

COMPOSITE DOCUMENT DATED 14 OCTOBER 2015

THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about this Offer (as defined herein) or the action you should take, you should consult your bank manager, solicitor or other professional adviser immediately.

The contents of this Composite Document have not been reviewed by any regulatory authority in any jurisdiction, including Hong Kong S.A.R. and Singapore. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this Composite Document, you should obtain independent professional advice.

A letter from the Company Directors (as defined herein) containing the recommendation of the independent financial adviser appointed by the Company Directors to advise the Independent Shareholders (as defined herein) on the Offer is set out in this Composite Document.

If you have sold or transferred all of your issued and paid-up ordinary shares in the capital of the Company (the "**Shares**"), you should immediately hand this Composite Document and the accompanying Form of Acceptance and Transfer for Offer Shares ("**FAT**") to the purchaser or the transferee.



MUTANTUR PRIVATE LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 201526927H

HUP SOON GLOBAL CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 199204815Z

**COMPOSITE DOCUMENT IN RELATION TO THE
RECOMMENDED VOLUNTARY UNCONDITIONAL CASH OFFER
BY MUTANTUR PRIVATE LIMITED
TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF
HUP SOON GLOBAL CORPORATION LIMITED**

*Independent Financial Adviser
to the Independent Shareholders of Hup Soon Global Corporation Limited*



PROVENANCECAPITAL

PROVENANCE CAPITAL PTE. LTD.

(Incorporated in the Republic of Singapore)
Company Registration Number: 200309056E

ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. ON 11 NOVEMBER 2015. THE OFFEROR DOES NOT INTEND TO EXTEND THE OFFER BEYOND THIS OR REVISE THE OFFER PRICE.

The procedures for acceptance are set out in **Appendix V** to this Composite Document, and in the accompanying FAT.

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Composite Document and the FAT:

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| <i>"1927 Co"</i> | : | United Motor Works (1927) Pte. Ltd. |
| <i>"7M 2015"</i> | : | The 7-month period ended 31 July 2015 |
| <i>"7M 2015 Results"</i> | : | The Company's unaudited financial statements of the Group for 7M 2015, which are set out in Appendix E to this Composite Document |
| <i>"ACRA"</i> | : | The Accounting and Corporate Regulatory Authority of Singapore |
| <i>"Articles"</i> | : | The articles of association of the Company |
| <i>"ATC"</i> | : | Anglo-Thai Company Limited |
| <i>"Baht"</i> | : | The lawful currency of Thailand |
| <i>"Business Day"</i> | : | A day other than Saturday, Sunday or a public holiday on which commercial banks are open for business in Singapore |
| <i>"Closing Date"</i> | : | 11 November 2015, being the last day for the lodgement of acceptances for the Offer |
| <i>"Code"</i> | : | The Singapore Code on Take-overs and Mergers |
| <i>"Companies Act"</i> | : | The Companies Act (Chapter 50 of Singapore) |
| <i>"Company"</i> | : | Hup Soon Global Corporation Limited |
| <i>"Company Directors"</i> | : | Shall have the meaning ascribed to it in paragraph 6.3(a) of the Offeror Letter |
| <i>"Company Letter"</i> | : | The letter to Shareholders from the Company (including Appendices A to F2) as set out in this Composite Document |
| <i>"Company Securities"</i> | : | Shall have the meaning ascribed to it in paragraph 1(a) of Appendix III to this Composite Document |
| <i>"Composite Document"</i> | : | This document issued by the Offeror and the Company, in respect of the Offer |
| <i>"Convertible Securities"</i> | : | Securities convertible or exchangeable into new shares or existing shares in a company |
| <i>"CPF"</i> | : | Central Provident Fund |
| <i>"CPF Agent Banks"</i> | : | Agent banks included under the CPFIS |
| <i>"CPFIS"</i> | : | Central Provident Fund Investment Scheme |
| <i>"CPFIS Investors"</i> | : | Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS |

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| <i>“Derivatives”</i> | : | 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 |
| <i>“Encumbrances”</i> | : | Shall have the meaning ascribed to it in paragraph 3.1 of the Offeror Letter |
| <i>“FAT”</i> | : | Form of Acceptance and Transfer for Offer Shares which forms part of this Composite Document |
| <i>“FY”</i> | : | Financial year ended or ending (as the case may be) 31 December of a particular year as stated |
| <i>“FY2012 Results”</i> | : | The Company’s audited consolidated financial statements of the Group for FY2012 |
| <i>“FY2013 Results”</i> | : | The Company’s audited consolidated financial statements of the Group for FY2013 |
| <i>“FY2014 Results”</i> | : | The Company’s audited consolidated financial statements of the Group for FY2014 |
| <i>“Group”</i> | : | The Company and its subsidiaries |
| <i>“HSGM”</i> | : | Hup Soon Global (M) Sdn Bhd |
| <i>“HSGM Disposal”</i> | : | Shall have the meaning ascribed to it in paragraph 3 of Appendix II to this Composite Document |
| <i>“IFA”</i> | : | The independent financial adviser appointed by the Company Directors to advise the Independent Shareholders on the Offer, being Provenance Capital for the purposes of this Offer |
| <i>“IFA Letter”</i> | : | The letter dated 28 September 2015 from the IFA to the Independent Shareholders in respect of the Offer as set out in Appendix A to this Composite Document |
| <i>“Independent Shareholders”</i> | : | Shareholders other than the Offeror and the persons acting in concert with the Offeror |
| <i>“Interested Person”</i> | : | As defined in the Note on Rule 23.12 of the Code, an interested person, in relation to a company, is: <ul style="list-style-type: none"> (a) a director, chief executive officer, or substantial shareholder of the company; (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company; (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary; (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more; |

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| | (e) | any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or |
| | (f) | any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more |
| <i>“Irrevocable Undertakings”</i> | : | Shall have the meaning ascribed to it in paragraph 4.3 of the Offeror Letter |
| <i>“Joint Announcement”</i> | : | The joint announcement issued by the Offeror and the Company on the Joint Announcement Date in relation to the Offer |
| <i>“Joint Announcement Date”</i> | : | 28 September 2015 |
| <i>“Latest Practicable Date”</i> | : | 6 October 2015, being the latest practicable date prior to the printing of this Composite Document |
| <i>“Offer”</i> | : | The recommended voluntary unconditional cash offer by the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in this Composite Document and the FAT |
| <i>“Offer Period”</i> | : | The period from the Joint Announcement Date until the date the Offer is declared to have closed |
| <i>“Offer Price”</i> | : | Shall have the meaning ascribed to it in paragraph 3.1 of the Offeror Letter |
| <i>“Offer Shares”</i> | : | All the Shares (excluding 80,000 treasury shares) |
| <i>“Offeror”</i> | : | Mutantur Private Limited |
| <i>“Offeror Director”</i> | : | Mr. Yong Wei Hsien Timothy, who is the sole director of the Offeror as at the Latest Practicable Date |
| <i>“Offeror Letter”</i> | : | The letter to Shareholders from the Offeror (including Appendices I to V) as set out in this Composite Document |
| <i>“Offeror Securities”</i> | : | Shall have the meaning ascribed to it in paragraph 4.1 of Appendix B to this Composite Document |
| <i>“Offeror Shares”</i> | : | Issued and paid-up ordinary shares in the capital of the Offeror |
| <i>“Options”</i> | : | Options granted to subscribe for new shares in a company |
| <i>“Overseas Shareholder”</i> | : | Shall have the meaning ascribed to it in paragraph 9 of the Offeror Letter |
| <i>“Provenance Capital”</i> | : | Provenance Capital Pte. Ltd. |
| <i>“Restricted Jurisdiction”</i> | : | Shall have the meaning ascribed to it in paragraph 9 of the Offeror Letter |
| <i>“RM”</i> | : | The lawful currency of Malaysia |
| <i>“Rollover Arrangement”</i> | : | Shall have the meaning ascribed to it in paragraph 4.7 of the Offeror Letter |

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| “Rollover Shareholders” | : | Shall have the meaning ascribed to it in paragraph 4.1 of the Offeror Letter |
| “S\$” | : | The lawful currency of Singapore |
| “Set-Off Amount” | : | Shall have the meaning ascribed to it in paragraph 4.5 of the Offeror Letter |
| “SFCA” | : | Stone Forest Corporate Advisory Pte. Ltd. |
| “SGX Catalist” | : | Catalist board of the Singapore Exchange Securities Trading Limited (previously, known as the Stock Exchange of Singapore Dealing and Automated Quotation System) |
| “Shareholders” | : | Holders of Shares |
| “Shares” | : | Issued and paid-up ordinary shares in the capital of the Company |
| “SIC” | : | Securities Industry Council of Singapore |
| “SIC Confirmation Letters” | : | Shall have the meaning ascribed to it in paragraph 5.1 of the Company Letter |
| “SPEI” | : | Spei Holdings Private Limited |
| “Subject Property” | : | The property as set out in Appendix F1 to this Composite Document |
| “Subscription” | : | Shall have the meaning ascribed to it in paragraph 4.1 of the Offeror Letter |
| “Subscription Agreement” | : | Shall have the meaning ascribed to it in paragraph 4.1 of the Offeror Letter |
| “Subscription Price” | : | Shall have the meaning ascribed to it in paragraph 4.1 of the Offeror Letter |
| “US\$” and “US cents” | : | United States dollars and cents, being the lawful currency of the United States of America |
| “Valuation Report” | : | Shall have the meaning ascribed to it in paragraph 9 of Appendix B to this Composite Document |
| “Valuer” | : | Siam Appraisal and Services Co., Ltd. |
| “Warrants” | : | Rights to subscribe for or purchase new shares or existing shares in a company |
| “%” | : | Per centum or percentage |

Acting in Concert. The expression “acting in concert” shall have the meaning ascribed to it in the Code.

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

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

Rounding. Any discrepancies in figures included in this Composite Document between amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Composite Document may not be arithmetic aggregations of the figures that precede them.

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

Statutes. Any reference in this Composite Document to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined in the Companies Act or the Code or any modification thereof and used in this Composite Document shall, where applicable, have the meaning assigned to it under the Companies Act or the Code, or any modification thereof, as the case may be, unless the context otherwise requires.

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

Total Number of Issued Shares. Any reference in this Composite Document to the total number of issued Shares is a reference to a total of 364,274,387 Shares (excluding 80,000 treasury shares) in issue as at the Latest Practicable Date (based on the results of the instant information search of the Company dated the Latest Practicable Date conducted with ACRA).

Forward-Looking Statements

All statements other than statements of historical facts included in this Composite Document are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Offeror’s and/or the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information.

Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and the Offeror and/or the Company does not undertake any obligation to update publicly or revise any forward-looking statements.

MUTANTUR PRIVATE LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 201526927H

LETTER TO SHAREHOLDERS FROM THE OFFEROR

Director:

Mr. Yong Wei Hsien Timothy

Registered Office:

47 Scotts Road
#04-02
Singapore 228233

14 October 2015

To: The Shareholders of Hup Soon Global Corporation Limited

Dear Sir/Madam

RECOMMENDED VOLUNTARY UNCONDITIONAL CASH OFFER FOR HUP SOON GLOBAL CORPORATION LIMITED

1. INTRODUCTION

1.1 Joint Offer Announcement

On 28 September 2015, the Offeror and the Company jointly announced that the respective boards of directors of the Offeror and the Company had agreed to the terms of the Offer for the Offer Shares in accordance with Rule 15 of the Code. A copy of the Joint Announcement is available on the website of the Company at www.hupsoon.com. The Joint Announcement was also advertised in The Business Times on 30 September 2015.

1.2 Composite Document

This Composite Document contains, *inter alia*:

- (a) the formal offer by the Offeror to acquire all the Offer Shares, as set out in the Offeror Letter; and
- (b) the Company Letter (including the IFA Letter).

We urge you to read this Composite Document (including the FAT) carefully and properly consider this Offer.

2. RECOMMENDATION OF THE IFA

Provenance Capital has been appointed by the Company as the IFA to advise the Independent Shareholders on the Offer.

Provenance Capital is of the opinion that the financial terms of the Offer are fair and reasonable, and recommends that the Independent Shareholders accept the Offer.

Shareholders should read and carefully consider the advice and recommendation of the IFA in its entirety as set out in the IFA Letter.

3. THE RECOMMENDED OFFER

- 3.1** In accordance with Rule 15 of the Code and subject to the terms and conditions set out in this Composite Document (including the FAT), the Offeror hereby makes the Offer for the Offer Shares on the following basis:

For each Offer Share: S\$0.06 in cash (the “Offer Price”).

THE OFFEROR DOES NOT INTEND TO REVISE THE OFFER PRICE.

The Offer Shares are to be acquired (a) fully paid; (b) 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 (c) 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, other distributions and return of capital (if any) which may be announced, declared, paid or made thereon by the Company on or after the Joint Announcement Date). If any dividend, other distribution or return of capital is declared, paid or made by the Company on or after the Joint Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such dividend, distribution or return of capital paid or made by the Company to such Shareholders who accept or have accepted the Offer.

3.2 Offer Shares

The Offer will be extended, on the same terms and conditions, to all new Shares unconditionally issued prior to the close of the Offer. For the purpose of the Offer, the expression “**Offer Shares**” shall include the aforesaid Shares.

3.3 Unconditional Offer

The Offer is unconditional in all respects. Shareholders who accept the Offer before the close of the Offer will be paid the Offer Price in cash within 10 days after the receipt by the Offeror of valid and complete acceptances of the Offer.

3.4 Warranty

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

3.5 Duration of the Offer

The Offer will close at 5.30 p.m. on 11 November 2015. The Offeror does not intend to extend the Offer beyond this. Notice is hereby given that the Offer will not be open for acceptance beyond 5.30 p.m. on 11 November 2015.

3.6 Details of the Offer

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

3.7 Procedures for Acceptance

Appendix V to this Composite Document sets out the procedures for acceptance of the Offer.

4. ROLLOVER ARRANGEMENT AND IRREVOCABLE UNDERTAKINGS

4.1 Each of SPEI, 1927 Co and Mr. Goh Swee Heng (collectively, the “**Rollover Shareholders**”) has entered into a subscription agreement (the “**Subscription Agreement**”) with the Offeror pursuant to which such Rollover Shareholders will subscribe for the Offeror Shares at S\$0.06 per Offeror Share (the “**Subscription Price**”) (the “**Subscription**”).

4.2 It is envisaged that the resultant shareholding in the Offeror pursuant to the Subscription would be as follows:

| Shareholders | Number of Offeror Shares | Percentage of Shares (%) |
|----------------------------|--------------------------|--------------------------|
| SPEI | 180,727,453 | 49.61 |
| 1927 Co | 161,698,398 | 44.39 |
| Mr. Goh Swee Heng | 5,482,832 | 1.51 |
| Mr. Chia Chee Ming Timothy | 13,092,563 | 3.59 |
| Mr. Yong Wei Hsien Timothy | 3,273,141 | 0.90 |
| Total | 364,274,387 | 100.00 |

4.3 Each of the Rollover Shareholders has also given an irrevocable undertaking (the “**Irrevocable Undertakings**”) in favour of the Offeror, *inter alia*, as follows:

- (a) to accept the Offer in respect of all the Shares held by them/him; and
- (b) to waive their/his rights under Rule 30 of the Code to receive any cash settlement or payment in relation to the Shares held by them/him and the obligation of the Offeror to pay them/him the total proceeds of their/his Shares shall be set-off in full against their/his obligation to pay the Subscription Price.

4.4 The number of Shares held by the Rollover Shareholders as at the Latest Practicable Date are as follows:

| Rollover Shareholders | Number of Shares | Percentage of Shares (%) |
|-----------------------|--------------------|--------------------------|
| SPEI | 180,727,453 | 49.61 |
| 1927 Co | 161,698,398 | 44.39 |
| Mr. Goh Swee Heng | 5,482,832 | 1.51 |
| Total | 347,908,683 | 95.51 |

4.5 For the purposes of this Composite Document, the aggregate amount which would otherwise be payable by the Offeror as consideration for the Shares held by the Rollover Shareholders pursuant to the Offer, and which will, pursuant to the Irrevocable Undertakings and the Subscription Agreement be set-off against the Subscription Price, shall be referred to as the “**Set-Off Amount**”.

4.6 The Irrevocable Undertakings will lapse if for whatever reason, other than as a result of a breach by the Rollover Shareholders of any of their obligations therein, the Offer is withdrawn, lapses or closes.

4.7 SIC has confirmed that the arrangement set out in this paragraph 4 (the “**Rollover Arrangement**”) does not constitute a special deal for the purposes of Rule 10 of the Code.

5. INFORMATION ON THE OFFEROR

- 5.1 The Offeror is a company incorporated under the laws of Singapore on 25 June 2015. As at the Joint Announcement Date, the Offeror has an issued and paid-up capital of S\$10.00 comprising 10 Offeror Shares.
- 5.2 As at the Latest Practicable Date, the shareholders of the Offeror are Mr. Chia Chee Ming Timothy and Mr. Yong Wei Hsien Timothy. Mr. Yong Wei Hsien Timothy is the sole director of the Offeror.
- 5.3 As at the Latest Practicable Date, the Offeror does not own any Shares.
- 5.4 **Appendix I** to this Composite Document sets out certain additional information on the Offeror.

6. INFORMATION ON THE COMPANY

- 6.1 The Company was incorporated in Singapore as “Twinwood Engineering Pte Ltd” on 8 September 1992. It changed its name to “Twinwood Engineering Limited” on 15 November 1997 following its conversion into a public company limited by shares. Twinwood Engineering Limited subsequently changed its name to “Hup Soon Global Corporation Limited” on 26 April 2007 upon completion of the acquisition of Hup Soon Global Pte Ltd.
- 6.2 The Company was listed on the SGX Catalist on 8 December 1997. The Company was delisted on 8 April 2013.
- 6.3 As at the Latest Practicable Date:
- (a) the directors of the Company (the “**Company Directors**”) comprise the following:
 - (i) Mr. Chia Chee Ming Timothy;
 - (ii) Mr. Yong Wei Hsien Timothy;
 - (iii) Mr. Goh Swee Heng; and
 - (iv) Dr. Yong Mian Thong;
 - (b) the Company has an issued and paid-up share capital of S\$44,896,365.30 comprising 364,274,387 Shares (excluding 80,000 treasury shares); and
 - (c) there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities being offered for or which carry voting rights affecting the Shares.
- 6.4 **Appendix II** to this Composite Document sets out certain additional information on the Company.

7. RATIONALE FOR THE OFFER AND INTENTIONS IN RELATION TO THE COMPANY

7.1 Intention to Privatisise the Company

The Offeror is making the Offer with a view to privatising the Company and making the Company its wholly-owned subsidiary. As at the Latest Practicable Date, the Offeror does not own any Shares.

UPON ACCEPTANCE OF THE OFFER BY THE ROLLOVER SHAREHOLDERS, THE OFFEROR WILL HOLD MORE THAN 90% OF THE SHARES. ACCORDINGLY, THE OFFEROR WILL BE ENTITLED TO, AND INTENDS TO, EXERCISE ITS RIGHTS OF COMPULSORY ACQUISITION UNDER THE COMPANIES ACT.

