profit or Loss and Other Comprehensive Income	7
Statements of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10 - 11
Notes to the Financial Statements	12 - 49

**YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES  
REPORT OF THE DIRECTORS**

---

The directors are pleased to present their report to the members together with the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2014.

**1. Directors**

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

Pu Xiaofang  
Yuan Xuanli  
Tsang Siu For Thomas  
Tan Woon Hum  
Pu Qixing

**2. Arrangements to enable directors to acquire shares or debentures**

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

**3. Directors' interests in shares, warrants or debentures**

According to the Register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company holding office at the end of the financial year had no interest in the shares or debentures of the Company and its related corporations except as stated below:

<u>Name of the directors and respective companies in which interests are held</u>	<u>Direct interest</u>		<u>Deemed interest</u>	
	<u>At beginning of the financial year</u>	<u>At end of the financial year</u>	<u>At beginning of the financial year</u>	<u>At end of the financial year</u>
<u>The Company</u>				
Estate of Pu Dexing (Pu Dexing deceased on 4 March 2010)	320,000	320,000	-	-
Pu Xiaofang	-	-	117,429,420	117,429,420

The directors' interests in the shares of the Company at 21 January 2015 were the same as those as at 31 December 2014. The late Pu Dexing was deemed to be interested by virtue of the shareholdings held by the ultimate holding company, Better Ace International Limited, in which the late Pu Dexing together with his wife held 81% of the shares.

By virtue of Section 7 of the Act, the late Pu Dexing was deemed to be interested in the share capital of the wholly owned subsidiary of the Company.

The letter of administration has been granted to the administration of the estate of Pu Dexing on 4 November 2011. Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company or of related corporations, either at the beginning or at the end of the financial year.

**4. Directors' contractual benefits**

Since the end of the last financial 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 for salaries, bonuses and other benefits as disclosed in the financial statements.

**5. Share options**

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

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

**6. Audit Committee**

The Audit Committee of the Company comprises three non-executive directors and at the date of this report are:

Tsang Siu For Thomas (Chairman)  
Tan Woon Hum  
Pu Qixing

The Audit Committee has convened three meetings during the financial year with key management and the internal and external auditors of the Company.

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as the external auditors of the Group at the forthcoming Annual General Meeting.

The Audit Committee carries out its functions in accordance with Section 201B (5) of the Act. In performing those functions, the Audit Committee reviews:

- (a) the audit plan and results of the external audit and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;
- (b) the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;
- (c) the Group's quarterly and annual financial statements and the auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;
- (d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Group and of the Company;
- (e) the adequacy of the Group's risk management processes;
- (f) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;
- (g) interested person transactions in accordance with SGX listing rules;
- (h) nomination of external auditors and approval of their compensation; and
- (i) submission of report of actions and minutes of the Audit Committee to the Board of Directors with any recommendations as the Audit Committee deems appropriate.

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

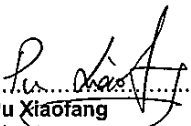
**YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES**  
**REPORT OF THE DIRECTORS (Continued)**

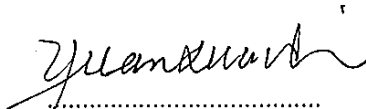
---

**7. Auditors**

The auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the Directors

  
.....  
**Pu Xiaofang**  
Director

  
.....  
**Yuan Xuanli**  
Director

Singapore

**02 APR 2015**

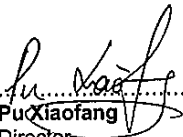
**YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES**  
**STATEMENT BY THE DIRECTORS**

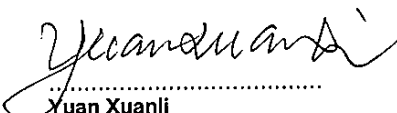
---

In the opinion of the Directors,

- (a) the financial statements of the Group, and the statement of financial position of the Company are drawn up 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 2014, and of the results, changes in equity and cash flows of the Group for the financial 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

  
.....  
Pu Xiaofang  
Director

  
.....  
Yuan Xuanli  
Director

Singapore

02 APR 2015

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
YONG XIN INTERNATIONAL HOLDINGS LTD**

---

**Report on the Financial Statements**

We have audited the accompanying financial statements of Yong Xin International Holdings Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 auditors consider internal controls 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 controls. 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.

*Opinion*

In our opinion, the financial statements of the Group and statement of financial position 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 2014 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
YONG XIN INTERNATIONAL HOLDINGS LTD (Continued)**

---

**Report on Other Legal and Regulatory Requirements**

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

  
MAZARS LLP  
Public Accountants and  
Chartered Accountants

Singapore  
2 April 2015

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	<u>Note</u>	<u>2014</u> RMB'000	<u>2013</u> RMB'000
<b>Continuing operations</b>			
Revenue	4	130,920	115,509
Cost of sales		<u>(119,777)</u>	<u>(110,295)</u>
<b>Gross profit</b>		11,143	5,214
Other income	5	692	1,614
Selling and distribution expenses		(2,232)	(2,079)
Administrative expenses		(11,332)	(11,359)
Other operating expenses		(1,986)	(1,679)
Finance income	6	415	316
Finance expenses	6	<u>(5,105)</u>	<u>(5,383)</u>
<b>Loss before income tax</b>	7	(8,405)	(13,356)
Income tax expense	9	<u>-</u>	<u>-</u>
<b>Loss from continuing operations</b>		(8,405)	(13,356)
<b>Discontinued operation</b>			
Profit/ (loss) from discontinued operation	10	<u>2,154</u>	<u>(3)</u>
<b>Total loss for the financial year</b>		<u>(6,251)</u>	<u>(13,359)</u>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Currency translation differences arising from consolidation, net of tax, representing total items that may be reclassified to profit or loss		<u>(986)</u>	<u>(793)</u>
<b>Total comprehensive loss for the financial year</b>		<u>(7,237)</u>	<u>(14,152)</u>
<b>Loss per share from continuing operations (RMB cents)</b>			
-Basic and diluted	11	<u>(3.96)</u>	<u>(6.28)</u>
<b>Earnings/(loss) per share from discontinued operation (RMB cents)</b>			
-Basic and diluted	11	<u>1.01</u>	<u>(0.001)</u>