7.2 Opportunity for Minority Shareholders to Realise Their Investment

The Offer will provide Shareholders with the opportunity to realise their entire investment in the Shares and to unlock value in their unlisted and illiquid Shares.

7.3 Greater Management Flexibility

The Offeror is of the view that privatising the Company will provide the Offeror with greater control and management flexibility to manage and develop the Company, optimise the use of resources and facilitate the implementation of any strategic initiatives and/or operational changes.

7.4 Offeror's Intentions for the Company

Save as disclosed above, the Offeror does not currently have any intention to make major changes to (a) the business of the Group; (b) the deployment of the fixed assets of the Group; or (c) the employment of the employees of the Group, other than in the ordinary course of business.

8. COMPULSORY ACQUISITION

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

8.2 In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total number of issued Shares, the Shareholders who have not accepted the Offer have a right to require the Offeror to acquire their Shares at the Offer Price. Such Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

8.3 As mentioned in paragraph 7.1 above, as at the Latest Practicable Date, the Offeror does not own any Shares.

UPON ACCEPTANCE OF THE OFFER BY THE ROLLOVER SHAREHOLDERS, THE OFFEROR WILL HOLD MORE THAN 90% OF THE SHARES. ACCORDINGLY, THE OFFEROR WILL BE ENTITLED TO, AND INTENDS TO, EXERCISE ITS RIGHTS OF COMPULSORY ACQUISITION UNDER THE COMPANIES ACT.

9. OVERSEAS SHAREHOLDERS

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

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

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

Overseas Shareholders may, nonetheless, obtain copies of this Composite Document and/or the FAT and any related documents, during normal business hours and up to the Closing Date, from the Offeror through its receiving agent, M & C Services Private Limited at its office located at 112 Robinson Road #05-01 Singapore 068902. Alternatively, an Overseas Shareholder may write to the Offeror through M & C Services Private Limited at the address listed above to request for this Composite Document and/or the FAT and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Shareholder's own risk, up to three (3) Business Days prior to the Closing Date.

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

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

10. CONFIRMATION OF FINANCIAL RESOURCES

Bangkok Bank Public Company Limited, Singapore Branch has confirmed that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer (excluding the Set-Off Amount) by the holders of the Offer Shares.

11. OFFEROR DIRECTOR'S RESPONSIBILITY STATEMENT

The Offeror Director has taken all reasonable care to ensure that the facts stated and opinions expressed in this Composite Document (other than (a) those information relating to the Group and those information contained in the IFA Letter set out in **Appendix A** to this Composite Document, the extract of the Valuation Report set out in **Appendix F1** to this Composite Document and the Assessment of Financial Position of ATC Report set out in **Appendix F2** to this Composite Document; and (b) any opinion expressed by the Company, the IFA, the Valuer and SFCA) are fair and accurate and that there are no other material facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document (other than those statements relating to the Group and/or in the IFA Letter set out in **Appendix A** to this Composite Document, the extract of the Valuation Report set out in **Appendix F1** to this Composite Document or the Assessment of Financial Position of ATC Report set out in **Appendix F2** to this Composite Document) misleading.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Company (including without limitation, information relating to the Group), the sole responsibility of the Offeror Director has been to ensure, through reasonable enquiries, that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Composite Document.

The Offeror Director accepts responsibility accordingly.

12. GENERAL

Any omission relating to the despatch of this Composite Document, the FAT, or any notice, advertisement or announcement required to be given under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made or should be made shall not invalidate the Offer in any way.

The Offer, this Composite Document, the FAT, all acceptances of the Offer, all contracts made pursuant thereto and all actions taken or deemed to be taken in connection with any of the foregoing shall be governed by, and construed in accordance with, the laws of Singapore and all accepting Shareholders agree, by accepting the Offer, to submit to the non-exclusive jurisdiction of the Singapore courts.

CPFIS Investors will receive further information on how to accept the Offer from the CPF Agent Banks directly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice. CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks. CPFIS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their CPF investment accounts.

Unless expressly provided otherwise in this Composite Document and/or the FAT, a person who is not a party to any contracts made pursuant to the Offer, this Composite Document and/or the FAT 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 contained 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.

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

Appendix III to this Composite Document sets out additional general information relating to the Offer. Your attention is drawn to all the Appendices which form part of this Composite Document.

Yours faithfully
For and on behalf of
Mutantur Private Limited

Yong Wei Hsien Timothy
Director

14 October 2015

APPENDIX I – ADDITIONAL INFORMATION ON THE OFFEROR

1. **DIRECTOR OF THE OFFEROR**

The name, address and description of the Offeror Director as at the Latest Practicable Date are as follows:

| Name | Address | Designation |
|----------------------------|--|--------------------|
| Mr. Yong Wei Hsien Timothy | 100 Clemenceau Avenue North #03-101 Singapore 229491 | Director |

2. **REGISTERED OFFICE OF THE OFFEROR**

The registered office of the Offeror is at 47 Scotts Road #04-02 Singapore 228233.

3. **PRINCIPAL ACTIVITIES OF THE OFFEROR**

The Offeror is an investment holding exempted company incorporated under the laws of Singapore. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$10.00 comprising 10 Offeror Shares. Save for the agreements entered into in relation to the making of the Offer, the Offeror has not carried on any business since the date of its incorporation nor does it own any subsidiaries.

4. **SUMMARY OF FINANCIAL INFORMATION**

As the Offeror was only recently incorporated on 25 June 2015, no audited financial statements of the Offeror have been prepared since the date of its incorporation. As no audited financial statements of the Offeror have been prepared to date, there are no significant accounting policies to be noted.

5. **MATERIAL CHANGES IN FINANCIAL POSITION**

As at the Latest Practicable Date, save as disclosed above and the making and financing of the Offer, there has been no known material changes in the financial position of the Offeror since the date of its incorporation.

APPENDIX II – ADDITIONAL INFORMATION ON THE COMPANY

1. DIRECTORS OF THE COMPANY

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

| <u>Name</u> | <u>Address</u> | <u>Designation</u> |
|----------------------------|---|--------------------|
| Mr. Chia Chee Ming Timothy | 7 Nassim Road #01-01 Singapore 258374 | Director |
| Mr. Yong Wei Hsien Timothy | 100 Clemenceau Avenue North #03-101 Singapore 229491 | Director |
| Mr. Goh Swee Heng | 112 Pinggir Zaaba, Taman Tun Dr Ismail, 60000 Kuala Lumpur W. Persekutuan Malaysia | Director |
| Dr. Yong Mian Thong | 23 Jln Hujan Rahmat Satu Taman Overseas Union 58200 Kuala Lumpur W. Persekutuan Malaysia | Director |

2. SHARE CAPITAL

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of S\$44,896,365.30 comprising 364,274,387 Shares (excluding 80,000 treasury shares). The Shares are ordinary shares carrying equal ranking rights to dividend, voting at general meetings and return of capital.

There is no restriction in the memorandum or articles of association of the Company on the right to transfer any 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.

3. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save (a) as disclosed in this Composite Document, the FY2014 Results and the 7M 2015 Results; (b) for the HSGM Disposal, and (c) for information on the Group which is publicly available including without limitation, the announcements released by the Group on the website of the Company at www.hupsoon.com, 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 of the Company laid before Shareholders in a general meeting.

HSGM was a wholly-owned subsidiary of the Group incorporated in Malaysia. On 17 September 2015, the Company completed the disposal of its entire shareholding interest in HSGM (the "**HSGM Disposal**") for a cash consideration of RM10.13 million or S\$3.32 million based on the actual cash proceeds received.

4. REGISTERED OFFICE

The registered office of the Company is at 15 Scotts Road #04-01/03 Singapore 228218.

APPENDIX III – ADDITIONAL GENERAL INFORMATION

1. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, save as disclosed below, none of the Offeror, the Offeror Director or any of the persons acting or deemed to be acting in concert with the Offeror owns, controls or has agreed to acquire any (i) securities which are being offered for (i.e. the Shares) or which carry voting rights in the Company; or (ii) Convertible Securities, Warrants, Options or Derivatives in respect of (i) (collectively, the “**Company Securities**”):

| Name | Number of Shares (Direct Interest) | Percentage of Shares (%) | Number of Shares (Deemed interest) | Percentage of Shares (%) |
|---|---------------------------------------|--------------------------|------------------------------------|--------------------------|
| SPEI | 180,727,453 | 49.61 | – | – |
| 1927 Co | 161,698,398 | 44.39 | – | – |
| Mr. Goh Swee Heng ⁽¹⁾ | 5,482,832 | 1.51 | 180,727,453 | 49.61 |
| Mr. Yong Wei Hsien Timothy ⁽¹⁾ | – | – | 180,727,453 | 49.61 |
| Ms. Melor Mohd Shahid ⁽²⁾ | 65,980 | 0.02 | – | – |
| Dr. Yong Mian Thong ⁽³⁾ | – | – | 180,727,453 | 49.61 |
| Mr. Chia Chee Ming Timothy ⁽⁴⁾ | – | – | 342,425,851 | 94.00 |

Notes:

- (1) Mr. Goh Swee Heng and Mr. Yong Wei Hsien Timothy are directors and shareholders of SPEI, and are deemed to have an interest in the Shares held by SPEI by virtue of Section 7 of the Companies Act.
- (2) Ms. Melor Mohd Shahid is the sole director of 1927 Co, and is a person acting in concert with the Offeror.
- (3) Dr. Yong Mian Thong is a shareholder of SPEI, and is deemed to have an interest in the Shares held by SPEI by virtue of Section 7 of the Companies Act.
- (4) Mr. Chia Chee Ming Timothy is a shareholder of both SPEI and 1927 Co, and is deemed to have an interest in the Shares held by SPEI by virtue of Section 7 of the Companies Act.
- (b) (i) None of the Offeror, the Offeror Director or any of the persons acting in concert with the Offeror; and (ii) none of the Rollover Shareholders, has dealt for value in the Company Securities during the period commencing three (3) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.
- (c) As at the Latest Practicable Date, save for the Irrevocable Undertakings, no person has given any irrevocable undertaking to the Offeror, or any person acting in concert with it, to accept or reject the Offer.
- (d) As at the Latest Practicable Date, save for the Rollover Arrangement (including the Subscription and the Irrevocable Undertakings), neither the Offeror nor any person acting in concert with it has entered into any arrangement of the kind referred to in Note 7 to Rule 12 of the Code, including 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.
- (e) As at the Latest Practicable Date, save for the Rollover Arrangement (including the Subscription and the Irrevocable Undertakings), there is no agreement, arrangement or understanding between (i) the Offeror or any person acting in concert with it; and (ii) any of the present or recent directors of the Company, or any of the present or recent Shareholders or any other person that is conditional upon, or has any connection with or dependence upon, the Offer.

- (f) The Offeror reserves the right to direct or transfer any of the Offer Shares to any of its related corporations. Save as disclosed above, as at the Latest Practicable Date, there is no agreement, arrangement or understanding whereby any of the Offer Shares acquired by the Offeror pursuant to the Offer will or may be transferred to any other person.
- (g) As at the Latest Practicable Date, there is no agreement, arrangement or understanding for payment or other benefit being made or given to any director of the Company or to any director of any corporation which is by Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or as consideration for, or in connection with, his retirement from office or otherwise in connection with the Offer.
- (h) Save as disclosed in this Composite Document and save for information relating to the Offeror and the 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.
- (i) As at the Latest Practicable Date, none of the Offeror or any person acting in concert with the Offeror has (i) granted a security interest over any Company Securities to another person, whether through a charge, pledge or otherwise; (ii) borrowed from another person any Company Securities (excluding borrowed Company Securities which have been on-lent or sold); or (iii) lent any Company Securities to another person.

2. GENERAL

2.1 Consent

Bangkok Bank Public Company Limited, Singapore Branch has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of (a) its financial resources confirmation; (b) its name; and (c) all references thereto in the form and context in which they respectively appear.

2.2 Costs and Expenses

All costs and expenses of or incidental to the Offer including the preparation and circulation of this Composite Document and the FAT (other than professional fees and other costs relating to the Offer incurred or to be incurred by the Company) and stamp duty and transfer fees resulting from acceptances of the Offer will be paid by the Offeror.

2.3 Documents for Inspection

Copies of the following documents may be inspected at the office of M & C Services Private Limited at 112 Robinson Road #05-01 Singapore 068902 during normal business hours, while the Offer remains open for acceptance:

- (a) the memorandum and articles of association of the Offeror;
- (b) the Joint Announcement; and
- (c) the Irrevocable Undertakings as referred to in paragraph 4.3 of the Offeror Letter.

APPENDIX IV – DETAILS OF THE OFFER

1. SETTLEMENT

Subject to the receipt by the Offeror of valid acceptances, complete in all respects and in accordance with the instructions given in this Composite Document and the FAT, remittances in the form of cheques drawn on a bank in Singapore for the appropriate amounts will be despatched, pursuant to Rule 30 of the Code, to the accepting Shareholder by ordinary post and at the risk of the accepting Shareholder for payment of any cash distribution as soon as practicable but in any event within 10 days of the date of such receipt.

2. ANNOUNCEMENTS

(a) Pursuant to Rule 28.1 of the Code, by 8.00 a.m. on the dealing day immediately after the day on which the Offer is due to expire, or is revised or extended (if applicable), the Offeror must announce the total number of Offer Shares (as nearly as practicable):

- (i) in respect of which valid acceptances of the Offer have been received;
- (ii) held by the Offeror and any person acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired by the Offeror and any person acting in concert with it during the Offer Period,

and must specify the percentages of the issued share capital of the Company represented by such numbers.

(b) In computing the number of Offer Shares represented by acceptances, the Offeror will at the time of making an announcement take into account acceptances which are valid in all respects.

3. NO RIGHT OF WITHDRAWAL

All acceptances of the Offer shall be irrevocable.

APPENDIX V – PROCEDURES FOR ACCEPTANCE

1. ACCEPTANCE

- 1.1 If you wish to accept the Offer, you should complete and sign the FAT in accordance with the provisions and instructions in this Composite Document including the provisions and instructions printed on the FAT (which provisions and instructions shall be deemed to form part of the terms of the Offer) and forward 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** to:

Mutantur Private Limited
c/o M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

so as to arrive not later than 5.30 p.m. on 11 November 2015.

- 1.2 If the number of Offer Shares in respect of acceptances for the Offer 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 by you, then you shall be deemed to have accepted the Offer in respect of all the Offer Shares as represented by the share certificate(s) and/or other document(s) of title accompanying the FAT.

2. GENERAL

- 2.1 If your Offer Shares are represented by share certificate(s) which are not registered with the Company in your own name, you must send in, at your own risk, the relevant share certificate(s), other document(s) of title and/or other relevant documents required by the Offeror together with a duly completed and signed original FAT accompanied by transfer form(s), duly completed and executed by the person(s) registered with the Company as the holder of the Offer Shares and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or a person authorised by it).
- 2.2 It is your responsibility to ensure that the FAT is properly completed in all respects. The Offeror and/or M & C Services Private Limited will be entitled to reject any acceptance which does not comply with the provisions and instructions contained herein and in the FAT, or (subject to the preceding paragraph) which is not accompanied by the relevant share certificate(s), other document(s) of title and/or any other relevant document(s) required by the Offeror, or which is otherwise incomplete, incorrect, unsigned, signed but not in its originality or invalid in any respect. Any decision to reject the FAT on the grounds that it has been incompletely, incorrectly or invalidly signed, completed or submitted, unsigned or signed but not in its originality will be final and binding, and none of the Offeror and M & C Services Private Limited accepts any responsibility or liability for the consequences of such a decision.
- 2.3 **All acceptances of the Offer shall be irrevocable.**
- 2.4 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.
- 2.5 All communications, notices, certificates, documents and remittances will be sent by ordinary post at the risk of the person(s) entitled thereto.
- 2.6 Payment 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 at your address as it appears in the register of members of the Company at your own risk (or to such different name and address as may be specified by you in the FAT and at your own risk), by way of a cheque drawn on a bank in Singapore for the appropriate amount.
- 2.7 If you do not receive the FAT, you may obtain such a FAT upon production of satisfactory evidence that you are a Shareholder, from **Mutantur Private Limited** c/o M & C Services Private Limited at its office located at 112 Robinson Road #05-01 Singapore 068902.

HUP SOON GLOBAL CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 199204815Z

LETTER TO SHAREHOLDERS FROM THE COMPANY

Director:

Mr. Chia Chee Ming Timothy
Mr. Yong Wei Hsien Timothy
Mr. Goh Swee Heng
Dr. Yong Mian Thong

Registered Office:

15 Scotts Road
#04-01/03
Singapore 228218

14 October 2015

To: The Shareholders of Hup Soon Global Corporation Limited

Dear Sir/Madam

RECOMMENDED VOLUNTARY UNCONDITIONAL CASH OFFER FOR HUP SOON GLOBAL CORPORATION LIMITED

1. INTRODUCTION

1.1 Joint Offer Announcement

On 28 September 2015, the Offeror and the Company jointly announced that the respective boards of directors of the Offeror and the Company had agreed to the terms of the Offer for the Offer Shares in accordance with Rule 15 of the Code. A copy of the Joint Announcement is available on the website of the Company at www.hupsoon.com. The Joint Announcement was also advertised in The Business Times on 30 September 2015.

1.2 Independent Financial Adviser

Provenance Capital has been appointed by the Company Directors as the independent financial adviser to advise the Independent Shareholders on the Offer.

Provenance Capital is of the opinion that the financial terms of the Offer are fair and reasonable and recommends that the Independent Shareholders accept the Offer. The detailed opinion and recommendation of Provenance Capital to the Independent Shareholders are set out in the IFA Letter in Appendix A to this Composite Document.

1.3 Company Letter

The purpose of this Company Letter is to provide Shareholders with the recommendation of the IFA to the Independent Shareholders on the Offer and to set out the IFA Letter.

Shareholders should read this Composite Document carefully and consider the advice and recommendation of the IFA in its entirety as set out in the IFA Letter before deciding whether to accept or reject the Offer.

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

2. THE RECOMMENDED OFFER

The Offeror has made the Offer to acquire all the Offer Shares in accordance with Rule 15 of the Code and on the terms and subject to the conditions set out in the Offeror Letter. Please refer to the following sections of the Offeror Letter for more information:

- (a) paragraph 3 on The Recommended Offer;
- (b) paragraph 4 on Rollover Arrangement and Irrevocable Undertakings;
- (c) paragraph 5 on Information on the Offeror;
- (d) paragraph 7 on the Rationale for the Offer and Intentions in relation to the Company;
- (e) paragraph 8 on Compulsory Acquisition;
- (f) paragraph 9 on Overseas Shareholders; and
- (g) **Appendix V** to this Composite Document on Procedures for Acceptance.

3. DIRECTORS' INTERESTS

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

4. EXEMPTION RELATING TO COMPANY DIRECTORS' RECOMMENDATION

The SIC has ruled on 4 September 2015 that all of the Company Directors, namely, Mr. Chia Chee Ming Timothy, Mr. Yong Wei Hsien Timothy, Mr. Goh Swee Heng and Dr. Yong Mian Thong, are exempted from the requirement to make a recommendation on the Offer to Shareholders in view of the fact that all the Company Directors (being directors and/or shareholders of the Offeror and/or persons acting in concert with it) face an irreconcilable conflict of interest in relation to the Offer. The Company Directors will, nonetheless, assume responsibility for the accuracy of the facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

5. ADVICE AND RECOMMENDATION OF THE IFA

5.1 Appointment of IFA

As there is no Company Director to assume the responsibility of making a recommendation on the Offer to Shareholders, the SIC has ruled that it has no objections to the appointment of Provenance Capital as the IFA for the purpose of the Offer to advise the Independent Shareholders on the Offer, subject to each of the Company Directors submitting a written confirmation (the "**SIC Confirmation Letters**") to the effect that neither he nor persons acting in concert with him (a) have sought the views of Provenance Capital on the Offer, in particular, whether Provenance Capital would support the Offer; and (b) will influence or attempt to influence the advice given by Provenance Capital.

Each of the Company Directors have submitted the SIC Confirmation Letters.

Accordingly, Provenance Capital has been appointed by the Company Directors as the IFA to advise the Independent Shareholders on the Offer.

5.2 Advice and Recommendation of the IFA to the Independent Shareholders

Based on the IFA's assessment of the financial terms of the Offer from a financial point of view, the IFA has advised the Independent Shareholders in the terms set out in paragraph 8 of the IFA Letter and reproduced in italics below. The IFA's advice set out below should be considered and read by Shareholders in conjunction with, and in the context of, the full text of the IFA Letter. All terms and expressions used in the extract below have the same meanings given to them in the IFA Letter, unless otherwise stated.

“8. OUR RECOMMENDATION TO THE INDEPENDENT SHAREHOLDERS ON THE OFFER

In arriving at our recommendation in respect of the Offer, we have taken into account, reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment of the Offer:

- (a) No market quotation for the Shares;*
- (b) Financial analysis of the Group;*
- (c) Comparison with recently completed privatisation of companies listed on the SGX-ST as well as privatisation of a public unlisted company;*
- (d) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group or its associated companies, where relevant;*
- (e) Cash distribution to Shareholders since the delisting of the Company from the SGX Catalist; and*
- (f) Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment.*

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the view that the financial terms of the Offer are fair and reasonable. Accordingly, we advise the Independent Shareholders to ACCEPT the Offer.

Independent Shareholders should also take note of the following:

- (i) The Company is a public unlisted company and the Shares are not quoted or traded on the SGX-ST or on any other stock exchanges. Hence, the Independent Shareholders may face difficulties in selling their Shares due to the absence of a public market. The Offer therefore provides the Independent Shareholders with an opportunity to exit from their investments in the Company;***
- (ii) In view of the Irrevocable Undertakings given by the Rollover Shareholders, the Offeror will be entitled to exercise its right of compulsory acquisition pursuant to Section 215(1) of the Companies Act, and given the intention of the Offeror to privatise the Company, all remaining Shares which have not been tendered for acceptance will be compulsorily acquired by the Offeror. This will eventually lead to the privatisation of the Company; and***
- (iii) Pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares pursuant to the Offer which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90.0% or more of the total number of issued Shares (excluding any Shares held in treasury), the Independent Shareholders who have not accepted the Offer have a right to require the Offeror to acquire their Shares at the Offer Price. Independent Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.”***

Independent Shareholders are advised to read the IFA Letter set out in **Appendix A** to this Composite Document and other relevant information set out in this Composite Document carefully before deciding whether to accept or reject the Offer. **Independent Shareholders should note that the IFA’s advice in respect of the Offer should not be relied upon by any of them as the sole basis for deciding whether or not to accept the Offer.**

6. INFORMATION PERTAINING TO CPFIS INVESTORS

As stated in paragraph 12 of the Offeror Letter, CPFIS Investors should receive further information on how to accept the Offer from their respective CPF Agent Banks. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice. CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks. CPFIS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their CPF investment accounts.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. on 11 November 2015. Shareholders who wish to accept the Offer should take note of the "Procedures for Acceptance" set out in **Appendix V** to this Composite Document.

Shareholders who do not wish to accept the Offer should take no further action in respect of this Composite Document (including the FAT) which has been sent to you.

8. COMPANY DIRECTORS' RESPONSIBILITY STATEMENT

The Company Directors have taken all reasonable care to ensure that the facts stated and opinions expressed in this Composite Document (other than (a) those information relating to the Offer, the Offeror and the persons acting in concert with the Offeror and those information contained in the IFA Letter set out in **Appendix A** to this Composite Document, the extract of the Valuation Report set out in **Appendix F1** to this Composite Document and the Assessment of Financial Position of ATC Report set out in **Appendix F2** to this Composite Document; and (b) any opinion expressed by the Offeror, the IFA, the Valuer and SFCA) are fair and accurate and that there are no other material facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document (other those statements relating to the Offer, the Offeror and the persons acting in concert with the Offeror and/or in the IFA Letter set out in **Appendix A** to this Composite Document, the extract of the Valuation Report set out in **Appendix F1** to this Composite Document or the Assessment of Financial Position of ATC Report set out in **Appendix F2** to this Composite Document) misleading. The Company Directors jointly and severally accept responsibility accordingly.

In respect of the IFA Letter, the extract of the Valuation Report and the Assessment of Financial Position of ATC Report, the sole responsibility of the Company Directors has been to ensure that the facts stated therein with respect to the Group are fair and accurate in all material respects.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Offeror (including without limitation, information relating to the Offer, the Offeror and the persons acting in concert with the Offeror), the sole responsibility of the Company Directors has been to ensure, through reasonable enquiries, that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Composite Document.

Yours faithfully
For and on behalf of
Hup Soon Global Corporation Limited

Goh Swee Heng
Director

14 October 2015

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT SHAREHOLDERS



LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE INDEPENDENT SHAREHOLDERS OF HUP SOON GLOBAL CORPORATION LIMITED

28 September 2015

To: The Independent Shareholders of Hup Soon Global Corporation Limited
(deemed to be independent in respect of the Offer)

Dear Sir/Madam,

RECOMMENDED VOLUNTARY UNCONDITIONAL CASH OFFER BY MUTANTUR PRIVATE LIMITED TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF HUP SOON GLOBAL CORPORATION LIMITED

Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the Announcement dated 28 September 2015. For the purpose of our IFA Letter, where applicable, we have used the foreign exchange rates of US\$1:S\$1.4254, S\$1:RM3.0808 and S\$1:Baht 25.3759 on 25 September 2015, being the Latest Practicable Date prior to the Announcement Date. The above foreign exchange rates are extracted from published information by Bloomberg L.P. and is provided solely for information only.

1. INTRODUCTION

1.1 On 28 September 2015 (“**Announcement Date**”), Mutantur Private Limited (“**Offeror**”) and Hup Soon Global Corporation Limited (“**Company**” or “**HSG**”) jointly announced (“**Announcement**”) that the respective boards of directors of the Offeror and the Company have agreed to the terms of the recommended voluntary unconditional cash offer (“**Offer**” or “**Recommended Offer**”) to be made by the Offeror to acquire all the issued and paid-up ordinary shares (excluding treasury shares) in the capital of the Company (“**Shares**”), other than those already held by the Offeror (“**Offer Shares**”), in accordance with Rule 15 of the Singapore Code on Take-overs and Mergers (“**Code**”).

The Offer, to be made at the offer price of **S\$0.06** in cash for each Offer Share (“**Offer Price**”), is unconditional in all respects.

1.2 As at the Announcement Date, the Company has outstanding 364,274,387 Shares (excluding 80,000 Shares held by the Company as treasury shares). The Offeror does not own any of the Shares. However, parties acting in concert with the Offeror (“**Concert Parties**”) hold 347,974,663 Shares, representing approximately 95.53% of the total number of issued Shares. The remaining 16,299,724 Shares are held by some 2,500 shareholders of the Company (“**Shareholders**”), representing approximately 4.47% of the total number of issued Shares.

1.3 Among the Concert Parties, Spei Holdings Private Limited (“**SPEI**”), United Motor Works (1927) Pte. Ltd. (“**UMW 1927**”) and Mr Goh Swee Heng (“**Rollover Shareholders**”), who together own 347,908,683 Shares, representing 95.51% of the total number of issued Shares, have given their irrevocable undertakings to accept the Offer in respect of all their respective Offer Shares and waive their rights under Rule 30 of the Code to receive any cash settlement or payment for acceptance of the Offer (“**Irrevocable Undertakings**”). Instead, these Rollover Shareholders will use the proceeds that would otherwise be payable by the Offeror as consideration for the Offer Shares to subscribe for shares in the Offeror (“**Offeror Shares**”) (“**Rollover Arrangements**”). The subscription of the Offeror Shares will be based on the Offer Price.

Provenance Capital Pte. Ltd.

Co. Reg. No: 200309056E

96 Robinson Road, #13-01 SIF Building, Singapore 068899 | Tel : (65) 6227 1580/5810 | Fax: (65) 6224 6316

Arising from the Irrevocable Undertakings, the Offeror will receive by the close of the Offer valid acceptances pursuant to the Offer in respect of not less than 90.0% of the total number of issued Shares. As a result, the Offeror will be entitled to, and it has expressed its intention to, exercise its right of compulsory acquisition pursuant to Section 215(1) of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”) to acquire all the remaining Offer Shares not acquired under the Offer.

- 1.4** As at the Announcement Date, the directors of the Company (“**Directors**”) comprise Mr Chia Chee Ming Timothy, Mr Yong Wei Hsien Timothy, Mr Goh Swee Heng and Dr Patrick Yong Mian Thong. Both Mr Chia Chee Ming Timothy and Mr Yong Wei Hsien Timothy are also shareholders of the Offeror, and Mr Yong Wei Hsien Timothy is the sole director of the Offeror.

The shareholders of SPEI are the four Directors. The directors of SPEI are Mr Goh Swee Heng and Mr Yong Wei Hsien Timothy.

The shareholders of UMW 1927 are Mr Chia Chee Ming Timothy and Mr Yong Wei Hsien Timothy. The sole director of UMW 1927 is Ms Melor Mohd Shahid.

Pursuant to the confirmations sought by the Offeror, the SIC had, on 4 September 2015, ruled that all the Directors, namely Mr Chia Chee Ming Timothy, Mr Yong Wei Hsien Timothy, Mr Goh Swee Heng and Dr Patrick Yong Mian Thong, are exempted from making any recommendation on the Offer to the independent shareholders of the Company (“**Independent Shareholders**”) as these Directors are Concert Parties, by virtue of being directors and/or shareholders of the Offeror and/or its Concert Parties.

As there is no Director to assume the responsibility of making a recommendation on the Offer to the Independent Shareholders, the SIC had further ruled that such responsibility shall reside with the independent financial adviser (“**IFA**”) appointed by the Directors to advise the Independent Shareholders on the Offer.

- 1.5** We have been appointed by the Directors prior to the Announcement Date as the IFA to advise the Independent Shareholders on the Offer. In this regard, for the purpose of the Announcement, we have expressed our opinion that the financial terms of the Offer are fair and reasonable and had recommended the Independent Shareholders to accept the Offer. Our recommendation to the Independent Shareholders is set out in paragraph 9.3 of the Announcement. The details of our evaluation of the financial terms of the Offer in arriving at our recommendation on the Offer is set out in this Letter dated 28 September 2015 (“**Letter**”).

This Letter is addressed to the Independent Shareholders and will form part of the Composite Document to be despatched to Shareholders in due course.

- 1.6** The formal Offer by the Offeror for the Offer Shares will be set out in the Composite Document to be despatched to Shareholders not earlier than 14 days and not later than 21 days from the Announcement Date. The Composite Document will contain, among other things, (a) the offer document to be issued by the Offeror (“**Offer Document**”) which will set out the terms and conditions of the Offer and the Form of Acceptance and Transfer for the Offer Shares (“**FAT**”); and (b) the letter from the Directors to the Shareholders in relation to the Offer, together with this Letter.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA to advise the Independent Shareholders in relation to the Offer pursuant to SIC's ruling as set out in paragraph 1.4 of this Letter.

We have confined our evaluation and assessment to the financial terms of the Offer, and have not taken into account the commercial risks or commercial merits of the Offer. In addition, we have not been requested, and we do not express any advice or give any opinion on the merits of the Offer relative to any other alternative transaction. We were not involved in the negotiations pertaining to the Offer nor were we involved in the deliberation leading up to the decision to put forth the Offer to the Shareholders.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, financial position or earnings potential of the Company, its subsidiaries and its associated companies ("**Group**"). Such evaluation or comments remain the responsibility of the Directors although we may draw on their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion. The opinion set forth in this Letter is based solely on publicly available information as well as information provided by the Directors and management of the Group ("**Management**"), and is predicated upon the economic and market conditions prevailing as at 25 September 2015, being the Latest Practicable Date prior to the Announcement.

We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares. In this regard, we have not addressed the relative merits of the Offer in comparison with any alternative transaction that the Company may consider in the future. Therefore, we do not express any views in these areas in arriving at our recommendation on the Offer.

In formulating our opinion and recommendation, we have held discussions with the Directors and the Management, and have relied to a considerable extent on the information set out in the Announcement, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Company and its professional advisers. Whilst care has been exercised in reviewing the information we have relied upon, we have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. Nonetheless, we have made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

The Directors have confirmed, having made all reasonable enquiries and to the best of his knowledge, information and belief, all material information in connection with the Offer, the Company, its subsidiaries and its associated companies have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group stated in the Announcement to be inaccurate, incomplete or misleading in any material respect. The Directors have accepted full responsibility for such information described herein. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, property, plant and equipment). We have, however, been furnished with the following reports which were commissioned in connection with the Offer:

- (a) property valuation report dated 23 September 2015 ("**Valuation Report**") by Siam Appraisal and Services Co., Ltd. ("**Siam Appraisal**"), being the independent valuer appointed by the Group to value the land and building owned by the Company's

indirect associated company, United Motor Works (Siam) Public Company Limited (“**UMWS**”) and its subsidiary; and

- (b) financial position assessment report dated 14 September 2015 (“**Financial Position Assessment Report**”) by Stone Forest Corporate Advisory Pte Ltd (“**SFCA**”), being an independent adviser appointed by the Company to carry out an assessment of the financial position of its associated company, Anglo-Thai Company Limited (“**ATC**”), and the impact on the Group as a result of the corporate guarantee granted by the Company for the benefit of ATC in relation to ATC’s borrowings from Bangkok Bank, Thailand.

We are not experts in the evaluation or appraisal of the assets including the assessment of the impact of the corporate guarantee on the Group with regards to ATC, and we have therefore placed sole reliance on the Property Valuation Report and the Financial Position Assessment Report for such asset appraisal and financial position assessment respectively, and have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation of asset and the assessment of financial position contained in the Valuation Report and the Financial Position Assessment Report respectively, or if the contents thereof have been prepared and/or included in the Composite Document in accordance with all applicable regulatory requirements including the Code.

The information which we had relied on in the assessment of the Offer were based on market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date, and may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or assumptions contained herein. Shareholders should take note of any announcements relevant to their consideration of the Offer, as the case may be, which may be released or published after the Latest Practicable Date, including any announcements which may be released on the Company’s website at www.hupsoon.com.

In rendering our advice and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any Shareholder. As each Shareholder may have different investment profiles and objectives, we advise that any 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.

The Company has been/will be separately advised by its own professional advisers in the preparation of the Announcement and the Composite Document. Other than in respect of our advice and recommendation in the Announcement, the Composite Document and this Letter, we have no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Announcement or the Composite Document. Accordingly, save as aforesaid, we take no responsibility for and express no view, whether expressed or implied, on the contents of the Announcement and the Composite Document.

Whilst a copy of this Letter may be reproduced in the Composite Document, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes at any time and in any manner, without the prior written consent of Provenance Capital in each specific case.

Our opinion is addressed solely to the Independent Shareholders for their benefit and deliberation of the Offer. Our recommendation to the Independent Shareholders in relation to the Offer should be considered in the context of the entirety of this Letter and the Composite Document.

3. THE RECOMMENDED OFFER

The formal terms and conditions of the Offer will be set out in the Composite Document to be despatched to Shareholders. Based on the Announcement, the key terms of the Offer are set out below for your reference:

3.1 Offer Price

The consideration for each Offer Share will be:

For each Offer Share: S\$0.06 in cash

3.2 Unconditional Offer

The Offer is unconditional in all respects.

3.3 Offer Shares

The Offer will be extended to all the Offer Shares other than those already held by the Offeror. For the avoidance of doubt, the Offer Shares shall include any Shares owned, controlled or agreed to be acquired by the Concert Parties or parties presumed to be acting in concert with the Offeror.

3.4 No Encumbrances

The Offer Shares are to be acquired:

- (i) fully paid;
- (ii) free from all claims, charges, equities, mortgages, liens, pledges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever; and
- (iii) together with all the rights, benefits, entitlements and advantages attached thereto as at the Announcement Date, and hereafter attaching thereto, including but not limited to the right to receive and retain all dividends, other distributions or return of capital declared, paid or made by the Company (collectively, "**Distributions**") (if any) which may be announced, declared, paid or made by the Company on or after the Announcement Date. If any Distributions are declared, paid or made by the Company on or after the Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such Distribution paid or made by the Company to such Shareholders who accept or have accepted the Offer.

3.5 Rollover Arrangements and Irrevocable Undertakings

The Rollover Shareholders namely, SPEI, UMW 1927 and Mr Goh Swee Heng, have given their respective irrevocable undertakings in favour of the Offeror to, among other things:

- (a) accept the Offer in respect of all their Offer Shares; and
- (b) waive their rights under Rule 30 of the Code to receive any cash settlement or payment for acceptance of the Offer. Instead, these Rollover Shareholders will use the proceeds that would otherwise be payable by the Offeror as consideration for the Offer Shares to subscribe for the Offeror Shares pursuant to the Rollover Arrangements. The subscription of the Offeror Shares will be based on the Offer Price.

The number of Shares held by the Rollover Shareholders as at the Announcement Date are as follows:

| Rollover Shareholders | Number of Shares | Shareholding in the Company (%) |
|------------------------------|-------------------------|--|
| SPEI | 180,727,453 | 49.61 |
| UMW 1927 | 161,698,398 | 44.39 |
| Mr Goh Swee Heng | 5,482,832 | 1.51 |
| Total | 347,908,683 | 95.51 |

As at the Announcement Date, save as disclosed above and in the Announcement, the Offeror has not received any other irrevocable undertakings to acquire the Offer Shares.

The SIC had, on 4 September 2015, ruled that the Rollover Arrangements do not constitute special deals for the purposes of Rule 10 of the Code.