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

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	49,653	61,872	-	-
Land use rights	13	8,583	8,787	-	-
Investment in subsidiaries	14	-	-	79,541	79,541
<b>Total non-current assets</b>		<b>58,236</b>	<b>70,659</b>	<b>79,541</b>	<b>79,541</b>
<b>Current assets</b>					
Inventories	15	13,732	15,836	-	-
Trade and other receivables	16	51,028	37,529	10,919	10,764
Cash and bank balances	17	11,622	20,915	55	2,416
<b>Total current assets</b>		<b>76,382</b>	<b>74,280</b>	<b>10,974</b>	<b>13,180</b>
<b>Total assets</b>		<b>134,618</b>	<b>144,939</b>	<b>90,515</b>	<b>92,721</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	18	142,883	142,883	142,883	142,883
Treasury shares	19	(55)	(55)	(55)	(55)
Other reserves	20	4,041	5,027	(2,848)	(1,863)
Accumulated losses		(105,460)	(99,209)	(56,331)	(51,630)
<b>Total equity</b>		<b>41,409</b>	<b>48,646</b>	<b>83,649</b>	<b>89,335</b>
<b>Current liabilities</b>					
Trade and other payables	21	19,209	18,293	6,866	3,386
Interest-bearing bank borrowings	22	74,000	78,000	-	-
<b>Total current liabilities</b>		<b>93,209</b>	<b>96,293</b>	<b>6,866</b>	<b>3,386</b>
<b>Total liabilities</b>		<b>93,209</b>	<b>96,293</b>	<b>6,866</b>	<b>3,386</b>
<b>Total equity and liabilities</b>		<b>134,618</b>	<b>144,939</b>	<b>90,515</b>	<b>92,721</b>

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

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Share capital RMB'000	Treasury shares RMB'000	Other reserves			Accumulated losses RMB'000	Total RMB'000
			Statutory reserve RMB'000	Merger reserve RMB'000	Translation reserve RMB'000		
Balance at 1 January 2013	142,883	(34)	7,237	(320)	(1,097)	(85,850)	62,819
Purchase of treasury shares	-	(21)	-	-	-	-	(21)
Total loss for the financial year	-	-	-	-	-	(13,359)	(13,359)
Other comprehensive income:							
Currency translation differences arising from consolidation	-	-	-	-	(793)	-	(793)
Total other comprehensive loss, net of tax	-	-	-	-	(793)	-	(793)
Total comprehensive loss for the financial year	-	-	-	-	(793)	(13,359)	(14,152)
Balance at 31 December 2013	142,883	(55)	7,237	(320)	(1,890)	(99,209)	48,646
Total loss for the financial year	-	-	-	-	-	(6,251)	(6,251)
Other comprehensive income:							
Currency translation differences arising from consolidation	-	-	-	-	(986)	-	(986)
Total other comprehensive loss, net of tax	-	-	-	-	(986)	-	(986)
Total comprehensive loss for the financial year					(986)	(6,251)	(7,237)
Balance at 31 December 2014	142,883	(55)	7,237	(320)	(2,876)	(105,460)	41,409

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

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	<u>2014</u> RMB'000	<u>2013</u> RMB'000
<b>Operating activities</b>		
Loss before taxation from continuing operations	(8,405)	(13,356)
Profit/(loss) before taxation from discontinued operation	2,154	(3)
Total loss for the financial year	<u>(6,251)</u>	<u>(13,359)</u>
Adjustments for:		
Amortisation of land use rights	204	204
Depreciation of property, plant and equipment	13,336	13,386
Interest expense	5,105	5,383
Interest income	(415)	(316)
Provision for doubtful debts no longer required	(3,125)	-
Loss on disposal of property, plant and equipment	101	-
Write back of provision for impairment of inventories	<u>(340)</u>	<u>(3,225)</u>
Operating cash flows before movements in working capital	8,615	2,073
Movements in working capital:		
Inventories	2,444	2,161
Trade receivables and other receivables	(10,374)	2,686
Trade payables	(2,220)	1,984
Other payables and accruals	<u>1,679</u>	<u>(848)</u>
Cash generated from operations	144	8,056
Interest paid	(5,105)	(5,383)
Interest received	<u>415</u>	<u>316</u>
<b>Net cash (used in)/generated from operating activities</b>	<u>(4,546)</u>	<u>2,989</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,551)	(134)
Proceeds from disposal of property, plant and equipment	<u>333</u>	<u>-</u>
<b>Net cash used in investing activities</b>	<u>(1,218)</u>	<u>(134)</u>

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

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

	2014 RMB'000	2013 RMB'000
<b>Financing activities</b>		
Decrease in bank deposits pledged	400	500
Repayment of interest-bearing bank borrowings	(78,000)	(73,000)
Proceeds from interest-bearing bank borrowings	74,000	78,000
Amount due to immediate holding company	563	-
Amount due to related party	118	117
Amount due to related directors	776	802
Purchase of treasury shares	-	(21)
<b>Net cash (used in)/generated from financing activities</b>	<u>(2,143)</u>	<u>6,398</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(7,907)	9,253
Effect of exchange rate changes on cash and cash equivalents	(986)	(793)
Cash and cash equivalents at beginning of financial year	<u>19,915</u>	<u>11,455</u>
<b>Cash and cash equivalents at end of financial year (Note 17)</b>	<u>11,022</u>	<u>19,915</u>

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

## YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

---

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

#### 1. General

Yong Xin International Holdings Ltd. (the "Company") (Registration Number: 200515483H) incorporated and domiciled in Singapore with its registered office of the Company located at 62 Cecil Street 5<sup>th</sup> floor TBI Building, Singapore 049710. The principle place of business is at Huangniba Village Yuqi Town, Huishan Distric Wuxi, Jiangsu Province, China.

The Company's ultimate holding company is Better Ace International Limited, a company incorporated in the British Virgin Islands.

The principal activity of the Company is that of investment holding. The principal activities of the Group are the manufacturing and sale of high-precision steel strips in the People's Republic of China ("the PRC").

The consolidated financial statements of the Group, and statement of financial position of the Company for the financial year ended 31 December 2014 were authorised for issue by the Board of Directors on 2 April 2015.

#### 2. Summary of significant accounting policies

##### 2.1 Going concern

The Group has incurred loss in the current financial year amounting to RMB6,251,000 (2013: RMB13,359,000). As at 31 December 2014, the Group's current liabilities exceeded its current assets by RMB16,827,000 (2013: RMB22,013,000). Notwithstanding the above, the Group has prepared the financial statements on a going concern basis as management is of the view that after taking into consideration of the internally generated funds of the Group, the presently available banking facilities and the expected continuing banking facilities from its bankers, the Group will have sufficient working capital for its present requirements for the next twelve months from the end of the financial year.

##### 2.2 Basis of preparation

The financial statements of the Group and statement of financial position of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Renminbi ("RMB") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("RMB'000"), unless otherwise indicated.

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS did not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

2. Summary of significant accounting policies (Continued)

2.2 Basis of preparation (Continued)

*FRS and INT FRS issued but not yet effective*

At the date of authorisation of these financial statements, the following FRS and INT FRS were issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptance Methods of Depreciation and Amortisation	1 January 2016
FRS 16, FRS 41	Amendments FRS 16 and FRS 41: Agriculture: Bearer Plants	1 January 2016
FRS 19	Amendments to FRS 19: Defined Employee Plans: Employee Contributions	1 July 2014
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Financial Statements	1 January 2016
FRS 109	Financial Instruments	1 January 2018
FRS 111	Amendments to FRS 111: Accounting Acquisitions of Interest in Joint Operations	1 January 2016
FRS 114	Regulatory Deferral Accounts	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2017
Various	Improvements to FRSs (January 2014)	Various
Various	Improvements to FRSs (February 2014)	Various
Various	Improvements to FRSs (November 2014)	Various

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Group and Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in the financial year ended 2014. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will result.

## YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

---

#### 2. Summary of significant accounting policies (Continued)

##### 2.3 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2. Summary of significant accounting policies (Continued)

2.4 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* ("FRS 103") are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations* ("FRS 105"), which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the financial year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

---

2. Summary of significant accounting policies (Continued)

2.4 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Business combinations before 1 January 2010

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

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

Business combinations achieved in stages were accounted for as step acquisitions. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

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

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

**Common Control Business Combination Outside the Scope of FRS 103**

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, is outside the scope of FRS 103. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the combined entity.

**2. Summary of significant accounting policies (Continued)**

**2.4 Business combinations (Continued)**

Merger reserve represents the differences between the nominal amount of the share capital of the combining entities at the date on which it was acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

The consolidated financial statements were prepared based on the audited financial statements of subsidiaries which were prepared in accordance with FRS for the purpose of consolidation. The PRC subsidiaries maintain their accounting records and prepare the relevant statutory financial statement in accordance with the accounting standards and legislations of the PRC Generally Accepted Accounting Principle (GAAP).

**2.5 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; is able to reliably measure the amount of revenue and the costs incurred or to be incurred in respect of the transaction; and assesses that it is probable for the economic benefits associated with the transaction to flow to the entity.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**2.6 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2.7 Retirement benefits costs**

The Group participates in the national pension schemes as defined by the laws of the People's Republic of China (PRC). Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.

**2. Summary of significant accounting policies (Continued)**

**2.7 Retirement benefits costs**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed benefit schemes, such as the Singapore Central Provident Fund are dealt with as payments to defined contributions plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

**2.8 Employee leave entitlements**

No provision has been made for the employee leave entitlements as any unconsumed annual leave not utilised will be forfeited.

**2.9 Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

**2. Summary of significant accounting policies (Continued)**

**2.9 Income tax (Continued)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**2.10 Foreign currency transactions and translation**

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

**2. Summary of significant accounting policies (Continued)**

**2.11 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

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

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

	<u>Estimated Useful Lives</u>
Leasehold buildings	20 years
Plant and equipment	10 years
Motor vehicles	5 years
Furniture and fittings	5 years

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

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained profits directly.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

**2.12 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 lease term of 50 years.

**2.13 Investments in subsidiaries**

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

**2. Summary of significant accounting policies (Continued)**

**2.14 Impairment of tangible assets**

The Group reviews the carrying amounts of its tangible assets as at each financial year end to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior financial years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**2.15 Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are recognised on a trade date – the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

**2. Summary of significant accounting policies (Continued)**

**2.15 Financial Instruments (Continued)**

Loans and receivables

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

## YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

---

#### 2. Summary of significant accounting policies (Continued)

##### 2.15 Financial instruments (Continued)

###### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

###### Other financial liabilities

###### *Trade and other payables*

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

###### *Borrowings*

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.6).

###### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

##### 2.16 Inventories

Inventories are stated at the lower of cost (weighted average method) and net realisable value. Cost of finished goods and work-in-progress comprise all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

##### 2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand less pledged deposits that are subject to an insignificant risk of changes in value.

**2. Summary of significant accounting policies (Continued)**

**2.18 Discontinued operations held for sale**

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

- (i) represents a separate major line of business or geographical area of operations;
- (ii) is part of a single co-ordinated plan to dispose of a separate major line or geographical area of operations; or
- (iii) is a subsidiary acquired exclusively with a view to resale.

**2.19 Leases**

**Operating leases**

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**2.20 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

---

**2. Summary of significant accounting policies (Continued)**

**2.21 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of Executive Directors and the Chief Executive Officer who make strategic decisions.

**2.22 Related parties**

A related party is defined as follows:

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

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly, including any director (whether executive or otherwise) of that company.

**2.23 Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

**2. Summary of significant accounting policies (Continued)**

**2.24 Contingencies**

A contingent liability is:

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

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

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

**3. Critical accounting judgements and key sources of estimation uncertainty**

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

**3.1 Critical judgements made in applying the Group's accounting policies**

**Impairment of property, plant and equipment**

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

**3. Critical accounting judgements and key sources of estimation uncertainty (Continued)**

**3.2 Key sources of estimation uncertainty**

The estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Depreciation of property, plant and equipment**

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment as at 31 December 2014 was RMB 49,653,000 (2013: RMB61,872,000).

**Allowance for trade and other receivables**

The provision policy for doubtful debts of the Group is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2014 were RMB51,028,000 (2013: RMB37,529,000) and RMB10,919,000 (2013: RMB10,764,000) respectively.

**Impairment of investments in subsidiaries**

At the end of each financial year, an assessment is made on whether there is objective evidence that the Company's investment in subsidiaries are impaired. Once such investments have impairment indicated, the management will assess based on the estimation of the value-in-use of the cash-generating unit ("CGU") by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiaries as at 31 December 2014 was RMB79,541,000. (2013: RMB79,541,000).

**Inventory valuation method**

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete merchandise and identifies items of inventory which have a market price, being the merchandise's selling price quoted from the market of similar items, that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2014 was RMB13,732,000 (2013: RMB15,836,000).

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

**Provision for income taxes**

The Group has exposure to income taxes in different jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's and Company's current tax payable as at 31 December 2014 and 31 December 2013 were Nil.

4. Revenue

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Sale of goods from continuing operations	<u>130,920</u>	<u>115,509</u>

5. Other income

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
<i>Continuing operations</i>		
Rental income from related party	18	265
Compensation	429	892
Government grant and subsidy	126	256
Others	<u>119</u>	<u>201</u>
	<u>692</u>	<u>1,614</u>

6. Finance income/(expenses)

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
<i>Continuing operations</i>		
Finance income:		
Interest income from fixed deposits	<u>415</u>	<u>316</u>
Finance expenses:		
Interest expense from bank borrowings and bills	<u>(5,105)</u>	<u>(5,383)</u>

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

7. Loss before income tax, continuing operations

In addition to the charges and credits disclosed elsewhere in the financial statements, the following charges/(credits) were included in the determination of loss before income tax:

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Amortisation of land use rights (Note 13)	204	204
Depreciation of property, plant and equipment from continuing operations (Note 12)	13,336	13,386
Directors' fees		
-directors of the Company	422	365
Fee for audit services:		
-auditor of the Company	741	640
-other auditors	73	79
Foreign currency exchange (gain)/loss	(16)	87
Loss on disposal of property, plant and equipment	101	-
Net loss on sale of scrap materials	1,803	1,436
Operating lease expenses	533	547
Staff costs (Note 8)	12,474	12,231
Transportation expenses	1,673	1,203
Utilities	18	21
Write back of provision for impairment of inventories	(340)	(3,225)

8. Staff costs

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Salaries and bonuses	10,583	10,146
Employers' contribution to defined contribution plan	1,609	1,625
Other social expenses	282	460
	<u>12,474</u>	<u>12,231</u>

Included in wages, salaries and bonuses is director remuneration of RMB1,238,000 (2013: RMB 1,400,000). The staff costs relates to continuing operations.