3.6 Further details of the Offer

Further details of the Offer, including details on (a) warranty; (b) duration of the Offer; (c) the settlement of the consideration for the Offer; (d) the requirements relating to the announcement(s) of the level of acceptances of the Offer; (e) the right of withdrawal of acceptances of the Offer; and (f) procedures for acceptance of the Offer by Shareholders will be set out in the Composite Document.

4. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Singapore on 25 June 2015 to make the Offer. The Offeror has an issued and paid-up share capital of S\$10 comprising 10 ordinary shares which are owned 80.0% by Mr Chia Chee Ming Timothy and 20.0% by Mr Yong Wei Hsien Timothy. The sole director of the Offeror is Mr Yong Wei Hsien Timothy.

Arising from the Rollover Arrangements, the issued and paid-up share capital of the Offeror will be increased substantially. Following the completion of the Rollover Arrangements, it is envisaged that the resultant shareholdings in the Offeror by the Rollover Shareholders would remain similar to their respective shareholdings in the Company, on the premise that the Offeror acquires all the remaining Offer Shares and the consideration to acquire these Offer Shares are funded by the present shareholders of the Offeror in order to maintain the respective shareholdings of the Rollover Shareholders, as follows:

| Rollover Shareholders | Shareholding in the Company (%) | Shareholding in the Offeror (%) |
|------------------------------|--|--|
| SPEI | 49.61 | 49.61 |
| UMW 1927 | 44.39 | 44.39 |
| Mr Goh Swee Heng | 1.51 | 1.51 |
| Total | 95.51 | 95.51 |

As at the Announcement Date, the Offeror does not own any Shares. Upon completion of the Offer and assuming the Offeror exercises its right to compulsory acquire all the remaining Offer Shares, the Offeror will own 100.0% of the Shares of the Company. The shareholding interests in the Offeror held by SPEI, UMW 1927 and Mr Goh Swee Heng are as shown in the table above. The balance 4.49% shareholding interests in the Offeror will be held 3.59% by Mr Chia Chee Ming Timothy and 0.90% by Mr Yong Wei Hsien Timothy in the same shareholding proportion of 80:20 that they each have between them as initial subscribers of the Offeror Shares.

5. INFORMATION ON THE COMPANY AND THE GROUP

Listing Status

The Company was incorporated in Singapore as “Twinwood Engineering Pte Ltd” on 8 September 1992. It changed its name to “Twinwood Engineering Limited” on 15 November 1997 following its conversion into a public limited company. Twinwood Engineering Limited subsequently changed its name again to “Hup Soon Global Corporation Limited” on 26 April 2007 upon completion of the acquisition of Hup Soon Global Pte Ltd.

The Company was listed on the Stock Exchange of Singapore Dealing and Automated Quotation System (now replaced by the Catalist board of the SGX-ST) (“**SGX Catalist**”) on 8 December 1997.

In September 2012, following the mandatory unconditional cash offer for the Shares, SPEI and parties acting in concert with it owned approximately 94.67% of the issued Shares. As the number of Shares held in public hands fell below 10.0% of the total number of Shares, trading in the Shares on the SGX Catalist were suspended.

In February 2013, SPEI and the Company made a delisting proposal to seek a voluntary delisting of the Company from the SGX Catalist. Following the exit offer by SPEI in connection with the delisting proposal, SPEI and parties acting in concert with it owned approximately 96.88% of the issued Shares. The Company was subsequently delisted on 8 April 2013.

Present

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of approximately S\$44.90 million comprising 364,274,387 Shares (excluding 80,000 Shares held by the Company as treasury shares). The Company does not have any outstanding options.

The Directors comprise Mr Chia Chee Ming Timothy, Mr Yong Wei Hsien Timothy, Mr Goh Swee Heng and Dr Patrick Yong Mian Thong.

With respect to the Offer, the Offeror and its Concert Parties own approximately 95.53% of the total number of issued Shares (excluding the treasury shares).

The Company’s principal activity is investment holding. Over the last two and half years, the Group had disposed of its automotive aftermarket products distribution business and its battery manufacturing business. The Group is presently left with: (a) distribution of industrial equipment which is carried out by its associated company, UMWS, which is effectively 48.363%-owned by the Group; and (b) distribution of agriculture equipment in Thailand, through its 30.0%-owned associated company, ATC. The remaining subsidiaries of the Group are either dormant or inactive.

6. RATIONALE FOR THE OFFER AND COMPULSORY ACQUISITION

The Offeror is making the Offer to privatise the Company and to make the Company as its wholly-owned subsidiary. Upon acceptance of the Offer by the Rollover Shareholders, the Offeror will be entitled to, and it has expressed its intention to, exercise the right of compulsory acquisition pursuant to Section 215(1) of the Companies Act to acquire all the remaining Offer shares not acquired under the Offer.

The Offer will provide Shareholders with the opportunity to realise their entire investment in the Shares and to unlock value in their unlisted and illiquid Shares.

The Offeror is of the view that privatising the Company will provide the Offeror with greater control and management flexibility to manage and develop the Company, optimise the use of resources and facilitate the implementation of any strategic initiatives and/or operational changes.

7. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In evaluating and assessing the financial terms of the Offer, we have taken into account the pertinent factors set out below which we consider to have a significant bearing on our assessment:

- (a) No market quotation for the Shares;
- (b) Financial analysis of the Group;
- (c) Comparison with recently completed privatisation of companies listed on the SGX-ST as well as the privatisation of a public unlisted company;
- (d) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group or its associated companies, where relevant;
- (e) Cash distribution to Shareholders since the delisting of the Company from the SGX Catalist; and
- (f) Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment.

7.1 No market quotation for the Shares

The Company is a public unlisted company. The Shares are therefore not quoted or traded on any stock exchanges. In addition, more than 95.0% of the Shares are held by the Offeror and its Concert Parties, with the remaining Shares held by some 2,500 Shareholders.

As there is no recent publicly available data on the trading performance of the Shares, whether on-market or off-market, we are not able to compare the Offer Price against any of the recent historical transactions on the Shares. As such, we will also not be able to use any recent historical trading transactions of the Shares as a benchmark to evaluate the reasonableness of the Offer Price unlike shares of a publicly listed company.

7.2 Financial analysis of the Group

7.2.1 Overview

During the last two and a half years, the Group had disposed of its automotive aftermarket products distribution business and its battery manufacturing business. The Group is currently left with two businesses which are carried out by its indirectly held associated companies, namely:

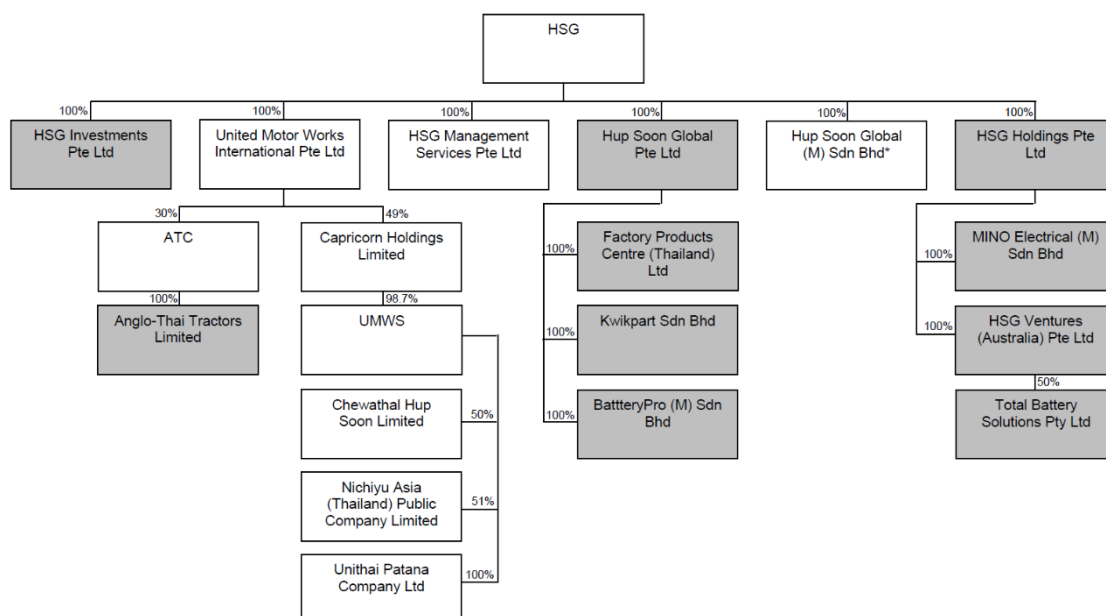
- (a) the distribution of industrial equipment in Thailand which are carried out by its 48.363%-owned associated company, UMWS, its subsidiary and associated companies ("**UMWS Group**"); and
- (b) the distribution of agriculture equipment in Thailand which are carried out by its 30.0%-owned associated company, ATC.

The Company's shareholding interest in UMWS is held through its wholly-owned subsidiary, United Works International Pte. Ltd., which holds a 49.0% interest in Capricorn Holdings Limited, which in turn owns 98.7% shareholding interest in UMWS. The Group's effective interest in UMWS is therefore 48.363%.

The Company's shareholding interest in ATC is held through its wholly-owned subsidiary, United Works International Pte. Ltd., which holds a 30.0% interest in ATC. ATC has a wholly-owned subsidiary, Anglo-Thai Tractors Limited ("**ATT**"), which is inactive.

The remaining subsidiaries and associated companies of the Group are either dormant or inactive.

The Company has provided us with the unaudited financial information of the Group for the 7-month period ended 31 July 2015 (“7M2015”). As at 31 July 2015, the group structure of the Company is as follows, with the dormant and inactive entities shaded in grey:



* Subsequent to 31 July 2015, the Company had on 17 September 2015 disposed of its entire interest in Hup Soon Global (M) Sdn Bhd (“HSGM”).

The financial performance of the Group had declined substantially as a result of the disposal of businesses during the last three years. In addition, the Group’s financial position had shrunk as a result of a capital reduction in 2014. In October 2014, the Company carried out a capital reduction exercise to reduce the issued and paid up share capital by approximately US\$42.51 million effected through the return of cash to Shareholders of US\$22.82 million and the offset of accumulated losses of US\$19.69 million.

The key financial indicators of the Group for the financial year ended 31 December 2013 and 31 December 2014 (“FY2013” and “FY2014”) and the financial period for 7M2015 are shown below:

Table 1

| US\$ '000 | FY2013 | FY2014 | 7M2015 |
|--|--------------|---------------|----------------|
| Revenue | 14,467 | 129 | 115 |
| Profit / (Loss) from continuing operation, net of tax | 575 | (2,325) | (1,403) |
| Profit / (Loss) from discontinued operation | 3,283 | 19,618 | (1,173) |
| Profit / (Loss) for the year | 3,858 | 17,293 | (2,576) |
| Profit / (Loss) attributable to the owners of the Company | 2,231 | 16,456 | (2,308) |
| Equity attributable to owners of the Company as at the end of the reporting period | 53,352 | 42,122 | 24,426 |

Source: The audited financial statements of the Group for FY2014 and unaudited financial statements of the Group for 7M2015.

Subsequent to 31 July 2015, the Company had, on 17 September 2015, completed the disposal of its entire 100.0% shareholding interest in HSGM to an unrelated party for a cash consideration of RM10.13 million or S\$3.32 million based on the actual cash proceeds received.

As at 31 July 2015, the main components of the net tangible assets (“NTA”) of the Group are as follows:

Table 2

| | NTA as at 31 July 2015 | |
|---|------------------------|---------------------|
| | US\$ '000 | S\$ '000 equivalent |
| Cash and bank balances | 10,635 | 15,159 |
| Investment in associates | 10,755 | 15,330 |
| Cash held in escrow | 2,999 | 4,275 |
| Net assets of HSGM | 832 | 1,186 |
| Other net assets / (liabilities) | (795) | (1,133) |
| Total NTA / Shareholders' equity | 24,426 | 34,817 |

Source: The Company

The investment in associated companies of US\$10.76 million reflect mainly the net book value of the Group’s investments in UMWS Group and ATC.

The cash held in escrow is in relation to the outstanding sale proceeds from the disposal of Borneo Technical Co. (M) Sdn Bhd and Borneo Technical (Thailand) (together, “**Borneo Group**”) which are held in escrow.

The above balance sheet of the Group as at 31 July 2015 includes HSGM as the disposal of HSGM has not taken place yet as at 31 July 2015. In September 2015, the Company completed the disposal of its entire shareholding interest in HSGM. The net assets of HSGM of US\$0.83 million as at 31 July 2015 reflect mainly the investment property of US\$2.55 million and the borrowings of US\$1.73 million held by HSGM.

The NTA of the Group reflects the shareholders’ equity of the Group which is represented by the share capital of the Group of US\$25.74 million and net negative reserves of US\$1.32 million as at 31 July 2015.

7.2.2 Financial performance of the Group and earnings multiple

As shown in Table 1 in paragraph 7.2.1 above, the Group does not have any significant operations following the disposal of its main businesses and it had reported losses from its continuing operations in FY2014 and 7M2015.

In our evaluation of the reasonableness of the Offer Price, we would have considered the earnings multiple as implied by the Offer Price as one of the relevant valuation matrix. A commonly used earning multiple matrix is the price-earnings ratio (“**PER**”) implied by the Offer Price.

PER illustrates the valuation ratio of the current market value of a company’s shares relative to its consolidated basic earnings per share as stated in its financial statements. The PER is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. The historical PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern.

As the Group is loss making and does not have any significant businesses other than those carried out by its associated companies, an evaluation of the Offer Price based on the implied PER of the Group is therefore not meaningful.

7.2.3 Financial position of the Group and price-to-book multiple

As shown in Table 2 in paragraph 7.2.1 above, the main items in the balance sheet of the Group as at 31 July 2015 comprise the following:

- (a) cash and bank balances;
- (b) cash held in escrow from the disposal of the Borneo Group;
- (c) cash from the disposal of HSGM; and
- (d) investment in associates.

In view of the present status of the Group, it is more relevant to assess the valuation of the Group as ascribed by the Offer Price based on the net asset value (“NAV”) or NTA of the Group, and after taking into consideration any revaluation surplus or deficit arising from the independent assessment of the key assets of the Group.

The NAV of the Group shows the extent to which the value of each Share are is backed by total assets net of liabilities, and the NTA is based on the NAV less any intangible assets. As at 31 July 2015, the Group does not have any intangible assets, hence its NTA is the same as its NAV.

The reporting currency of the Group is in US\$ and the reporting currencies of HSGM, UMWS Group and ATC are in RM, Baht and Baht respectively. As the Offer Price is made in S\$, we have attempted to analyse the main items of the balance sheet of the Group which are based in different currencies, in S\$ equivalent for a more meaningful comparison.

The details of our analysis are set out below.

Cash and bank balances

As at 31 July 2015, the Group reported cash and bank balances of US\$10,635,000 (S\$15.16 million).

Cash held in escrow from the disposal of the Borneo Group

The cash held in escrow is from the sale proceeds of the disposal of the Borneo Group and the outstanding amount is US\$2,999,000 as at 31 July 2015. Subsequent to 31 July 2015, the purchaser had made further claims against the Company totalling US\$1.75 million pursuant to certain events that did not materialise. The Company had accepted the claim amount and is agreeable to deduct such amount from the escrow account. As a result, the adjusted cash held in escrow would be US\$1.249 million (S\$1.78 million).

Cash from the disposal of HSGM

HSGM is a property investment holding company incorporated in Malaysia. HSGM is a wholly-owned subsidiary of the Group as at 31 July 2015.

On 17 September 2015, the Company completed the disposal of its entire 100.0% shareholding interest in HSGM for a cash consideration of RM10.13 million or S\$3.32 million based on the actual cash proceeds received.

As at 31 July 2015, the net assets value attributable to HSGM is US\$832,000 (S\$1.19 million). As a result of the disposal of HSGM, the value to ascribe to the Group’s investment in HSGM is S\$3.32 million.

Investment in associates

We have made separate analysis of the investment in associates as follows:

- investment in the UMWS Group; and
- investment in ATC.

7.2.4 Investment in the UMWS Group

The Group has an effective shareholding interest of 48.363% in UMWS.

UMWS is principally engaged in the distribution of forklifts and automotive parts, the provision of related services and forklifts rental services in Thailand.

UMWS has investments in the following three entities:

- (i) a wholly-owned subsidiary, Unithai Pattana Co., Ltd. ("**Unithai**"), which is engaged in property ownership and rental, providing leasing services of offices and land owned by the UMWS Group.

Unithai owns the land and building properties which are recorded at cost less accumulated depreciation, at approximately Baht 30 million. In connection with the Offer, the Company had arranged for an independent valuation by Siam Appraisal to assess the market value of these properties. The Valuation Report by Siam Appraisal dated 23 September 2015 has ascribed a market valuation of Baht 432,299,800 for these properties, thus resulting in a revaluation surplus of approximately Baht 402.3 million (S\$15.9 million) above the net book value of these properties;

- (ii) a 50.0% interest in Chewathai Hup Soon Company Limited ("**Chewathai**") which is engaged in the development and sale of condominium. UMWS accounts for its share in Chewathai on an equity method as a jointly controlled entity.

The development of the condominium has been completed and 11 units remain unsold as at 31 July 2015. UMWS' investment in joint venture represents its share of the five unsold units. The Group does not expect any material revaluation surplus on the net book value of these five unsold units; and

- (iii) a 51.0% interest in Nichiyu Asia (Thailand) Company Limited ("**Nichiyu**"), which is engaged in the import and distribution of forklifts.

Although UMWS has a 51.0% shareholding interest in Nichiyu, it has the right to appoint only two of the five members of the board of directors of UMWS and all resolutions of the board can be passed by a simple majority, with at least four directors being present in person at the meeting, in accordance with the joint venture agreement that UMWS has with its joint venture partner. As a result, the consolidated accounts of UMWS do not include the financial statements of Nichiyu. Instead, UMWS accounts for its share in Nichiyu on an equity method as an associated company.

The UMWS Group has been profitable and is in a healthy financial position. The key financial indicators are shown below:

| Baht '000 | FY2013 | FY2014 | 7M2014 | 7M2015 |
|--|---------------|---------------|---------------|---------------|
| Revenue | 725,704 | 682,674 | 379,141 | 406,101 |
| Profit from operations | 76,902 | 50,050 | 18,702 | 52,919 |
| Share of results of associates | 13,724 | 19,637 | 9,883 | 7,791 |
| Finance costs & interest expenses | (20,032) | (14,194) | (9,758) | (4,235) |
| Profit before taxation | 70,593 | 55,493 | 18,826 | 56,475 |
| Taxation | (8,779) | (7,234) | 395 | (6,015) |
| Profit after taxation | 61,815 | 48,259 | 19,221 | 50,461 |
| Shareholders' equity as at the end of the reporting period | 370,729 | 396,967 | 412,930 | 421,928 |

Source: *The audited financial statements of UMWS Group for FY2014 and unaudited financial statements of UMWS Group for 7M2015*

Share of results of associates reflects UMWS' share of results in Chewathai and Nichiyu.

For 7M2015, the UMWS Group achieved significantly higher profit from operations compared to 7M2014. This contributed to the higher net profit after taxation for 7M2015, which exceeded the net profit after taxation of the UMWS Group for the full year of FY2014.

As at 31 July 2015, the main assets and liabilities of the UMWS Group are as follows:

| Baht '000 | Unaudited As at 31 July 2015 |
|--------------------------------------|---|
| Property, plant and equipment | 244,447 |
| Associated company | 78,427 |
| Joint venture company | 24,673 |
| Other non-current assets | 5,157 |
| Total non-current assets | 352,703 * |
| Inventories | 114,223 |
| Trade receivables | 157,493 |
| Cash and bank balances | 52,258 |
| Other current assets | 35,000 |
| Total current assets | 358,974 |
| Total assets | 711,677 |
| Finance lease | 29,638 |
| Other non-current liabilities | 14,181 |
| Total non-current liabilities | 43,819 |

| Baht '000 | Unaudited As at 31 July 2015 |
|-----------------------------|---------------------------------|
| Trade payables | 99,868 |
| Finance lease | 59,578 |
| Due to bankers | 46,600 |
| Other current liabilities | 39,884 |
| Total current liabilities | 245,930 |
| Total liabilities | 289,749 |
| Shareholders' equity | 421,928 |

Source: *The unaudited financial statements of the UMWS Group for 7M2015*

* Does not add up due to rounding

As mentioned above, UMWS's wholly-owned subsidiary, Unithai, owns land and building that have a market valuation of Baht 432,299,800, as compared to the net book value of these properties at approximately Baht 30 million as at 31 July 2015. This gives rise to a revaluation surplus of Baht 402.3 million (S\$15.9 million).

We have been furnished with the Valuation Report dated 23 September 2015, a copy or a summary of which will be attached as an appendix to the Composite Document.

Siam Appraisal had estimated the fair market value of the properties as at 18 September 2015 in accordance with the valuation standard of the Valuer Association of Thailand. The fair market value is defined as the most probable price expressed in cash or its equivalent in a free market assuming a willing buyer, willing seller basis under normal conditions without pressure, conflict of interest, an offer for sale of the property within a reasonable period of time and where the buyer has knowledge of the property.

Siam Appraisal had used the cost approach as the valuation method for the properties which comprises the value of the land at Baht 351,960,000 and the value of the building at Baht 80,339,800, totalling Baht 432,299,800.

Siam Appraisal had used the market approach to value the land by assessing comparable properties with similar characteristics which are for sale in the vicinity after considering factors such as location, proximity to the main road, development trends in the area and transaction liquidity.

Siam Appraisal used the cost approach to assess the value of building based on the replacement cost with similar characteristics and then deduct the depreciation to factor in the age of the building, building structures and maintenance.

In assessing the revaluation surplus arising from the fair value of these properties, we have also considered whether there is any potential tax liability on the revaluation surplus which may affect our computation of the revalued NTA of the UMWS Group and ultimately our computation of the revalued NTA per Share of the Group for the purpose of evaluating against the Offer Price, especially if the properties were to be sold at the valuation amount. In a hypothetical scenario where the properties are sold, then UMWS Group may incur potential tax liabilities of approximately Baht 80.5 million on the revaluation surplus, based on the corporate income tax rate of 20.0% in Thailand. In addition, if UMWS were to distribute as dividend the revaluation surplus to its shareholders arising from the hypothetical sale of the properties, a withholding tax of 10.0% will be levied on such dividend to non-tax residents in Thailand. With respect to the

Group as a non-tax resident in Thailand, the withholding tax on the Group's share of the dividend arising from the revaluation surplus is approximately Baht 15.6 million, calculated based on Baht $((402.3 - 80.5) \times 48.363\% \times 10.0\%)$ million.

We were informed by Management that these properties are held by UMWS for long term investment purposes and for their own use and a portion of the adjoining land is leased to ATC on which ATC has built its office and factory premises. The UMWS Group has no current plans to dispose of the properties. As such, the above tax liabilities may not crystallise.

On a conservative basis, we have computed the revalued NTA of the UMWS Group after taking into account the potential tax liabilities as follows:

| As at 31 July 2015 | Baht '000 |
|---|------------------|
| NTA of the UMWS Group | 421,928 |
| Add: Revaluation surplus on the land and building | 402,300 |
| Less: Potential tax liability on the revaluation surplus on land and building | (80,460) |
| Revalued NTA of the UMWS Group | 743,768 |

By ascribing a valuation of Baht 743.8 million to the UMWS Group based on the revalued NTA of the UMWS Group as at 31 July 2015, it also implies a PER multiple of 15.41 times of the net profit after taxation of UMWS Group of Baht 48.3 million for FY2014 and a P/NTA of 1.76 times based on the NTA of the UMWS Group of Baht 421.9 million as at 31 July 2015.

Based on the profit after taxation of the UMWS Group for 7M2015, the trailing twelve (12) months ("**T12M**") results of the UMWS Group is Baht 79.5 million. This will imply a PER multiple of 9.36 times of the T12M profit after taxation.

We have made further assessment of the valuation of the UMWS Group by making a comparison of the valuation ratios of UMWS' listed peers in paragraph 7.4 of this Letter.

Taking into consideration the potential withholding tax on the share of the dividend to the Group arising from the hypothetical sale of the properties as explained above, the value of the Group's investment in the UMWS Group is as follows:

| As at 31 July 2015 | Baht '000 |
|--|------------------|
| The Company's 48.363% share of the revalued NTA of UMWS Group | 359,709 |
| Less: Withholding tax of 10.0% on the share of the hypothetical dividend | (15,554) |
| Value of the Group's investment in the UMWS Group | 344,155 |
| in S\$ 'million equivalent | 13.56 |

7.2.5 Investment in ATC

The Group has an effective shareholding interest of 30.0% in ATC.

ATC was incorporated in Thailand in 1947 and is based in Bangkok, Thailand. ATC is principally engaged in the marketing and distribution of agricultural machinery and equipment such as rice farming tractors. ATC has a wholly-owned subsidiary, ATT, whose principal business is in the assembly and distribution of tractors, which is inactive.

We understand from the Management that in 2011, to support Thailand's rice farming industry, the Thai government introduced the rice subsidy programme to buy rice from local farmers at above market prices. In addition, government-linked banks had provided easy bank loans to the farmers to finance their farming activities including the purchase of farming equipment. This

lead to the expansion of the farming activities and the increase in the sales of farming equipment.

However, in 2013, the rice subsidy programme was terminated and the government-linked banks stopped providing easy bank loans to the farmers. Thailand also experienced severe drought during 2015 that had affected its rice farming activities. As a result, the demand for farming equipment has been low during these years.

We understand from Management that ATC was previously the distributor of New Holland tractors, which was one of the market leaders in rice farming tractors. At that time, there were only two to three key players in the industry and ATC being one of them was profitable. However, in 2013, ATC's distributorship with New Holland was terminated. This had severely affected ATC's financial performance. It also created a window of opportunity for other competitors to enter the market with similar products, which led to more than 15 brands currently available in Thailand.

In order to continue its operations, ATC then secured two distributorship contracts with Massey Ferguson and KIOTI, which are brands for similar rice farming tractors. In order to secure the distributorship of these two brands, ATC had committed to the purchase of certain quantity of tractors for these two products. These two brands contributed approximately 90.0% of ATC's revenue. We understand from the Management that ATC's business has been challenging since 2013.

ATC's customers comprise mainly dealers spanning more than 40 dealers across Thailand, with each dealer contributing less than 5.0% of total revenue of ATC. The dealers then on-sell the farming equipment to the farmers for their farming activities.

Besides the drop in demand for farming tractors, ATC also faced competition from competitors who are able to provide direct financing to customers, which is critical for the sales of farming equipment as the ultimate purchaser of these equipment are the farmers. ATC does not have the financial capacity to provide such direct financing which therefore further contributed to the declining sales.

To alleviate the situation, ATC entered into a Corporation Agreement with Consumer Finance Group Services, a subsidiary of Bank of Tokyo-Mitsubishi UFJ, to provide micro-financing to its customers. These loans are guaranteed by ATC which in turn is backed by banker's guarantee from the loan facilities granted to ATC by Bangkok Bank.

As a result, ATC had reported declining sales and losses for FY2013, FY2014 and 7M2015. The key financial indicators of ATC are shown below:

| Baht '000 | FY2013 | FY2014 | 7M2015 |
|---------------------------------|-----------------|-----------------|-----------------|
| Revenue | 575,665 | 412,063 | 236,526 |
| Profit / (Loss) from operations | (21,781) | 4,058 | (14,525) |
| Finance cost | (19,368) | (26,097) | (15,689) |
| Loss before income tax | (41,149) | (22,039) | (30,214) |
| Taxation | 1,580 | (3,078) | 1,442 |
| Net loss for the period | (39,569) | (25,117) | (28,772) |

Source: The audited financial statements of ATC group for FY2014 and unaudited financial statements of ATC for 7M2015

In FY2014, ATC managed to report a small profit from operations of Baht 4.1 million due to cost cutting measures undertaken by ATC. However, with the increase in finance cost due to the increase in bank borrowings, ATC ended up with a loss before taxation of Baht 22.0 million. For

7M2015, ATC incurred net losses of Baht 28.8 million which are higher than the losses incurred for the full year for FY2014.

As at 31 July 2015, the main assets and liabilities of ATC are as follows:

| Baht '000 | Unaudited As at 31 July 2015 |
|-------------------------------|---|
| Inventories | 504,986 |
| Trade receivables | 207,512 |
| Other current assets | 60,014 |
| Total current assets | 772,511 * |
| | |
| Total non-current assets | 53,248 |
| | |
| Total assets | 825,759 |
| | |
| Amounts due to bankers | 417,498 |
| Other current liabilities | 80,907 |
| Total current liabilities | 498,405 |
| | |
| Total non-current liabilities | 12,018 |
| | |
| Total liabilities | 510,423 |
| | |
| Total equity | 315,336 |

Source: *The unaudited financial statements of ATC for 7M2015*

* Does not add up due to rounding

As at 31 July 2015, ATC has NTA of Baht 315.3 million. The Group's 30.0% share of the NTA of ATC is therefore Baht 94.6 million (S\$3.73 million).

As at 31 July 2015, ATC's main assets are inventories of Baht 505.0 million and trade receivables of Baht 207.5 million.

As at 31 July 2015, ATC's main liabilities are the bank borrowings of Baht 417.5 million, bulk of which are provided by Bangkok Bank. The loan facilities provided by Bangkok Bank are in turn supported by the corporate guarantee provided by the Company since July 2011 when ATC was then a wholly-owned subsidiary of the Group. In 2013, the Group disposed of 70.0% of its shareholding interest in ATC to several parties including the management of ATC. However, the Company had to continue with the corporate guarantee for the entire loan facilities from Bangkok Bank in order for Bangkok Bank to continue with the loan facilities to ATC and not its proportionate 30.0% share of the loan facilities, as Bangkok Bank was not prepared to accept the proportionate 70.0% share in the form of personal guarantee from the individuals. Bangkok Bank's existing loan facilities to ATC were critical to fund the working capital needs of ATC especially given the difficult market environment that ATC was operating in then.

Presently, ATC continues to face challenging market conditions and the slow turnover rate of its inventories and trade receivables are posing increasing concerns to Bangkok Bank as well as to the Company acting as ATC's sole corporate guarantor, in the event that ATC is unable

to service its loans. The Company is therefore concerned whether or not ATC will default on its loans given by Bangkok Bank and in an event of a default, the extent to which ATC is able to realise its main assets, including its inventories and trade receivables, in a liquidation scenario to repay its liabilities. The Management had estimated that the net realisable values of the inventories and trade receivables of ATC to be approximately 30.0% of their book values if ATC's assets were to be realized in a liquidation scenario ("**Estimated Recovery Rate**"). In the event that ATC is unable to realise sufficient values of its assets to fully repay Bangkok Bank, then Bangkok Bank will have a recourse to the Company to make good for any deficit on the settlement of its bank loans to ATC. Under this scenario, not only will the Group be unable to realise its 30.0% share of ATC's NTA estimated at Baht 94.6 million (S\$3.73 million) but instead will have to suffer a loss to the extent of the deficit or liabilities of ATC for the settlement of the bank loans from Bangkok Bank.

Hence, in connection with the Offer and in evaluating the valuation of the Group's investment in ATC, the Company had commissioned SFCA to carry out an assessment of the financial position of ATC to:

- (a) provide an independent assessment of whether Management's Estimated Recovery Rate of 30.0% is reasonable; and
- (b) assess the amount of liabilities that the Company will have to bear if Bangkok Bank were to call on the corporate guarantee provided by the Company if ATC were to default on its loans, after taking into consideration the Estimated Recovery Rate.

SFCA's assessment is set out in its Financial Position Assessment Report dated 14 September 2015, a copy of which will be attached as an appendix to the Composite Document.

SFCA's assessment on the net realisable values of the financial position of ATC is based on the following two scenarios:

Scenario 1 - an orderly winding down of ATC's assets; and

Scenario 2 - forced sale of ATC's assets.

The estimated net realisable value percentages used in the Financial Position Assessment Report are based on SFCA's professional judgment as insolvency practitioners and experience in dealing with ATC's assets and liabilities of similar nature.

The details of SFCA's assessment are set out in the Financial Position Assessment Report. In summary, SFCA is of the following opinion:

- (1) the Estimated Recovery Rate of 30.0% for trade receivables is reasonable as it is assessed to be between 26.0% and 32.0%;
- (2) the Estimated Recovery Rate of 30.0% for inventories is optimistic as it is assessed to be much lower at between 18.0% and 26.0%; and
- (3) in the event of liquidation, ATC's unsecured creditors could only recover between 30.0% and 40.0% from the assessment of the realisable value of ATC's assets, before taking into account costs of administration. In the case of the bank loans owing to Bangkok Bank, unlike other unsecured creditors, Bangkok Bank could call on the corporate guarantee provided by the Company. SFCA had estimated the amount that Bangkok Bank may call on the Company under the corporate guarantee to be in the region of S\$9.50 million to S\$11.09 million.

Following from the above, the valuation attached to the Group's 30.0% investment in ATC will become a negative amount or a liability of between S\$9.50 million to S\$11.09 million or an average of S\$10.3 million. This also implies that in a liquidation scenario, based on the findings of SFCA, the Group will not be likely to realise any share of its 30.0% investment value in ATC

as represented by the book value of the NTA of ATC as at 31 July 2015 of Baht 94.6 million (S\$3.73 million).

We note that ATC is currently not imminent of being put into liquidation as it is still operating as a going concern. However, as described above, in view of the challenging business environment that ATC is operating in and the liabilities that the Group will have to bear as a result of the corporate guarantee given to Bangkok Bank, SFCA's assessment of ATC has significant implication on the valuation of the Group's investment in ATC in connection with the Offer.

7.2.6 Summary of the Revalued and Adjusted NTA of the Group

Based on the above financial analysis of the Group, the book value and the revalued and adjusted NTA of the Group as at 31 July 2015 are as follows:

| | NTA at book value as at 31 July 2015 in US\$ 'million | NTA at book value as at 31 July 2015 in S\$ 'million equivalent | Revalued and adjusted NTA in S\$ 'million equivalent | Revalued and adjusted NTA in \$ equivalent on a per Share basis |
|----------------------------------|---|---|--|---|
| Cash and bank balances | 10.64 | 15.16 | 15.16 | 0.042 |
| Investment in associates | 10.76 | 15.33 | 3.26 ⁽¹⁾ | 0.009 |
| Cash held in escrow | 3.00 | 4.28 | 1.78 ⁽²⁾ | 0.005 |
| Net assets of HSGM | 0.83 | 1.19 | 3.32 ⁽³⁾ | 0.009 |
| Other net assets / (liabilities) | (0.80) | (1.13) | (1.13) | (0.003) |
| Total | 24.43 | 34.82 * | 22.39 | 0.061 * |
| Number of Shares | 364,274,387 | | | |
| On a per Share basis | | 0.096 | 0.061 | |

Notes:

- (1) Based on the value of Group's investment in the UMWS Group of S\$13.56 million less the potential liabilities from ATC of S\$10.3 million;
- (2) Based on the adjusted cash held in escrow from the disposal of the Borneo Group; and
- (3) Based on the actual cash proceeds from the disposal of HSGM.

* does not add up due to rounding

We note that the revalued and adjusted NTA per Share of S\$0.061 is approximately 36.5% discount to the book value of the NTA per Share of S\$0.096 as at 31 July 2015. The lower revalued and adjusted NTA per Share is due mainly to the potential liabilities as assessed by SFCA that the Group may suffer with respect to the corporate guarantee given to Bangkok Bank for the benefit of ATC.

We note that the Offer Price of S\$0.06 is close to the revalued and adjusted NTA per Share of S\$0.061 and represents a slight discount of 1.6% to the revalued and adjusted NTA per Share as at 31 July 2105.

In respect of the above, we have sought the following confirmation from the Directors and Management, and they have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief:

- (a) save as disclosed above, there are no material differences between the realisable values of the Group's assets and their respective book values as at 31 July 2015 which would have a material impact on the NTA of the Group;
- (b) other than that already provided for or disclosed in the Group's financial statements as at 31 July 2015 and this Letter, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NTA of the Group as at the Latest Practicable Date;
- (c) there are no litigation, claim or proceeding pending or threatened against the Company or the Group or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and the Group taken as a whole;
- (d) there are no other intangible assets which ought to be disclosed in the statement of financial position 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 a material impact on the overall financial position of the Group; and
- (e) save as disclosed above, there are no material acquisitions or disposals of assets by the Group between 31 July 2015 and the Latest Practicable Date nor does the Group have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business.

For the avoidance of doubt, we have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, real properties) of the Group, save that we have been provided with the Valuation Report on the land and building by Siam Appraisal and Financial Position Assessment Report by SFCA. We are not experts in the evaluation or appraisal of the assets and liabilities concerned and we have placed sole reliance on the Valuation Report and the Financial Position Assessment Report, and have not made any independent verification of the contents thereof. We do not assume any responsibility to inquire about the basis of such valuations and assessments or if the contents thereof have been prepared and/or included in the Composite Document in accordance with all applicable regulatory requirements including Rule 26 of the Code.

7.3 Comparison with recently completed privatisation of companies listed on the SGX-ST as well as privatisation of a public unlisted company

We note that the intention of the Offeror is to privatise the Company and exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act to make the Company its wholly-owned subsidiary.

In assessing the reasonableness of the Offer Price in light of the above stated intention of the Offeror, we have compared the financial terms of the Offer, in particular, the offer price as a premium above or discount to the relevant NTA, with those of selected successful privatisation transactions that were announced and completed since January 2014 and up to the Latest Practicable Date, which were carried out either by way of voluntary delisting exit offers under Rule 1307 of the Listing Manual, offers being made by way of a scheme of arrangement under Section 210 of the Companies Act or general takeover offers under the Code where the offeror has stated its intentions to delist the listed company from the SGX-ST Main Board and the SGX-ST Catalyst ("**Precedent Privatisation Transactions**"). As the Company is an unlisted company and its Shares are not traded publicly, comparison of the offer price against the trading market share prices of the Precedent Privatisation Transactions is not relevant for this purpose.