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

9. Income tax expense

The tax on Group's loss before income tax differs from the theoretical amount that would arise using the PRC statutory rate of income tax as follows:

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Loss before income tax from:		
-continuing operations	(8,405)	(13,356)
-discontinued operation	2,154	(3)
	<u>(6,251)</u>	<u>(13,359)</u>
Tax at the statutory tax rate of 25% in PRC	(1,563)	(3,340)
Non-deductible expenses	79	64
Deferred tax asset arising from temporary differences not recognised	1,108	2,460
Effect of different tax rate in Singapore	376	816
	<u>-</u>	<u>-</u>

The Company

The Company has no taxable income for the financial years ended 31 December 2014 and 31 December 2013.

The statutory income tax rate for the financial years ended 31 December 2014 and 31 December 2013 applicable to the Company is 17%.

The subsidiaries

The subsidiary, Yongxin Precision Material (Wuxi) Co., Ltd. is entitled to an exemption from Enterprise Income Tax ("EIT") for the first two profitable years of operation and thereafter a 50% reduction in EIT for the following three financial years. The first profitable year of the subsidiary was the financial period ended 31 December 2006.

On 26 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the New Law. The subsidiary was entitled to a concessionary income tax rate of 12.5% which represents a 50% relief from the applicable rate of 25% for the financial year ended 31 December 2009.

Under the New Corporate Income Tax Law ("CIT Law"), those High/New Technology Enterprises ("HNTE") which were qualified as HNTE from 1 January 2008, are entitled to a 15% of income tax rate as opposed to standard income tax rate of 25% in EIT. On 11 September 2009, the subsidiary qualified as HNTE and accordingly the subsidiary was further entitled to a 10% reduction from the applicable rate of 25% from 2011 for the three years thereon.

The subsidiary, Xuzhou Yongsheng Coking Trading Co., Ltd. was entitled to 25% in EIT for the financial year ended 31 December 2010.

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

9. Income tax expense (Continued)

The subsidiaries (Continued)

The Group has tax losses of approximately RMB61,875,000 (2013: RMB56,013,000) that are available for offsetting against future taxable profits, which no deferred tax assets have been recognised due to the uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in which the loss-making entities operate.

Deferred tax benefits arising from the above tax losses are as follows:

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Tax at the statutory tax rate of 17% in Singapore	3,610	2,850
Tax at the statutory tax rate of 25% in PRC	10,160	9,812
	13,770	12,662

No provision for Singapore income tax has been made as the Company did not derive any significant taxable profit in Singapore.

10. Discontinued operation

Pursuant to the announcement on 28 January 2010, the coke processing agreement entered into between Xuzhou Yongsheng Coking Trading Co., Ltd. ("Xuzhou Yongsheng") and Xuzhou Qiangsheng Urban Gas Co., Ltd. (the "Service Provider") had been terminated due to the insolvency proceedings of the Service Provider. On 13 August 2010, the Board of Directors announced that the management decided not to participate in the restructuring of the Service Provider and as a result, the Group ceased its entire coal and coking operations in second half of 2010. Accordingly, the coal and coking business is considered as discontinued and the entire results from Xuzhou Yongsheng are presented separately on the statement of profit or loss and other comprehensive income as "Discontinued Operation".

(a) The results of the discontinued operation of the Group are as follows:

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Other income	3,125	-
Administrative expenses	(971)	(3)
	2,154	(3)

Other income pertains to the recovery of previously written off debts, received from third party during the financial year ended 2014.

(b) The impact of the discontinued operation on the cash flows of the Group is as follows:

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Profit/(loss) before taxation from discontinued operations	2,154	(3)
Less: Provision for doubtful debts no longer required	(3,125)	-
Operating cash flows before movements in working capital	(971)	(3)
Other payables	971	3
Net cash from operating activities	-	-

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

11. Loss per share

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
<b><u>Loss</u></b>		
Loss for the purposes of basic loss per share (loss for the year attributable to the Company)	<u>(8,405)</u>	<u>(13,359)</u>

	<u>Group</u>	
	<u>2014</u> Number of shares ('000)	<u>2013</u> Number of shares ('000)
<b><u>Number of shares</u></b>		
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>212,413</u>	<u>212,413</u>

***Continuing operations:***

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
Loss per share (RMB cents) Basic and diluted	<u>(3.96)</u>	<u>(6.28)</u>

The calculation of the basic loss per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

Loss figures are calculated as follows:

Loss for the year attributable to equity holders of the Company	(6,251)	(13,359)
Less: (profit)/loss for the year from discontinued operation	<u>(2,154)</u>	<u>3</u>
Loss for the purposes of basic loss per share from continuing operations	<u>(8,405)</u>	<u>(13,356)</u>

***Discontinued operation***

Basic earnings per share for the discontinued operation is 1.01 cents per share (2013: loss of 0.001 cents per share), based on the profit/(loss) for the year from the discontinued operation of RMB2,154,000 (2013: RMB3,000) and the denominators detailed above for basic loss per share.

Diluted loss per share is the same as basic loss per share because the Company does not have any potential dilutive shares.

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

12. Property, plant and equipment							
	Group	Leasehold	Plant and	Motor	Furniture	Total	
	2014	buildings	equipment	vehicles	and fittings	RMB'000	RMB'000
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost</b>							
Balance at 1 January 2014		37,559	165,696	1,841	2,793	207,889	
Additions		-	1,087	227	237	1,551	
Disposals		-	(409)	(813)	-	(1,222)	
Balance at 31 December 2014		37,559	166,374	1,255	3,030	208,218	
<b>Accumulated depreciation</b>							
Balance at 1 January 2014		12,128	100,240	1,016	2,445	115,829	
Charge for the financial year		1,885	11,098	227	126	13,336	
Disposals		-	(315)	(473)	-	(788)	
Balance at 31 December 2014		14,013	111,023	770	2,571	128,377	
<b>Accumulated impairment</b>							
Balance 1 January 2014 and 31 December 2014		1,247	28,915	-	26	30,188	
<b>Carrying amount</b>							
At 31 December 2014		22,299	26,436	485	433	49,653	

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

12. Property, plant and equipment (Continued)

Group 2013	Leasehold buildings RMB'000	Plant and equipment RMB'000	Motor vehicles RMB'000	Furniture and fittings RMB'000	Total RMB'000
<b>Cost</b>					
Balance at 1 January 2013	37,559	165,599	1,841	2,756	207,755
Additions	-	97	-	37	134
Balance at 31 December 2013	37,559	165,696	1,841	2,793	207,889
<b>Accumulated depreciation</b>					
Balance at 1 January 2013	10,243	89,197	752	2,251	102,443
Charge for the financial year	1,885	11,043	264	194	13,386
Balance at 31 December 2013	12,128	100,240	1,016	2,445	115,829
<b>Accumulated impairment</b>					
Balance 1 January 2013 and 31 December 2013	1,247	28,915	-	26	30,188
<b>Carrying amount</b>					
At 31 December 2013	24,184	36,541	825	322	61,872

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

12. Property, plant and equipment (Continued)

During the financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment, having regard to its impairment indication. No impairment is required for both financial years ended 31 December 2014 and 2013 based on management's assessment which is based on value-in-use calculations.