The analysis in this paragraph serves as a general indication of the relevant premia/discounts that the offerors had paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out the premium or discount represented by each of the respective offer prices to the NTA of the respective target companies. We note that certain Precedent Privatisation Transactions had undertaken revaluations and/or adjustments to their assets which may have a material impact on their latest announced book values. In this respect, we have compared the offer price with the revalued NAV, revalued NTA or adjusted NAV/NTA of the Precedent Privatisation Transactions, where applicable.

We wish to highlight that the target companies listed in the Precedent Privatisation Transactions as set out in the analysis below may not be directly comparable to the Group in terms of size of operations, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits. The premium or discount that an offeror pays in any particular privatisation transaction varies in different specific circumstances depending on, *inter alia*, factors such as the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence or absence of competing bids for the target company, and the existing and desired level of control in the target company. The list of the Precedent Privatisation Transactions is by no means exhaustive and as such any comparison made only serves as an illustration. Conclusions drawn from the comparisons made may not necessarily reflect the perceived or implied market valuation of the Company.

In particular, none of the target companies in the Precedent Privatisation Transactions are engaged in the distribution of industrial equipment and agriculture equipment and all these target companies were listed on the SGX-ST, whereas the Company is a public unlisted company. In this regard, we have also attempted to compare the financial terms of the Offer with those of recently completed privatisation of public unlisted companies which are subject to the guidelines of the Code. Since January 2014 to the Latest Practicable Date, there was a similar privatisation exercise of a public unlisted company which was subject to the Code, namely, the recommended voluntary conditional cash offer by United Overseas Bank Limited for all the remaining shares of Far Eastern Bank Limited. The above privatisation exercise is also referred as one of the Precedent Privatisation Transactions for the purpose of our analysis in this Letter.

| Name of company | Sector | Date of announcement | P/NTA (times) |
|---|---|----------------------|---------------------|
| <i>Privatisation of companies listed on the SGX-ST</i> | | | |
| Singapore Land Limited | Property developer for investment holding, property management and investment in hotels and retail centres | 24 Feb 2014 | 0.7 ⁽¹⁾ |
| Chemoil Energy Limited | Physical supplier in the marine fuel industry | 25 Feb 2014 | 1.1 |
| Asia Power Corporation Limited | Ownership, management and operation of power plants | 24 Mar 2014 | 0.6 |
| China XLX Fertiliser Limited | Manufacturing and sale of urea, compound fertiliser and methanol in the PRC | 31 Mar 2014 | 0.8 |
| CapitaMalls Asia Limited | Shopping mall developer | 14 Apr 2014 | 0.9 ⁽²⁾ |
| ASJ Holdings Limited | Manufacturing and sale of resistors and distributors of electronic and non-electronic components | 7 May 2014 | 0.7 ⁽³⁾ |
| Goodpack Limited | Intermediate bulk container solutions provider | 27 May 2014 | 3.1 ⁽¹⁴⁾ |
| Lee Kim Tah Holdings Limited | Construction, property development and investments | 25 Sep 2014 | 0.9 ⁽⁴⁾ |
| UE E&C Ltd. | Provider of integrated building solutions | 3 Oct 2014 | 1.2 ⁽⁵⁾ |
| ECS Holdings Limited | Investment holding and distribution of information, communications and technology products | 14 Nov 2014 | 0.7 ⁽⁶⁾ |
| euNetworks Group Limited | Operates high capacity fibre networks, provide high capacity communications infrastructure and networking solutions and services to large corporate companies, carriers and service providers | 17 Nov 2014 | 1.9 |
| Popular Holdings Limited | Property development, retail and distribution of publishing and e-learning | 14 Jan 2015 | 1.1 ⁽⁷⁾ |
| STATS ChipPAC Ltd. | Provider of semiconductor packaging design, bump, probe, assembly, test, and distribution services for communications, digital consumer and computing market applications | 29 Dec 2014 | 1.9 ⁽⁸⁾ |
| Keppel Land Limited | Property developer | 23 Jan 2015 | 0.7 ⁽⁹⁾ |
| Action Asia Limited | Manufacturing and assembling of mobile audio and video entertainment products | 27 Feb 2015 | 0.8 ⁽¹⁰⁾ |
| Junma Tyre Cord Company Limited | Production and sale of Nylon 6 industrial yarn and Nylon 6 dipped tyre cords | 10 Mar 2015 | 0.9 ⁽¹¹⁾ |
| Lizhong Wheel Group Limited | Manufacturer of aluminium wheels | 28 Aug 2015 | 0.6 ⁽¹²⁾ |

| Name of company | Sector | Date of announcement | P/NTA (times) |
|---|--------------------|----------------------|---|
| Privatisation of public unlisted company | | | |
| Far Eastern Bank Limited | Commercial banking | 11 Mar 2015 | 0.98 ⁽¹³⁾ |
| High | | | 3.1 |
| Low | | | 0.6 |
| Mean | | | 1.0 |
| Median | | | 0.9 |
| The Company (implied by the Offer Price) | | 28 Sep 2015 | 0.98 (based on the revalued and adjusted NTA per Share as at 31 July 2015) |

Source: SGX-ST announcements and circulars to shareholders in relation to the Precedent Privatisation Transactions.

Notes:

- (1) Based on the revalued NTA per share as adjusted for the net revaluation surplus on the hotel properties of Singapore Land Limited as at 31 December 2013;
- (2) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of CapitaMalls Asia Limited as at 31 March 2014;
- (3) Based on the revalued NTA per share as adjusted for the net revaluation surplus on certain property, plant and equipment of ASJ Holdings Limited as at 30 April 2014;
- (4) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of Lee Kim Tah Holdings Limited as at 30 June 2014;
- (5) Based on the revalued NAV per share as adjusted for the change in carrying value of investments in associates and joint ventures of UE E&C Ltd. as at 30 September 2014;
- (6) Based on the unaudited NTA per share after deducting for intangible assets of ECS Holdings Limited as at 30 September 2014;
- (7) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of Popular Holdings Limited as at 31 October 2014;
- (8) Based on the NTA per share (excluding the value of the perpetual securities which were issued in connection with the offer) of STATS ChipPAC Ltd. as at 29 March 2015;
- (9) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of Keppel Land Limited as at 31 December 2014;
- (10) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of Action Asia Limited as at 31 March 2015;
- (11) Based on the revalued NTA per share as adjusted for the net revaluation surplus on the land use rights, property, plant and equipment of Junma Tyre Cord Company Limited as at 31 December 2014;
- (12) Based on the revalued NTA per share as adjusted for the net revaluation surplus on the properties of Lizhong Wheel Group Limited as at 30 June 2015;
- (13) Based on the adjusted NTA per share as adjusted for the revaluation surplus on the properties of Far Eastern Bank Limited as at 31 December 2014 and the dividend proposed for the financial year ended 31 December

2014 as the offeror had stated that the offer price will not be reduced as a result of the dividend payment; and

(14) Excluded as statistical outlier in the mean and median computations.

Based on the above, we note that the Price-to-revalued-and-adjusted NTA ratio of 0.98 times is within range of the corresponding P/NTA ratios of the Precedent Privatisation Transactions and at or close to the mean and median of the corresponding P/NTA ratios of the Precedent Privatisation Transactions.

Independent Shareholders should note that the above comparison with the Precedent Privatisation Transactions is purely for illustrative purposes only.

7.4 Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group or its associated companies, where relevant

We have had discussions with the Management about the appropriateness of evaluating the Group by comparing it with peer companies listed on the SGX-ST or any other stock exchanges.

As the Group had disposed of its automotive aftermarket products distribution business and its battery manufacturing businesses over the last three years, and is currently left with two businesses which are carried out by its associated companies, the UMWS Group and ATC, it is more appropriate to look at comparable listed peers at the UMWS and ATC level.

With respect to ATC, we have attempted to look at peer companies listed on the Stock Exchange of Thailand which are closely comparable to ATC, that is, listed companies that are engaged in the distribution of agriculture equipment. We understand from the Management that there are no peer companies listed on the Stock Exchange of Thailand. In addition, as ATC is loss making, comparison on a historical PER basis with the listed peer companies is not meaningful. ATC is also unusual in the circumstances in view of the corporate guarantee given by the Company for the benefit of ATC in spite of the Group holding only 30.0% shareholding interest in ATC. Hence, the necessity to evaluate the valuation of ATC based on the independent assessment by SFCA as elaborated in paragraph 7.2.5 of this Letter.

With respect to the UMWS Group, we have attempted to look at peer companies listed on the Stock Exchange of Thailand that are engaged in industrial equipment distribution. In this regard, there are two broadly comparable companies, namely, Chukai Public Company Limited (“Chukai”) and T.C.J. Asia Public Company Limited (“TCJ”) (“**UMWS Comparable Companies**”).

We have had discussions with the Management about the suitability and reasonableness of the UMWS Comparable Companies acting as a basis for comparison with the UMWS Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the UMWS Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The UMWS Comparable Companies’ accounting policies with respect to the values for which the assets, revenue or cost are recorded may differ from that of the UMWS Group.

We wish to highlight that the UMWS Comparable Companies may not be exhaustive and it should be noted that there may not be any listed company that is directly comparable to the UMWS Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the UMWS Comparable Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the UMWS Comparable Companies, as extracted from Bloomberg L.P. is set out below:

| Company name | Principal business |
|--------------|--|
| Chukai | Chukai imports, repairs, sells, and rents construction equipment. The company offers cranes, forklifts, top loaders, trailers, trucks and other construction equipment. |
| TCJ | TCJ imports and distributes machinery and lifting equipment such as cranes, tractors, rollers, compactors and forklifts. The Company also provides used equipment rental and leasing services. |

Source: Bloomberg L.P.

For the purpose of our evaluation and for illustration, we have made comparison between the UMWS Group and the UMWS Comparable Companies using the following matrix:

- historical PER, which is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern; and
- P/NTA ratio or NTA approach is used to show the extent the value of each share is backed by its net tangible assets. The NTA approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities and intangible assets of the group.

| UMWS Comparable Companies | Last financial year-end | Market capitalisation as at the Latest Practicable Date (Baht 'million) | PER ⁽¹⁾ (times) | P/NTA ⁽²⁾ (times) |
|---------------------------|-------------------------|---|----------------------------|------------------------------|
| Chukai | 31 Dec 2014 | 2,270.3 | 19.36 | 1.56 |
| TCJ | 31 Dec 2014 | 956.2 | 14.24 | 0.75 |
| High | | | 19.36 | 1.56 |
| Low | | | 14.24 | 0.75 |
| Mean | | | 16.80 | 1.16 |

| | | | | |
|---|--------------------|--|-----------------------------------|--|
| UMWS (implied by the revalued NTA) | 31 Dec 2014 | | 15.41 (based on FY2014) | 1.76 (based on book NTA) |
| | | | 9.36 (based on T12M) | 1.00 (based on revalued NTA) |

Source: Bloomberg L.P., annual reports and latest publicly available financial information on the Comparable Companies.

Notes:

- The PERs of the selected UMWS Comparable Companies are computed based on their respective latest published full year earnings or T12M earnings, where applicable, as at the Latest Practicable Date; and
- The P/NTA ratios of the UMWS Comparable Companies are computed based on their respective NTA values as set out in their latest published financial statements as at the Latest Practicable Date.

Based on the above, we note that the historical PER of UMWS of 15.41 times based on FY2014 profit after taxation as implied by the Revalued NTA of the UMWS Group is within the range of and slightly lower than the mean of the PERs of the UMWS Comparable Companies. The PER of 9.36 times based on the T12M results is, however, below the lower end of the range of the PERs of the UMWS Comparable Companies.

On the P/NTA basis, the ascribed valuation of the UMWS Group is above the UMWS Comparable Companies based on the book NTA of the UMWS Group and close to the mean of the UMWS Comparable Companies based on the revalued NTA of the UMWS Group.

7.5 Cash Distribution to Shareholders since the delisting of the Company from SGX Catalyst

Following the delisting of the Company in April 2013, the Company had made the following distribution to its Shareholders:

| | Nature of Distribution | S\$ | S\$ per Share |
|----------------|------------------------|------------|---------------|
| 27 May 2013 | Dividend | 8,086,891 | 0.0222 |
| 7 October 2014 | Capital reduction | 30,234,774 | 0.0830 |
| 13 March 2015 | Dividend | 22,949,286 | 0.0630 |
| Total | | | 0.1682 |

Source: Management

In connection with the delisting of the Company in April 2013, an exit offer at S\$0.10 per Share was made to Shareholders by the then offeror.

Since the delisting in April 2013, Shareholders have received total distribution from the Company of S\$0.1682 per Share. If Shareholders accept the Offer and exit from their investments in the Shares, total returns on their investments in the Shares since the Company's delisting would amount to S\$0.2282 per Share. This compares favourably with the then exit offer price of S\$0.10 for each Share made by the offeror in 2013.

The Directors have confirmed that the Company does not have a fixed dividend policy and that they will recommend future dividends after taking into consideration the Company's cash and financial position, financial performance of the Group, working capital requirements and projected capital expenditure and other investment plans.

We wish to highlight that the above analysis of the Company serves only as an illustrative guide and is not an indication of the Company's future dividend or distribution policy. There is no assurance that the Company will continue to pay dividends or carry out any capital distribution in future and/or to maintain the level of dividends or capital distribution paid in the past periods.

7.6 Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment

7.6.1 Likelihood of competing offers

As the Offeror and its concert parties already own 95.53% of the total number of issued Shares, the likelihood of a competing offer from any third party is remote.

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal from any third party has been received. We also note that there is no publicly available evidence of any alternative offer for the Shares from any third party.

As highlighted above, in light of the Irrevocable Undertakings by the Rollover Shareholders, the Offeror will be entitled to exercise its right of compulsory acquisition to acquire all the remaining Shares which have not been tendered for acceptance by the close of the Offer. The likelihood of a competing offer from any third party will therefore be remote.

7.6.2 No public trading platform

The Company is a public unlisted company and its Shares are not quoted or traded on the SGX-ST or on any other stock exchanges. There is therefore no public platform to facilitate the trading on the Shares. Minority Shareholders will face difficulties in selling their Shares due to the absence of a public market if they wish to exit from their investments in the Company.

7.6.3 Compulsory acquisition by the Offeror

The Offeror has stated that it intends to privatise the Company and to make the Company as its wholly-owned subsidiary. The Offeror has also stated in the Announcement that, when entitled, it intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act.

The Offer is unconditional in all respects. In addition, the Rollover Shareholders have each given their Irrevocable Undertakings to accept the Offer in respect of all their Shares, representing 95.51% of the total number of issued Shares. As a result, the Offeror will be able to own not less than 90.0% of the Offer Shares as at the close of the Offer.

Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer in respect of not less than 90.0% of the total number of issued Shares, the Offeror will be entitled to exercise the right to compulsorily acquire all the remaining Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price. For the purpose of determining the 90.0% threshold under Section 215(1) of the Companies Act, Shares held by the Offeror, its related corporations and their respective nominees as at the date of the Offer shall not be taken into account.

It should be noted that the Shareholders have a corresponding right, under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price by serving notice requiring the Offeror to do so, in the event that the Shares acquired by the Offeror pursuant to the Offer, together with any other Shares held by the Offeror, its related corporations and nominees, comprise 90.0% or more of the total number of issued Shares. Shareholders who wish to exercise their rights under Section 215(3) of the Companies Act are advised to seek their own independent professional advice.

8. OUR RECOMMENDATION TO THE INDEPENDENT SHAREHOLDERS ON THE OFFER

In arriving at our recommendation in respect of the Offer, we have taken into account, reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment of the Offer:

- (a) No market quotation for the Shares;
- (b) Financial analysis of the Group;
- (c) Comparison with recently completed privatisation of companies listed on the SGX-ST as well as privatisation of a public unlisted company;
- (d) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group or its associated companies, where relevant;
- (e) Cash distribution to Shareholders since the delisting of the Company from the SGX Catalist; and
- (f) Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the view that the financial terms of the Offer are fair and reasonable. Accordingly, we advise the Independent Shareholders to ACCEPT the Offer.

Independent Shareholders should also take note of the following:

- (i) **The Company is a public unlisted company and the Shares are not quoted or traded on the SGX-ST or on any other stock exchanges. Hence, the Independent Shareholders may face difficulties in selling their Shares due to the absence of a public market. The Offer therefore provides the Independent Shareholders with an opportunity to exit from their investments in the Company;**
- (ii) **In view of the Irrevocable Undertakings given by the Rollover Shareholders, the Offeror will be entitled to exercise its right of compulsory acquisition pursuant to Section 215(1) of the Companies Act, and given the intention of the Offeror to privatise the Company, all remaining Shares which have not been tendered for acceptance will be compulsorily acquired by the Offeror. This will eventually lead to the privatisation of the Company; and**
- (iii) **Pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares pursuant to the Offer which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90.0% or more of the total number of issued Shares (excluding any Shares held in treasury), the Independent Shareholders who have not accepted the Offer have a right to require the Offeror to acquire their Shares at the Offer Price. Independent Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.**

In rendering the above advice, we have not given regard to the specific investment objectives, financial situation, tax position or particular needs and constraints of any individual Shareholder. As each individual Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. In addition, we advise the Independent Shareholders that the opinion and advice of Provenance Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer, as the case may be.

Our recommendation is addressed to the Independent Shareholders for their benefit, in connection with and for the purposes of their consideration of the Offer, as the case may be, and may not be used or relied on for any other purposes (other than for the purpose of the Offer) without the prior written consent of Provenance Capital.

This Letter 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
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.



Wong Bee Eng
Chief Executive Officer

APPENDIX B – ADDITIONAL GENERAL INFORMATION

1. DIRECTORS OF THE COMPANY

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

| <u>Name</u> | <u>Address</u> | <u>Designation</u> |
|----------------------------|--|--------------------|
| Mr. Chia Chee Ming Timothy | 7 Nassim Road #01-01 Singapore 258374 | Director |
| Mr. Yong Wei Hsien Timothy | 100 Clemenceau Avenue North #03-101 Singapore 229491 | Director |
| Mr. Goh Swee Heng | 112 Pinggir Zaaba, Taman Tun Dr Ismail, 60000 Kuala Lumpur W. Persekutuan Malaysia | Director |
| Dr. Yong Mian Thong | 23 Jln Hujan Rahmat SatuTaman Overseas Union 58200 Kuala Lumpur W. Persekutuan Malaysia | Director |

2. INFORMATION ON THE COMPANY

The Company was incorporated in Singapore as “Twinwood Engineering Pte Ltd” on 8 September 1992. It changed its name to “Twinwood Engineering Limited” on 15 November 1997 following its conversion into a public company limited by shares. Twinwood Engineering Limited subsequently changed its name to “Hup Soon Global Corporation Limited” on 26 April 2007 upon completion of the acquisition of the Company.

The Company was listed on the SGX Catalist on 8 December 1997. The Company was delisted on 8 April 2013.

The Company’s principal activity is investment holding. Over the last two years, the Group had disposed of its main automotive aftermarket products and industrial supplies businesses as well as its lead acid battery manufacturing business. The Group’s businesses currently consist of: (a) the distribution of industrial equipment which are carried out by its associated company, United Motor Works (Siam) Public Company Limited; and (b) distribution of agriculture equipment in Thailand, through its associated company, Anglo-Thai Company Limited. The remaining subsidiaries of the Group are either dormant or inactive.

3. SHARE CAPITAL

3.1 Issued Share Capital

The issued and paid-up share capital of the Company as at the Latest Practicable Date is S\$44,896,365.30 comprising 364,274,387 Shares (excluding 80,000 treasury shares).

3.2 Capital, Dividends and Voting Rights

The rights of Shareholders in respect of capital, dividends and voting are contained in the Articles. An extraction of the relevant provisions in the Articles relating to the rights of Shareholders in respect of capital, dividends and voting has been set out in **Appendix C** to this Composite Document. The Articles are available for inspection at the office of M & C Services Private Limited at 112 Robinson Road #05-01 Singapore 068902. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Articles and/or the Companies Act.

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

As at the Latest Practicable Date, no new Shares have been issued since the end of FY2014, being the last financial year of the Company.

3.4 Options and Convertible Instruments

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

3.5 Transactions in Shares

No Shares were sold during the period commencing six (6) months preceding the Joint Announcement Date and ending on the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS

4.1 Interests of the Company in Offeror Securities

The Company does not have any direct or deemed interests in any (a) Offeror Shares; (b) securities which carry substantially the same rights as any Offeror Shares; or (c) Convertible Securities, Warrants, Options or Derivatives in respect of (a) or (b) (collectively, the “**Offeror Securities**”) as at the Latest Practicable Date.

4.2 Dealings in Offeror Securities by the Company

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

4.3 Interests of the Company Directors in Offeror Securities

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

| Name | Direct Interest | | Deemed Interest | |
|----------------------------|------------------|---|------------------|--------------------------|
| | Number of Shares | Percentage of Shares (%) ⁽¹⁾ | Number of Shares | Percentage of Shares (%) |
| Mr. Chia Chee Ming Timothy | 8 | 80.00 | – | – |
| Mr. Yong Wei Hsien Timothy | 2 | 20.00 | – | – |

(1) As at the Latest Practicable Date, based on the electronic instant information search results obtained from the ACRA, the issued and paid-up share capital of the Offeror is S\$10.00 comprising 10 Offeror Shares.

4.4 Dealings in Offeror Securities by the Company Directors

Save for the initial Offeror Shares subscribed by Mr. Chia Chee Ming Timothy and Mr. Yong Wei Hsien Timothy at the time of incorporation of the Offeror, none of the Company Directors has dealt for value in any Offeror Securities during the period commencing six (6) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

4.5 Interests of the Company Directors in Company Securities

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

| Name | Number of Shares (Direct Interest) | Percentage of Shares (%) | Number of Shares (Deemed interest) | Percentage of Shares (%) |
|---|------------------------------------|--------------------------|------------------------------------|--------------------------|
| Mr. Goh Swee Heng ⁽¹⁾ | 5,482,832 | 1.51 | 180,727,453 | 49.61 |
| Mr. Yong Wei Hsien Timothy ⁽¹⁾ | – | – | 180,727,453 | 49.61 |
| Dr. Yong Mian Thong ⁽²⁾ | – | – | 180,727,453 | 49.61 |
| Mr. Chia Chee Ming Timothy ⁽³⁾ | – | – | 342,425,851 | 94.00 |

Notes:

- (1) Mr. Goh Swee Heng and Mr. Yong Wei Hsien Timothy are directors and shareholders of SPEI, and are deemed to have an interest in the Shares held by SPEI by virtue of Section 7 of the Companies Act.
- (2) Dr. Yong Mian Thong is a shareholder of SPEI, and is deemed to have an interest in the Shares held by SPEI by virtue of Section 7 of the Companies Act.
- (3) Mr. Chia Chee Ming Timothy is a shareholder of both SPEI and 1927 Co, and is deemed to have an interest in the Shares held by SPEI by virtue of Section 7 of the Companies Act.

4.6 Dealings in Company Securities by the Company Directors

None of the Company Directors has dealt for value in any Company Securities during the period commencing six (6) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

4.7 Company Securities owned or controlled by Provenance Capital

None of Provenance Capital, its related corporations or any of the funds whose investments are managed by Provenance Capital on a discretionary basis owns or controls any Company Securities as at the Latest Practicable Date.

4.8 Dealings in Company Securities by Provenance Capital

None of Provenance Capital, its related corporations or any of the funds whose investments are managed by Provenance Capital on a discretionary basis has dealt for value in any Company Securities during the period commencing six (6) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

4.9 Intentions of the Company Director(s) in respect of their Shares

As at the Latest Practicable Date, Mr. Goh Swee Heng, the only Company Director who holds Shares directly, has given the Irrevocable Undertaking to, *inter alia*, accept the Offer in respect of all the Shares held by him.

5. **OTHER DISCLOSURES**

5.1 **Directors' Service Contracts**

As at the Latest Practicable Date:

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

5.2 Arrangements affecting Directors

As at the Latest Practicable Date:

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

6. MATERIAL CONTRACTS WITH INTERESTED PERSONS

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

7. MATERIAL LITIGATION

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

The Company completed the sale of Borneo Technical Co. (M) Sdn Bhd and Borneo Technical (Thailand) on 28 May 2014. The purchaser made certain claims against the Company totalling approximately US\$1.75 million, most of which have been accepted by the Company.

8. FINANCIAL INFORMATION

8.1 Consolidated Profit and Loss Account

The audited consolidated income statements of the Group for FY2014, FY2013 and FY2012 and the unaudited income statements of the Group for 7M 2015 are extracted and summarised below. The summary set out below should be read together with the FY2014 Results, FY2013 Results and FY2012 Results and their respective accompanying notes and the 7M 2015 Results. Copies of all of the above are available for inspection at the office of M & C Services Private Limited at 112 Robinson Road #05-01 Singapore 068902 during normal business hours, while the Offer remains open for acceptance.

| | Group | | | |
|--|----------|----------|----------|-----------|
| | 7M 2015 | FY2014 | FY2013 | FY2012 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Continuing operations | | | | |
| Revenue | 115 | 129 | 14,467 | 213,638 |
| Cost of sales | – | – | (12,384) | (163,980) |
| Gross profit | 115 | 129 | 2,083 | 49,658 |
| Other operating income | 44 | 775 | 4,260 | 2,475 |
| Selling and distribution costs | – | – | (25) | (29,876) |
| Administrative expenses | (1,940) | (3,689) | (6,244) | (14,708) |
| (Loss)/profit from operations | (1,781) | (2,785) | 74 | 7,549 |
| Finance costs | (59) | (168) | (647) | (2,803) |
| Other income | – | – | 488 | 2,379 |
| Share of results of associates | 445 | 965 | 781 | 1,275 |
| Share of results of jointly controlled entities | – | – | 259 | 877 |
| (Loss)/profit before tax from continuing operation | (1,395) | (1,988) | 955 | 9,277 |
| Tax expense | (8) | (337) | (380) | (3,768) |
| (Loss)/profit from continuing operation, net of tax | (1,403) | (2,325) | 575 | 5,509 |
| Discontinued operation | | | | |
| (Loss)/profit from discontinued operation, net of tax | (1,173) | 19,618 | 3,283 | – |
| (Loss)/Profit for the year | (2,576) | 17,293 | 3,858 | 5,509 |
| Other comprehensive income: | | | | |
| Foreign currency translation (loss)/gain | 962 | (5,594) | (2,440) | 2,441 |
| Other comprehensive income for the year, net of tax | 962 | (5,594) | (2,440) | 2,441 |
| Total comprehensive (loss)/income for the year | (1,614) | 11,699 | 1,418 | 7,950 |
| Profit attributable to :- | | | | |
| Owners of the Company | | | | |
| - (Loss)/profit from continuing operation, net of tax | (1,403) | (2,325) | 575 | 4,468 |
| - (Loss)/profit from discontinued operation, net of tax | (905) | 18,781 | 1,656 | – |
| | (2,308) | 16,456 | 2,231 | 4,468 |
| Non-controlling interests | | | | |
| - Profit from continuing operation, net of tax | – | – | – | 1,041 |
| - (Loss)/Profit from discontinued operation, net of tax | (268) | 837 | 1,627 | – |
| | (2,576) | 17,293 | 3,858 | 5,509 |
| Total comprehensive (loss)/income | | | | |
| Owners of the Company | (972) | 11,654 | 722 | 6,445 |
| Non-controlling interests | (642) | 45 | 696 | 1,505 |
| | (1,614) | 11,699 | 1,418 | 7,950 |
| Earnings per Share | | | | |
| Basic and diluted (US cents) | (0.63) | 4.52 | 0.61 | 1.23 |
| Dividend per Share (US cents) | 4.82 | – | 1.78 | – |

8.2 Consolidated Balance Sheets

The audited consolidated balance sheets of the Group for FY2014, FY2013 and FY2012 are extracted and summarised below. The summary set out below should be read together with the FY2014 Results, FY2013 Results and FY2012 Results and their respective accompanying notes. Copies of all of the above are available for inspection at the office of M & C Services Private Limited at 112 Robinson Road #05-01 Singapore 068902 during normal business hours, while the Offer remains open for acceptance.

| | FY2014 US\$'000 | Group FY2013 US\$'000 | FY2012 US\$'000 |
|---|--------------------|-----------------------------|--------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 32,901 | 36,571 |
| Investment property | 2,804 | – | – |
| Intangible assets | – | 7,061 | 7,317 |
| Investment in subsidiaries | – | – | – |
| Investment in associates | 10,990 | 9,327 | 6,315 |
| Investment in jointly controlled entities | – | – | 3,974 |
| Deferred tax assets | – | 1,391 | 1,994 |
| | 13,804 | 50,680 | 56,171 |
| Current assets | | | |
| Inventories | – | 48,443 | 66,194 |
| Trade receivables | – | 28,245 | 40,298 |
| Other receivables | 3,099 | 1,007 | 1,921 |
| Prepayments | 30 | 1,424 | 1,318 |
| Tax recoverable | – | 218 | 162 |
| Amounts due from related companies | – | – | – |
| Loan to an associate | 991 | 1,447 | 1,436 |
| Short-term deposits | – | – | 2,526 |
| Cash and bank balances | 3,728 | 8,282 | 10,590 |
| | 7,848 | 89,066 | 124,445 |
| Assets of disposal group classified as held for sale | 61,539 | – | – |
| Non-current assets held for sale | – | – | 112 |
| | 69,387 | 89,066 | 124,557 |
| Current liabilities | | | |
| Trade payables | – | 15,892 | 27,219 |
| Other payables and accruals | 855 | 8,576 | 10,962 |
| Provision for liabilities | – | 2,439 | 2,488 |
| Amounts due to related companies | – | 4 | 43 |
| Interest-bearing loans and borrowings | 329 | 34,605 | 53,559 |
| Provision for taxation | 3 | 327 | 1,078 |
| | 1,187 | 61,843 | 95,349 |
| Liabilities of disposal group classified as held for sale | 23,057 | – | – |
| | 24,244 | 61,843 | 95,349 |
| Net current assets | 45,143 | 27,223 | 29,208 |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 1,863 | 6,492 | 5,448 |
| Provision for retirement benefits | – | 693 | 1,094 |
| Deferred tax liabilities | – | 1,999 | 2,191 |
| | 1,863 | 9,184 | 8,733 |
| Net assets | 57,084 | 68,719 | 76,646 |

| | FY2014 US\$'000 | Group FY2013 US\$'000 | FY2012 US\$'000 |
|---|--------------------|-----------------------------|--------------------|
| Equity attributable to owners of the Company | | | |
| Share capital | 25,742 | 68,248 | 68,248 |
| Treasury shares | (10) | (10) | (10) |
| Legal reserve | 6 | 144 | 2,001 |
| Retained earnings | 54,493 | 18,212 | 22,385 |
| Share grant reserve | 3,465 | 3,465 | 3,465 |
| Translation reserve | 2,839 | 6,149 | 7,658 |
| Capital reserve | (43,099) | (43,099) | (43,099) |
| Premium on disposal of non-controlling interests | – | 313 | 313 |
| Discount on acquisition of non-controlling interests | – | (70) | 25 |
| Reserve of disposal group classified as held for sale | (1,314) | – | – |
| | 42,122 | 53,352 | 76,646 |
| Non-controlling interests | 14,962 | 15,367 | 15,660 |
| Total equity | 57,084 | 68,719 | 76,646 |

8.3 Significant Accounting Policies

The significant accounting policies of the Group are set out in the notes to the FY2014 Results and are set out in **Appendix D** to this Composite Document.

Save as disclosed in the notes to the FY2014 Results:

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

A copy of the FY2014 Results and its accompanying notes is available for inspection at the office of M & C Services Private Limited at 112 Robinson Road #05-01 Singapore 068902 during normal business hours, while the Offer remains open for acceptance.

8.4 Material Change in Financial Position

As at the Latest Practicable Date, save (a) as disclosed in this Composite Document, the FY2014 Results and the 7M 2015 Results; (b) for the HSGM Disposal; and (c) for information on the Group which is publicly available including without limitation, the announcements released by the Group on the website of the Company at www.hupsoon.com, there has not been any material change in the financial position or prospects of the Company since 31 December 2014, being the date of the last balance sheet of the Company laid before Shareholders in a general meeting.

The Company completed the HSGM Disposal for a cash consideration of RM10.13 million or S\$3.32 million based on the actual cash proceeds received.

8.5 Material Change in Information

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

9. VALUATION ON SUBJECT PROPERTY

The Company has commissioned independent valuation of the Subject Property. An extract of the valuation report (the "**Valuation Report**") is set out in **Appendix F1** to this Composite Document. Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation. Based on the Valuation Report, the potential tax liabilities that may be incurred by the Group on the hypothetical disposal of the Subject Property is approximately Baht 80.5 million on the revaluation surplus, based on the corporate income tax rate of 20.00% in Thailand. In addition, if United Motor Works (Siam) Public Company Limited were to distribute as dividend the revaluation surplus to its shareholders arising from the hypothetical sale of the Subject Property, a withholding tax of 10.00% will be levied on such dividend to non-tax residents in Thailand. The aforesaid tax liabilities will not crystallise if the Group does not dispose of its interests in the Subject Property.

10. GENERAL

10.1 Consents

The independent financial adviser, Provenance Capital, has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of (a) its advice to the Independent Shareholders set out in paragraph 5 of this Company Letter; (b) the IFA Letter set out in **Appendix A** to this Composite Document; (c) its name; and (d) all references thereto in the form and context in which they respectively appear.

The Valuer has given and has not withdrawn its written consent to the issue of this Composite Document with the extract of the Valuation Report set out in **Appendix F1** to this Composite Document.

SFCA, an independent adviser appointed by the Company to carry out an assessment of the financial position of the Company's associated company, ATC, and the impact on the Group as a result of the corporate guarantee granted by the Company for the benefit of ATC in relation to ATC's borrowings from Bangkok Bank, Thailand, has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its name in this Composite Document, the Assessment of Financial Position of ATC Report set out in **Appendix F2** to this Composite Document and all references thereto in the form and context in which they appear in this Composite Document.

10.2 Costs and Expenses

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

10.3 Documents for Inspection

Copies of the following documents may be inspected at the office of M & C Services Private Limited at 112 Robinson Road #05-01 Singapore 068902 during normal business hours, while the Offer remains open for acceptance:

- (a) the memorandum and articles of association of the Company;
- (b) the FY2014 Results, FY2013 Results and FY2012 Results, and the accompanying notes thereto and the 7M 2015 Results;

- (c) the IFA Letter as set out in **Appendix A** to this Composite Document;
- (d) the Valuation Report; and
- (e) the Assessment of Financial Position of ATC Report.

APPENDIX C – PROVISIONS IN THE ARTICLES RELATING TO THE RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL, DIVIDENDS AND VOTING

1. The Rights of Shareholders in respect of Capital

“SHARES

3. (1) *Subject to the Statutes and these Articles, no shares may be issued by the Directors without the prior approval of the Company in general meeting but subject thereto and to Article 54, and to any special rights attached to any shares for the time being issued, the Directors may issue, allot or grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit and any such shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may deem fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manners of redemption being determined by the Directors. Provided Always that the rights attaching to issued shares of a class other than ordinary shares shall be expressed in the resolution creating the same and in the provisions of these Articles.*
- (2) *Notwithstanding anything in these Articles, a treasury share shall be subject to such rights and restrictions as may be prescribed in the Act and may be dealt with by the Company in such manner as may be permitted by, and in accordance with the Act. For the avoidance of doubt, save as expressly permitted by the Act, the Company shall not be entitled to any rights of a Member under these Articles.*
4. (1) *The rights attached to shares issued upon special conditions shall be clearly defined in the Memorandum of Association or these Articles. Preference shares may be issued subject to such limitation thereof as may be prescribed by law or by the listing rules of the 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. Preference shareholders shall also have the right to attend and vote at any meeting of the Company convened for the following purposes:*
- (a) *the reduction of capital of the Company; or*
 - (b) *the winding-up of the Company; or*
 - (c) *the sanctioning of a sale of the undertaking of the Company; or*
 - (d) *where the proposal to be submitted to the meeting directly affects any of the rights or privileges attaching to the preference shares; or*
 - (e) *where the dividend on the preference shares is more than six (6) months in arrears.*
- (2) *Subject to the provisions of the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The Company has the power to issue further preference shares ranking equally with or in priority to any preference shares from time to time already issued or about to be issued. The allotment and issue of preference shares is subject to the Act and any requirements or limitations prescribed by the Stock Exchange upon which the shares of the Company are listed.*
5. (1) *If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, be varied or abrogated either with the consent in writing of the holders who represent at least three-quarters of the total voting rights of all the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting*

of the holders of shares of that class and to every such special resolution the provisions of Section 184 of the Act shall with such adaptations as are necessary apply. To every such separate general meeting the provisions of these Articles relating to general meetings of the Company and to proceedings thereat shall mutatis mutandis apply. Provided Always that the necessary quorum shall be two (2) persons at least holding or representing by proxy or by attorney one-third of the total voting rights of all the issued shares of that class (but so that if at any adjourned meeting a quorum as above defined is not present, any two (2) holders of shares of the class present in person or by proxy or by attorney shall be a quorum) and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll, and that every such holder shall on a poll have one (1) vote for every share of the class held by him. Provided however that in the event of the necessary majority not having been obtained in the manner aforesaid consent in writing may be secured from Members holding at least three-fourths of the total voting rights of all the issued shares of that class and such consent if obtained within two (2) months from the date of the separate general meeting shall have the force and validity of a special resolution duly carried by a vote in person or by proxy or by attorney.