The key assumptions used for value-in-use calculations are as follows:

- (i) The anticipated annual revenue growth included in cash flow projections is at 0% to 4% (2013: 2%); and
- (ii) Pre-tax discount rate of 8.1% (2013: 10%) based on the estimated weighted average cost of capital of the subsidiary.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources including but not limited to historical data.

As at the reporting date, leasehold buildings with carrying amount of RMB 22,299,000 (2013: RMB24,184,000) have been pledged for certain bank loans as disclosed in Note 22.

*Sensitivity analysis*

The management has estimated that when the projected quantity sold had been reduced by 10%, there is no significant impact to the carrying amount of the property, plant and equipment.

13. Land use rights

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
<b>Cost</b>		
At 1 January and 31 December	10,217	10,217
<b>Accumulated amortisation</b>		
At 1 January	1,430	1,226
Additions	204	204
At 31 December	1,634	1,430
<b>Carrying amount</b>		
At 31 December	8,583	8,787

Amortisation of land use rights is charged to profit or loss on a straight-line basis over 50 years.

Land use rights have been pledged for certain bank loans as disclosed in Note 22.

14. Investment in subsidiaries

	<u>Company</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
<b>Unquoted equity share, at cost</b>		
At beginning of the financial year	79,541	116,952
Allowance for impairment loss	-	(37,411)
At end of the financial year	79,541	79,541

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

14. Investment in subsidiaries (Continued)

Movements in allowance for impairment loss is as follows:

	<u>Company</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Balance at 1 January	37,411	-
Impairment loss recognised in the year	-	37,411
Balance at 31 December	<u>37,411</u>	<u>37,411</u>

In 2013, allowance for impairment loss is recognised in profit or loss as a subsidiary of the Company has been persistently making losses.

The key assumptions used for value-in-use calculations are as follows:

- (i) The anticipated annual revenue growth included in cash flow projections is at 0% to 4% (2013: 2%); and
- (ii) Pre-tax discount rate of 8.1% (2013: 10%) based on the estimated weighted average cost of capital of the subsidiary.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources including but not limited to historical data.

*Sensitivity analysis*

The management has estimated that when the projected quantity sold had been reduced by 10%, there is no significant impact to the carrying amount of the property, plant and equipment.

Details of the subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Place of business / Country of incorporation</u>	<u>Principal activities</u>	<u>Proportion of ownership interest</u>	
			<u>2014</u> %	<u>2013</u> %
<b><u>Held by the Company</u></b>				
Yongxin Precision Material (Wuxi) Co. Ltd <sup>(1) (2)</sup>	People's Republic of China	Manufacturing of non-ferrous metal compound material and alloy material	100	100
<b><u>Held by Yongxin Precision Material (Wuxi) Co., Ltd</u></b>				
Xuzhou Yongsheng Coking Trading Co., Ltd <sup>(3)</sup>	People's Republic of China	Discontinued operation	100	100

(1) Audited by Jiangsu Zheng Zhuo Heng Xin Certified Public Accountants (江苏正卓恒新会计师事务所) in the PRC for local statutory reporting.

(2) Audited by Mazars Hong Kong for consolidation purposes.

(3) Not significant subsidiary. Reviewed by Mazars Hong Kong for consolidation purposes.

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

15. Inventories

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
At cost:		
Raw materials	5,060	7,399
Work-in-progress	3,791	4,855
Finished goods	34	263
	<u>8,885</u>	<u>12,517</u>
At net realisable value:		
Raw materials	1,540	29
Work-in-progress	731	20
Finished goods	2,576	3,270
	<u>4,847</u>	<u>3,319</u>
	<u>13,732</u>	<u>15,836</u>

The cost of inventories recognised as an expense and included in "Cost of sales" amounts to RMB119,777,000 (2013: RMB 110,295,000). The Group had made a reversal of RMB340,000, being part of inventory write-down in 2013, as part of the inventory were subsequently sold during the financial year.

16. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Trade receivables	26,724	20,024	-	-
Notes receivables	14,563	13,767	-	-
	<u>41,287</u>	<u>33,791</u>	<u>-</u>	<u>-</u>
Other receivables	365	18,219	29	44
Provision for doubtful debts	-	(17,963)	-	-
	365	256	29	44
Advances paid to suppliers	7,752	3,170	-	-
Deposits	680	17	13	17
Prepayments	944	295	-	-
Amount due from a subsidiary	-	-	10,877	10,703
	<u>9,741</u>	<u>3,738</u>	<u>10,919</u>	<u>10,764</u>
Total trade and other receivables	51,028	37,529	10,919	10,764
Add:				
Cash and bank balances (Note 17)	11,022	19,915	55	2,416
Pledged cash deposits (Note 17)	600	1,000	-	-
Less: Prepayments	(944)	(295)	-	-
Total loans and receivables	<u>61,706</u>	<u>58,149</u>	<u>10,974</u>	<u>13,180</u>

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

16. Trade and other receivables (Continued)

The advances paid to suppliers are unsecured, interest free and represent down-payments for the purchase of raw materials.

The amount due from a subsidiary is unsecured, non-interest bearing and repayable on demand.

The average credit period on sale of goods is 30 to 60 days (2013: 30 to 60 days).

Movements in provision for doubtful debts on other receivables are as follows:

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Balance at 1 January	17,963	17,963
Provision written off	(14,838)	-
Provision no longer required (Note 10)	(3,125)	-
	<u>          </u>	<u>          </u>
Balance at 31 December	<u>          </u>	<u>17,963</u>

The currency profiles of the Group's and Company's trade and other receivables as at 31 December are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Singapore dollar	42	61	10,919	10,764
Renminbi	50,986	37,468	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>51,028</u>	<u>37,529</u>	<u>10,919</u>	<u>10,764</u>

17. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Cash in banks	11,022	19,915	55	2,416
Pledged cash deposits	600	1,000	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	11,622	20,915	55	2,416
Less: Pledged cash deposits placed with banks	(600)	(1,000)		
	<u>          </u>	<u>          </u>		
Cash and cash equivalents as per consolidated statement of cash flows	<u>11,022</u>	<u>19,915</u>		

Cash deposits of approximately RMB600,000 (2013: RMB1,000,000) are pledged in connection with notes payable facilities as disclosed in Note 21. The cash deposits bear interest at 3.05% per annum (2013: 3.3% per annum).

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

17. Cash and cash equivalents (Continued)

The currency profiles of the Group's and Company's cash and cash equivalents as at 31 December are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Singapore dollars	55	2,416	55	2,416
Renminbi	10,906	16,861	-	-
United States dollars	661	1,638	-	-
	<u>11,622</u>	<u>20,915</u>	<u>55</u>	<u>2,416</u>

18. Share capital

	<u>Group and Company</u>		<u>2014</u> RMB'000	<u>2013</u> RMB'000
	<u>2014</u> Number of ordinary shares ('000)	<u>2013</u> Number of ordinary shares ('000)		
<u>Issued and paid up</u> At beginning of year and end of the financial year	<u>212,731</u>	<u>212,731</u>	<u>142,883</u>	<u>142,883</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Group's residual assets.

19. Treasury shares

	<u>Group and Company</u>		<u>2014</u> RMB'000	<u>2013</u> RMB'000
	<u>2014</u> Number of ordinary shares ('000)	<u>2013</u> Number of ordinary shares ('000)		
At beginning of financial year	318	207	55	34
Repurchased during the financial year	-	111	-	21
At end of financial year	<u>318</u>	<u>318</u>	<u>55</u>	<u>55</u>

In 2013, the Company repurchased 111,000 of its own shares on Singapore Exchange. The total amount paid to repurchase the shares was RMB21,000 and has been deducted from shareholders' equity as at the financial year ended 31 December 2013.

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

20. Other reserves

	<u>Group</u>		<u>Company</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Statutory reserve	7,237	7,237	-	-
Merger reserve	(320)	(320)	-	-
Foreign currency translation reserve	<u>(2,876)</u>	<u>(1,890)</u>	<u>(2,848)</u>	<u>(1,863)</u>
	<u>4,041</u>	<u>5,027</u>	<u>(2,848)</u>	<u>(1,863)</u>

(i) **Statutory reserve**

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the PRC, the subsidiary is required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

(ii) **Merger reserve**

The merger reserve arises from the difference between the purchase consideration and the carrying value of the assets acquired under the pooling-of-interests method of consolidation.

(iii) **Foreign currency translation reserve**

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

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

21. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Trade payables	1,394	2,964	-	-
Notes payable	1,200	1,850	-	-
	2,594	4,814	-	-
Other payables				
-Third parties	1,760	590	-	64
-Accrued operating expenses	10,438	10,131	645	663
-Advances from customers	799	1,068	-	-
-Deposit from supplier	471	-	-	-
-A subsidiary	-	-	3,634	1,411
-Related party	560	442	-	-
-Ultimate holding company	563	-	563	-
-Directors	2,024	1,248	2,024	1,248
Trade and other payables	19,209	18,293	6,866	3,386
Add: Bank borrowings (Note 22)	74,000	78,000	-	-
Total financial liabilities carried at amortised cost	93,209	96,293	6,866	3,386

The average credit period on purchases of goods is 30 days (2013: 30 days).

Notes payable were guaranteed by unrelated parties and secured by cash deposits of approximately RMB 600,000 (2013: RMB1,000,000) (Note 17).

The amounts due to directors are non-trade in nature, unsecured, interest-free and repayable on demand.

Other amounts due from subsidiary, related party and ultimate holding company are non-trade in nature, unsecured, interest-free and repayable on demand.

No interest is charged on the trade and other payables.

The currency profiles of the Group's and Company's trade and other payables as at 31 December are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Singapore dollar	3,232	1,975	3,232	1,975
Renminbi	15,977	16,318	3,634	1,411
	19,209	18,293	6,866	3,386

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

22. Interest-bearing bank borrowings

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Secured term loans (a)	25,000	30,000
Unsecured term loans (b)	49,000	48,000
	<u>74,000</u>	<u>78,000</u>

(a) Bank loans of RMB25 million (2013: RMB30 million) are secured by leasehold buildings and land use rights of a subsidiary, which bear interest rate at 6.48% (2013: 6.6% to 6.9%) per annum.

(b) Bank loans of RMB49 million (2013: RMB48 million) are unsecured and guaranteed by related parties and a director of the Company, which bear interest ranging from 6.50% to 6.96% (2013: 6.3% to 7.2%) per annum.

The Group's interest-bearing bank borrowings as at 31 December are denominated in Renminbi.

23. Operating lease commitments

(a) At the end of the financial year, commitments in respect of non-cancellable operating lease in respect of office premises and other operating facilities are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Future minimum lease payments payables:				
Within 1 year	48	150	48	150
After 1 year but within 5 years	-	50	-	50
	<u>48</u>	<u>200</u>	<u>48</u>	<u>200</u>

The leases have tenure from 1 May 2013 to 30 April 2015. There are no restrictions placed upon the Company by entering into these leases. The lease expenditure charged to profit or loss during the financial year is disclosed in Note 7 to the financial statements.

(b) In 2013, the Group leased out a partial area of new factory buildings to a related party under non-cancellable operating lease. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. As at end of the financial year 2013, there is no future minimum rental receivable under non-cancellable operating leases as the agreement had expired during 2013.

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

24. Significant related party transactions

During the year, in addition to those disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties on terms agreed between the parties as follows:

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Services rendered:		
-Rental income from a related party	-	265
Services received:		
-Rental expense to a related party	118	118
-Rental of electricity facilities to a related party	267	300
Others:		
-Purchase from a related party	1	13
-Sales of scrap materials	3	-
-Advances from ultimate holding company	563	-

Related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members.

Outstanding balances at 31 December 2014 are unsecured and receivable/payable within 12 months from the end of the financial year and are disclosed in Note 16 and 21.

*Key management personnel remuneration*

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Short-term employee benefits paid and payable to:		
-Directors of the Company	1,660	1,765
-Key management personnel	560	577
	<u>2,220</u>	<u>2,342</u>

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

25. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

For management purposes, the Group is organised into business units based on their products, and has two reportable operating segments as follows:

- (i) The high-precision steel strips segment includes manufacturing of non-ferrous metal compound material and alloy material.
- (ii) The coke and coking segment includes trading of coke, coal tar and coking equipment, and this was discontinued in the financial year 2010 (Note 10).

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)**

**25. Segment information (Continued)**

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group's segmental results for the year ended 31 December are as follows:

	High- precision steel strips RMB'000	Discontinued operation RMB'000	Unallocated RMB'000	Total RMB'000
<b>2014</b>				
<b>Total revenue</b>	130,920	-	-	130,920
<b>Results</b>				
Segment results	11,143	-	-	11,143
Expenses	(13,025)	(971)	(2,525)	(16,521)
Other income	684	3,125	8	3,817
Interest income	415	-	-	415
Interest expense	(5,105)	-	-	(5,105)
Loss before and after income tax				(6,251)
<b>Assets and liabilities</b>				
Segment assets	134,518	3	-	134,521
Unallocated assets	-	-	97	97
Total assets	134,518	3	97	134,618
Segment liabilities	89,599	377	-	89,976
Unallocated liabilities	-	-	3,233	3,233
Total liabilities	89,599	377	3,233	93,209
<b>Other segmental information:</b>				
Depreciation and amortisation	13,540	-	-	13,540

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

25. Segment information (Continued)

	High-precision steel strips RMB'000	Discontinued operation RMB'000	Unallocated RMB'000	Total RMB'000
<b>2013</b>				
Total revenue	115,509	-	-	115,509
<b>Results</b>				
Segment results	5,214	-	-	5,214
Expenses	(11,962)	(3)	(3,155)	(15,120)
Other income	1,589	-	25	1,614
Interest income	316	-	-	316
Interest expense	(5,383)	-	-	(5,383)
Loss before and after income tax				(13,359)
<b>Assets and liabilities</b>				
Segment assets	142,273	189	-	142,462
Unallocated assets	-	-	2,477	2,477
Total assets	142,273	189	2,477	144,939
Segment liabilities	93,942	377	-	94,319
Unallocated liabilities	-	-	1,974	1,974
Total liabilities	93,942	377	1,974	96,293
<b>Other segmental information:</b>				
Depreciation and amortisation	13,590	-	-	13,590

**Geographical segment**

No separate analysis of geographical segment information is presented as the Group's revenue, expenses, results, assets, liabilities and capital expenditure are principally attributable to a single geographical region, which is PRC and its customer are wholly based in PRC.

**Information about a major customer**

Revenue from one major customer amounted to RMB22,122,742 (2013: RMB 15,027,065), arising from sale of high-precision steel strips segment.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)**

**26. Financial instruments and financial risks**

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group does not have formal risk management policies and guidelines. However, the Board of Directors reviews and agrees policies for managing each of these risks. It is the Group's policy not to trade in derivative contracts.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

***Credit risks***

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient security where appropriate as a means of mitigating the risk of financial loss from defaults. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group's and Company's major classes of financial assets are bank deposits and trade and other receivables.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

The amounts presented in the statement of financial position are net of allowances for doubtful debts on receivables, estimated by management based on prior experience and the current environment. The Group's trade receivables comprise 7 debtors (2013: 7 debtors) that represented 76% (2013: 66%) of trade receivables. The trade receivables arise mainly from companies incorporated in the PRC. Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good collection track record with the Group.

The age analysis of trade receivables past due but not impaired is as follows:

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Past due for 3 months	3,493	935
Past due for 3 to 6 months	3,539	228
Past due over 6 months	28	29
Total	<u>7,060</u>	<u>1,192</u>

26. Financial instruments and financial risks (Continued)

*Market risks*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risks

As the Group's transactions are primarily denominated in RMB, it is subject to minimal foreign exchange exposure. The Company is not exposed to significant foreign exchange risk. The Group has cash and cash equivalents denominated in Singapore dollars and United States dollars. Accordingly, the Group's statements of financial position can be affected by movements in these exchange rates.

The Group has not entered into any derivative instruments for hedging or trading purposes. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk relates to interest-bearing borrowings which comprise borrowings from banks.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts.

The Group's exposure to interest rate risk is set out below.

*Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rate risks for non-derivative instruments at the end of the financial year. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the financial year was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 1% change in the interest rates from the end of the financial year, with all variables held constant.

If the interest rates had been 1% higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would increase/decrease by approximately RMB740,000 (2013: RMB780,000). This is mainly attributable to the Group's exposure to interest rates on its variable rates borrowings.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)**

**26. Financial instruments and financial risks (Continued)**

*Liquidity risks*

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by monitoring and maintaining a level of cash and cash equivalents and trade and other receivables considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flow. In doing so, the management monitors the utilisation of borrowings to ensure adequate unutilised banking facilities and compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up using undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Group is expected to pay. The table includes both interest and principal cash flows.

<u>The Group</u>	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within one year RMB'000
<b><u>2014</u></b>			
<b>Financial liabilities</b>			
Trade and other payables	19,209	19,209	19,209
Interest-bearing bank borrowings	74,000	76,442	76,442
	<u>93,209</u>	<u>95,651</u>	<u>95,651</u>
<b><u>2013</u></b>			
<b>Financial liabilities</b>			
Trade and other payables	18,293	18,293	18,293
Interest-bearing bank borrowings	78,000	80,913	80,913
	<u>96,293</u>	<u>99,206</u>	<u>99,206</u>
<b><u>The Company</u></b>			
<b><u>2014</u></b>			
<b>Financial liabilities</b>			
Trade and other payables	6,866	6,866	6,866
<b><u>2013</u></b>			
<b>Financial liabilities</b>			
Trade and other payables	3,386	3,386	3,386

The Group's operations are financed mainly through equity, net of accumulated losses and bank borrowings.

As at 31 December 2014 and 2013, the Group's and the Company's financial liabilities are all repayable within the next 12 months.

YONG XIN INTERNATIONAL HOLDINGS LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (Continued)

---

27. Fair value of financial assets and financial liabilities

The carrying amounts of trade and other receivables, cash and cash equivalents, floating rate interest-bearing borrowings and trade and other payables approximate their fair values due to the short period to maturity. The fair value of the other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

28. Capital management policies and objectives

The Group manages its capital to ensure that the Group is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholders' value.

The Group manages the level of capital in proportion to risk and future business development requirements while balancing the need to maximise the return on capital. The Group does not stipulate the desired level of capital. It monitors and manages its capital structure on an on-going basis and make adjustments to it in the light of changes in economic conditions, risk characteristics of the underlying assets and performance of the Group.

No changes were made in the objectives, policies or processes from 2013.

The capital structure of the Group consists of equity attributable to equity owners of the Company, comprising issued capital, treasury shares, reserves and accumulated losses as disclosed in Notes 18, 19 and 20.

As disclosed in Note 20, a subsidiary of the Group is required by the foreign enterprise law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The Group and the Company are not subject to any externally imposed capital requirements during the financial years ended 31 December 2014 and 2013.

29. Reclassifications

Certain reclassifications have been made to the prior financial year's financial statements to enhance comparability with current year's financial statements.

The items were reclassified as follows:

	<u>Previously reported 2013</u> RMB'000	<u>After reclassification 2013</u> RMB'000
<b>Statement of cash flows</b>		
Net cash generated from operating activities	3,908	2,989
Net cash generated from financing activities	5,479	6,398

30. Events subsequent to the reporting date

The Company was placed on the watch-list ("Watch-list") by the Singapore Exchange Securities Trading Limited ("Exchange") on 5 March 2013 and was given 24 months from that date to meet the requirement to be removed from the Watch-list. The Company has informed the Exchange that it is unable to meet the requirements under Listing Rule 1314 for its removal from the Watch-list. Hence, the Exchange will proceed to delist the Company pursuant to Listing Rule 1315.

## APPENDIX VI

### SUMMARY OF VALUATION REPORT ON LAND USE RIGHT AND PROPERTY

#### A. Summary of Valuation Report on Land Use Right

The valuation of the land use right of the land (Land Parcel No. 6002-20) located at Huangniba Village, Yuqi County, Huishan District, Wuxi, PRC is RMB17,295,700 (the “**Current Market Value**”), based on a valuation report dated 23 September 2015 (the “**Valuation Report**”) issued by an independent valuer, Jiangsu Jin Ning Da Real Estate Evaluation and Consultant Co., Ltd. (the “**Valuer**”), and commissioned by Yong Xin International Holdings Ltd. The Valuer is a Registered Land Appraiser with the Jiangsu Land Appraisers Society and the Ministry of Housing of Urban-Rural Development of the PRC.

The Current Market Value of RMB17,295,700 is assessed based on the value of the land use right alone, details of which are set out as follows:

**Table 1 Land Use Right Valuation Result**

<b>Land User as of the Date of the Valuation</b>	Yong Xin International Holdings Ltd.
<b>Serial Number of the Parcel of Land</b>	1
<b>Name of the Parcel of Land</b>	The parcel of land of Yong Xin International Holdings Ltd.
<b>Serial Number of the Land Use Certificate</b>	Xi Hui Guo Yong (2007) No.1003
<b>Location of the Parcel of Land</b>	Huangniba Village, Yuqi County, Huishan District, Wuxi
<b>Actual Usage as of the Date of the Valuation</b>	Industrial
<b>Proposed Usage of the Land for the Purpose of the Valuation</b>	Industrial
<b>Plot Ratio</b>	0.62
<b>Actual Level of Land Development as of the Date of the Valuation</b>	The vicinity area of the parcel of land has access to roads, electricity, tap water, sewage, and telecommunication. Within the parcel of land, the above facilities are also available and the ground is levelled.
<b>The Proposed Level of Land Development for the Purpose of the Valuation</b>	The vicinity area of the parcel of land has access to roads, electricity, tap water, sewage, and telecommunication. The ground is levelled within the parcel of land.
<b>Remaining Years of Entitlement to the Land Use Right</b>	41.79
<b>Area (m<sup>2</sup>)</b>	36,032.80
<b>Market Value per m<sup>2</sup> (RMB)</b>	480
<b>Total Market Value (RMB)</b>	17,295,700

The above valuation result is subject to the following:

1. Land rights: right to mortgage of the parcel of land has not been cancelled, and the impact of mortgage right on land value is not a consideration of this valuation.
2. The infrastructure conditions and other conditions precedent: Refer to Table 2.

**Table 2 Infrastructure and other conditions precedent**

<b>Serial Number of the Parcel of Land</b>	1
<b>Name of the Parcel of Land</b>	The parcel of land of Yong Xin International Holdings Ltd.
<b>Ground</b>	The ground is levelled.
<b>Road Condition</b>	Most of the roads within the parcel of land to be assessed are traffic-type main roads. Adjoining the Hu Rong Expressway (Jin Hu Expressway) G42 and having traffic-type main road East Circle Road and mix-type main road Hai Rui Road, the industrial district enjoys smooth traffic.
<b>Access to Electricity Supply</b>	The electricity supplier is Wuxi power supply company under Jiangsu Electric Power Company. With a transmission capacity of 10kv of the key transmission line and 99% supply guarantee, the supply condition is credited as level A.
<b>Access to Water Supply</b>	Water is supplied by Wuxi Waterworks Co., Ltd. The diameter of the pipe along the sides of the main road reaches 600 mm. With high hydrodynamic pressure and 99% supply guarantee, the condition of water supply is credited as level A.
<b>Drainage System</b>	The drainage system separates the rainwater and the sewer which smooths the flow. The condition of drainage is credited as A.
<b>Access to Heating Supply</b>	No heating supply facility from the municipal government.
<b>Supply of Gas</b>	–
<b>Telecommunication</b>	Access to telecommunication is provided by Jiangsu telecom, Wuxi branch, local service area. Applying digital programme-controlled switching in telephone exchange, the telecommunication condition is credited as Level A.
<b>Land Use Restriction</b>	Right to mortgage of the parcel of land has not been cancelled, the impact of which on land price is not the consideration of this valuation.
<b>Planning Restriction</b>	No changes are made to the planning restriction.
<b>Other Conditions Affect the Land Value</b>	Nil

**Note:**

1. The valuation result is valid for a period of one year commencing from 23 September 2015.
2. The valuation result is to provide reference for land use right value.

According to the valuation report, the valuation of the land was conducted on the basis of a combination of the following approaches:

- (i) the cost approach (成本逼近法): valuation based on the sum of basis costs (comprising cost of land and development cost of infrastructure, and also its corresponding profit and interest) and the corresponding economic benefits generated from the land use rights; and
- (ii) the land datum value method (基准地价修正法): valuation based on benchmark land prices and correction coefficients in order to ensure there is no significant deviation of price from similar assets under the same conditions.

## B. Summary of Valuation Report on Property

The valuation of the property (the “**Property**”) situated at Huangniba Village, Yuqi County, Huishan District, Wuxi, PRC is RMB22,269,400 (the “**Current Market Value**”), based on a valuation report dated 23 September 2015 (the “**Valuation Report**”) issued by an independent valuer, Jiangsu Jin Ning Da Real Estate Evaluation and Consultant Co., Ltd (the “**Valuer**”), and commissioned by Yong Xin International Holdings Ltd.. The Valuer is a Registered Land Appraiser and a Registered Real Estate Appraiser with the Jiangsu Land Appraisers Society and the Ministry of Housing of Urban-Rural Development of PRC, respectively.

The Current Market Value of RMB22,269,400 is assessed based on the value of the Property for which assessment on the valuation was carried out on the Property alone, the details of which are set out as follows:

S/N	Property Ownership Certificate Number	Structure	Total No. of Levels	Usage	Build up Area (m <sup>2</sup> )	Market Value (RMB)
1	Xi Fang Quan Zheng Zi No.: HS1000644615-1	Reinforced Concrete	1	Industrial and Transport Storage	5061.84	5,358,200
2		Composite	1	Industrial and Transport Storage	77.9	73,700
3		Composite	1	Industrial and Transport Storage	501.84	474,000
4	Xi Fang Quan Zheng Zi No.: HS1000644615-2	Steelwork	2	Industrial and Transport Storage	3960.3	3,822,500
5		Composite	3	Industrial and Transport Storage	862.92	815,000
6		Steelwork	3	Industrial and Transport Storage	5746.2	5,546,100
7	Xi Fang Quan Zheng Zi No.: HS1000644615-3	Composite	1	Industrial and Transport Storage	18.49	17,400
8		Composite	1	Industrial and Transport Storage	298.45	281,900
9		Reinforced Concrete	1	Industrial and Transport Storage	5715.99	5,714,700
10	Xi Fang Quan Zheng Zi No.: HS1000644615-4	Composite	1	Industrial and Transport Storage	175.63	165,900
<b>Total</b>					<b>22419.56</b>	<b>22,269,400</b>

**Note:**

The valuation result is valid for a period of one year commencing from 23 September 2015.

According to the Valuation Report, the valuation of the Property was conducted on the basis of cost approach (成本法): The necessary expenses to develop or build the target property together with profit and tax of the Property.