- (2) The repayment of preference capital other than redeemable preference capital or any other alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned. Provided Always that where the necessary majority for such a special resolution is not obtained at a meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two (2) months of the meeting, shall be valid and effectual as a special resolution carried at the meeting.*
6. *(1) The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors 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. The Company may, in addition to, or in lieu of, such commission, in consideration of any person so subscribing or agreeing to subscribe, or of his procuring or agreeing to procure subscriptions, for any shares in the Company, confer on any such person an option call within a specified time for a specified number of shares in the Company at a specified price or on such other terms and conditions as the Directors may deem fit.*

 - (2) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by these Articles, be deemed to be varied by the creation or issue of further shares ranking equally therewith.*
 - (3) If by the conditions of allotment of any shares the whole or any part of the amount of the issue price thereof shall be payable by instalments every such instalment shall, when due, be paid to the Company by the person who for the time being shall be the registered holder of the share (or, where the person entered in the Register of Members as the registered holder of a share is the Depository, the person whose name is entered in the Depository Register in respect of that share) or his personal representatives, but this provision shall not affect the liability of any allottee who may have agreed to pay the same.*
 - (4) Save to the extent permitted by the Act or the listing rules of the Stock Exchange upon which the shares of the Company are listed, no part of the funds of the Company shall, directly or indirectly, be employed in the purchase of or subscription for or making of loans upon the security of any shares (or its holding company, if any). The Company shall not, except as authorised by the Act, give any financial assistance for the purpose of or in connection with any purchase of shares in the Company (or its holding company, if any).*

JOINT HOLDERS OF SHARES

10. *If two (2) or more persons are entered in the Register of Members or (as the case may be) the Depository Register, as joint holders of any share, they shall be deemed to hold the same as joint tenants with benefit of survivorship subject to the following provisions:*
- (a) *The Company shall not be bound to register more than three (3) persons as the holders of any share but this provision shall not apply in the case of executors, trustees or administrators of the estate of a deceased Member.*
 - (b) *The joint holders of any share whose names are entered in the Register of Members or (as the case may be) the Depository Register shall be treated as one (1) Member.*
 - (c) *The Company shall not be bound to issue more than one (1) certificate for a share registered jointly in the names of several persons and delivery of a certificate to any one of the registered joint holders shall be sufficient delivery to all.*
 - (d) *Only the person whose name stands first in the Register of Members as one of the joint holders of any share shall be entitled to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint holders.*
 - (e) *The joint holders of any share whose names are entered in the Register of Members or (as the case may be) the Depository Register shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such share.*
 - (f) *Any one of the joint holders of any share whose names are entered in the Register of Members or (as the case may be) the Depository Register may give effectual receipts for any dividend, bonus or other sum of money payable to such holders in respect of such share.*
 - (g) *On the death of any one of the joint holders of any shares whose names are entered in the Register of Members or (as the case may be) the Depository Register the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such share but the Directors may require such evidence of death as they think necessary to call for.*

CONVERSION OF SHARES INTO STOCK

47. *The Directors may, from time to time, with the sanction of the Company previously given in general meeting convert all or any of its paid-up shares into stock and may from time to time, with like sanction, reconvert any such stock into paid-up shares.*
48. *When any shares have been converted into stock, the holders of such stock may transfer their respective interests therein, or any part of such interests, in such manner as the Company in general meeting shall direct, but in default of any such direction in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred, or as near thereto as circumstances will admit. The Directors may, if they think fit, from time to time fix the minimum number of stock units transferable.*
49. *The holders of stock shall according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards dividend and return of capital and the assets on winding up) shall be conferred by the number of stock units which would not, if existing in shares have conferred that privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.*
50. *All such provisions of these Articles as are applicable to paid-up shares shall apply to stock, and in all such provisions the words "share" and "shareholder" shall include "stock" and "stockholder".*

ALTERATIONS OF CAPITAL

51. *The Company may by ordinary resolution:*
- (a) *consolidate and divide all or any of its shares; or*
 - (b) *cancel any shares which, at the date of passing of the resolution, have been forfeited and diminish the amount of its share capital by the number of shares so cancelled in accordance with or as permitted by the Act; or*
 - (c) *sub-divide its shares or any of them (subject nevertheless to the provisions of the Statutes, and the bye-laws and listing rules of the Stock Exchange upon which the shares of the Company are listed) provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and*
 - (d) *subject to the provisions of these Articles and the Act, convert any class of paid-up shares into any other class of paid-up shares.*
52. (1) *The Company may by special resolution reduce its share capital and any undistributable reserve in any manner subject to any requirements and consents required by law. Without prejudice to the foregoing, upon cancellation of shares purchased or otherwise acquired by the Company pursuant to these Articles and the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled shares were purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly.*
- (2) *Subject to and in accordance with the provisions of the Act, the listing rules of the Stock Exchange and any applicable legislation or regulation, the Company may authorise the Directors in general meeting to purchase or otherwise acquire ordinary shares, stocks, preference shares, options, debentures, debenture stocks, bonds, obligations, securities, and all other equity, derivative, debt and financial instruments issued by it on such terms as the Company may think fit and in the manner prescribed by the Act. The Company may deal with any such share which is so purchased or acquired by the Company in such manner as may be permitted by, and in accordance with, the Act (including without limitation, to hold such share as a treasury share).*

INCREASE OF CAPITAL

53. (1) *The Company in general meeting may from time to time by ordinary resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.*
- (2) *Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof shall direct, and if no direction be given, as the Directors shall determine; subject to the provisions of these Articles and in particular (but without prejudice to the generality of the foregoing) such new shares may be issued with a preferential, qualified or deferred right to dividends and in the distribution of assets of the Company and with a special or restricted right of voting or otherwise.*
54. (1) *Unless otherwise determined by the Company in general meeting or except as permitted under the listing rules of the Stock Exchange, all new shares shall, before they are issued, be offered to such Members as are, at the date of the offer, entitled to receive notices from the Company of general meetings, in proportion as nearly as the circumstances admit, to the number of shares to which they are entitled or hold. Such offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of such 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, subject to these Articles, dispose of those shares in such manner as they think most beneficial to the Company. The Directors may, in like manner dispose of any such new or original shares as aforesaid, which by reason of the ratio which the new shares bear to the existing shares held by Members or by reason of any other difficulty in apportioning the same, cannot in the opinion of the Directors be conveniently offered in the manner hereinbefore provided.

(2) *Notwithstanding Article 54(1) but subject to the Statutes, the Company may by ordinary resolution in a 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 shares in the capital of the Company 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 is in force, provided that:*

(i) *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 SGX-ST from time to time and as may be prescribed by the Stock Exchange upon which the shares of the Company may be listed;*

(ii) *in exercising the authority conferred by the ordinary resolution, the Company shall comply with the provisions of the applicable listing rules of the Stock Exchange for the time being in force (unless such compliance is waived by the Stock Exchange or the relevant authority) and these Articles and such provisions as may be required by the Stock Exchange upon which the shares of the Company may be listed; and*

(iii) *(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).*

(3) *Notwithstanding Article 54(1) above but subject to the Act, the Directors shall not be required to offer any 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 may, at their absolute discretion and on such terms and conditions as the Directors deem fit, sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.*

55. *Except so far as otherwise provided by or pursuant to these Articles or by the conditions of issue, any capital raised by the creation of new shares shall be considered as part of the original capital of the Company and as consisting of ordinary shares, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture, and otherwise as if it has been part of the original capital.*

GENERAL MEETINGS

60. *The Company shall hold a general meeting once in every calendar year, at such time and place as may be determined by the Directors, but so that not more than fifteen (15) months shall be allowed to elapse between the date of one (1) general meeting and that of the next.*
61. *The above-mentioned general meetings shall be called the annual general meetings. All general meetings other than the annual general meeting shall be called extraordinary general meetings.*
62. *The Directors may call an extraordinary general meeting whenever they think fit and extraordinary general meetings shall also be convened by requisition or in default may be convened by such requisitionist in accordance with the Act. If at any time there are not within Singapore sufficient Directors capable of action to form a quorum at a meeting of Directors, any Director may convene an extraordinary general meeting in the same manner as nearly as possible as that in which such a meeting may be convened by the Directors. The time and place of any meeting shall be determined by the convenors of the meeting.*

NOTICE OF GENERAL MEETINGS

63. *Any general meeting at which it is proposed to pass special resolutions or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by at least twenty-one (21) clear days' notice in writing and an annual general meeting and any other general meeting by at least fourteen (14) clear days' notice in writing. Notice of every general meeting shall be given in the manner hereinafter mentioned to:*
- (i) every Member holding shares conferring the right to attend and vote at the meeting who at the time of the convening of the meeting shall have paid all calls or other sums presently payable by him in respect of shares;*
 - (ii) every person entitled to a share in consequence of the death or bankruptcy or otherwise of a Member who but for the same would be entitled to receive notice of the meeting;*
 - (iii) every Director;*
 - (iv) the Auditors; and*
 - (v) the Stock Exchange.*

So long as the shares of the Company are listed on the Stock Exchange, at least fourteen (14) days' notice of such meeting shall be given by advertisement in the daily press and in writing to the Stock Exchange. Provided always that the accidental omission to give any such notice or the nonreceipt of such notice by any person entitled thereto shall not invalidate or otherwise affect the proceedings at any general meeting.

Provided also that a general meeting notwithstanding that it has been called by shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:

- (a) in the case of an annual general meeting, by all the Members entitled to attend and vote thereat; and*
 - (b) in 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 ninety-five per cent (95%) of the total voting rights of all the Members having a right to attend and vote thereat as is required by the Act.*
64. (1) *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 or proxies to attend and vote instead of him and that a proxy need not be a Member.*
- (2) *In the case of an annual general meeting the notice shall also specify the meeting as such.*

- (3) *In the case of any general meeting at which business other than ordinary business is to be transacted the notice shall specify the general nature of such business and shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business; and if any resolution is to be proposed as a special resolution the notice shall contain a statement to that effect.”*

2. The Rights of Shareholders in respect of Voting

“PROCEEDINGS AT GENERAL MEETINGS

65. *All business shall be deemed special that is transacted at any extraordinary general meeting, and all that is transacted at an annual general meeting shall also be deemed special, with the exception of the following which shall be ordinary business, that is to say:*
- (a) *sanctioning a dividend;*
 - (b) *the consideration of the accounts and balance sheets, the reports of the Directors and Auditors and any other documents accompanying or annexed to the balance sheets;*
 - (c) *the appointment of Directors in the place of those retiring by rotation or otherwise;*
 - (d) *the fixing of the remuneration of the Directors; and*
 - (e) *the appointment and fixing of the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed.*
66. *No business shall be transacted at any general meeting unless a quorum is present in person or by proxy when the meeting proceeds to business. For all purposes the quorum shall be two (2) Members personally present or represented by proxy or by attorney or in the case of a corporation by a representative. Provided that (a) a proxy representing more than one (1) Member shall only count as one (1) Member for the purpose of determining the quorum; and (b) where a Member is represented by more than one (1) proxy such proxies shall count as only one (1) Member for the purpose of determining the quorum.*
67. *If within half an hour from the time appointed for the holding of a general meeting 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 at the same time and place or if that day is a public holiday then to the next business day following that, and if at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the meeting shall be dissolved.*
68. *The Chairman (if any) of the Board of Directors shall preside at every general meeting, but if there be no such Chairman, or if at any meeting he shall not be present within fifteen (15) minutes after the time appointed for holding the same, or shall be unwilling to act as Chairman, the Members present shall choose some Director, or if no Director be present, or if all the Directors present decline to take the chair, they shall choose some Member present to be the Chairman of the meeting.*
69. *The Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned for thirty (30) days or more or sine die, notice of the adjourned meeting shall be given in the same manner as in the case of an original meeting. Save as aforesaid, no Member shall be entitled to any notice of an adjournment or of the business to be transacted at an adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.*

70. *At all general meetings resolutions put to the vote of the meeting shall be decided on a show of hands, unless before or upon the declaration of the result of the show of hands a poll is demanded:*
- (a) by the Chairman of the meeting (being a person entitled to vote); or*
 - (b) by at least two (2) Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one of such proxies may represent that Member) or by attorney or in the case of a corporation by a representative and entitled to vote thereat; or*
 - (c) by any Member or Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one of such proxies may represent that Member) or by attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the meeting; or*
 - (d) by any Member or Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one of such proxies may represent that Member) or by attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing shares being not less than ten per cent (10%) of the total number of paid-up shares of the Company (excluding treasury shares).*

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

71. *If a poll be demanded in the manner aforesaid (and the demand is not withdrawn), it shall be taken at such time and place, and in such manner as the Chairman shall direct (including the use of ballot or voting papers or tickets), and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. No notice need to be given of a poll not taken at once. In case of any dispute as to the admission or rejection of a vote the Chairman shall determine the same and such determination made in good faith shall be final and conclusive. The Chairman may (and if so requested 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.*
72. *No poll shall be demanded on the election of a Chairman of a meeting, or on any question of adjournment.*
73. *In the case of an equality of votes, either on a show of hands or on a poll, the Chairman of any meeting shall be entitled to a further or casting vote in addition to that vote or votes to which he may be entitled as a Member or as a proxy of a Member.*
74. *The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business, other than the question for which a poll has been demanded.*

VOTES OF MEMBERS

75. (1) *Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, each Member entitled to vote may vote in person or by proxy or by attorney or in the case of a corporation by a representative.*

- (2) *On a show of hands, every Member who is present in person or by proxy or attorney, or in the case of a corporation by a representative, shall have one (1) vote provided that if a Member is represented by two (2) proxies, without prejudice to specific terms of Article 83 only one (1) of the two (2) proxies as determined by their appointor shall vote on a show of hands and in the absence of such determination, only one (1) of the two (2) proxies as determined by the Company (or by a person authorised by him) shall vote on a show of hands and on a poll, every Member who is present in person or by proxy, attorney or representative, shall have one (1) vote for every share he holds or represents.*
76. *Any Member of unsound mind or in respect of whom an order has been made at any court having jurisdiction in lunacy may vote by his committee, receiver, curator bonis or other legal curator, and such last mentioned persons may give their votes either personally or by proxy Provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty-eight (48) hours before the time appointed for holding the meeting.*
77. *No objection shall be raised as to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.*
78. *If at any general meeting any votes shall be counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting, and be in the opinion of the Chairman of sufficient magnitude to vitiate the result of the voting.*
79. *On a poll votes may be given either personally or by proxy, attorney or representative and a person entitled to more than one (1) vote need not use all his votes or cast all the votes he used in the same way.*
80. *In the case of joint holders of shares, any one of such persons may vote and be reckoned in a quorum at any meeting either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto, and if more than one (1) of such persons be present at a meeting, the person whose name stands first on the Register of Members or (as the case may be) the Depository Register shall alone be entitled to vote. Several executors or administrators of a deceased Member in whose name any share stands shall for the purposes of this Article be deemed joint holders thereof.*
81. *Subject to the provisions of these Articles and the Act, no person other than a Member duly registered and who shall have paid everything for the time being due from him and payable to the Company in respect of his shares, shall be entitled to be present or to vote on any question either personally or by proxy or by an attorney or by a representative in the case of a corporation and to be reckoned in a quorum at any general meeting in respect of any fully paid-up shares and of any shares upon which calls due and payable to the Company shall have been paid. No person shall be entitled to vote or to be recognised in a quorum in respect of shares upon which any call or other sum so due and payable shall be unpaid.*
82. (1) *An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:*
- (a) *in the case of an individual, shall be signed by the appointor or his attorney; and*
- (b) *in the case of a corporation, shall be either given under common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.*
- (2) *The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor, (which shall, for purposes of this Article 82(2), include a Depositor) by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to Article 84, failing which the instrument may be treated as invalid.*

83. (1) *Save for Members who are nominee companies, a Member may appoint not more than two (2) proxies to attend and vote at the same general meeting Provided that if a Member shall nominate two (2) proxies then 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 in the alternative.*
- (2) *A proxy shall be entitled to vote on a show of hands on any matter at a general meeting.*
- (3) *A proxy, attorney or representative need not be a Member.*
- (4) *An instrument appointing a proxy shall be deemed to confer authority generally to act at the meeting for the Member giving the proxy to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at a meeting and shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates.*
- (5) *If the chairman of the meeting is appointed as proxy, he may designate such other person to act as proxy in his stead.*
84. *An instrument appointing a proxy and, where the instrument of proxy is signed on behalf of the appointor (which shall, for the purposes of this Article, include a Depositor) by an attorney, the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of authority (failing previous registration with the Company), shall be deposited at the Office of such other place (if any) as is specified for the purpose in the notice convening the Meeting not less than forty-eight (48) hours before the time appointed for the time of holding the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used and in default shall not be treated as valid.*
85. (1) *Notwithstanding anything contained in these Articles, a Depositor shall not be entitled to attend any general meeting and to speak and vote thereat unless his name is certified by the Depository to the Company as appearing on the Depository Register not less than forty-eight (48) hours before that general meeting (the "Relevant Time") as a Depositor on whose behalf the Depository holds shares. The Company shall then be entitled to deem each such Depositor as holding such number of shares as is entered against such Depositor's name in the Depository Register as at the Relevant Time, according to the records of the Depository as supplied by the Depository to the Company.*
- (2) *Where the Depositor has appointed a proxy, the Company shall be entitled to deem each proxy of a Depositor who is to represent the entire shareholding of the Depositor as representing such number of shares as is entered against such Depositor's name in the Depository Register as at the Relevant Time, according to the records of the Depository as supplied by the Depository to the Company.*
- (3) *Where the Depositor has appointed two (2) proxies and specified the proportion of his shares which each proxy is to represent, the Company shall be entitled to apportion such number of shares as is entered against such Depositor's name in the Depository Register as at the Relevant Time, according to the records of the Depository as supplied by the Depository to the Company, between the two (2) proxies in the same proportion as specified by the Depositor in appointing the proxies.*
- (4) *No instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the Depositor's shareholding as specified in the instrument of proxy, or, where the same has been apportioned between two (2) proxies, the aggregate of the proportions of the Depositor's shareholding which they are specified to represent, and the shareholding of a Depositor as appears on the Depository Register at the Relevant Time.*
- (5) *The Company shall be entitled to reject an instrument of proxy lodged by any Depositor whose name does not appear on the Depository Register at the Relevant Time as certified by the Depository to the Company.*

86. *A vote given in accordance with the terms of an instrument of proxy (which for the purposes of these Articles shall also include a Power of Attorney) shall be valid, notwithstanding the previous death or unsoundness of mind of the principal or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy was executed, or the transfer of the share in respect of which the proxy is given Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office (or at such other place as may be specified for the deposit of instruments appointing proxies) before the commencement of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used.*
87. *Any corporation or limited liability partnership which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of such corporation or limited liability partnership as the corporation or limited liability partnership could exercise if it were an individual Member of the Company. The Company shall be entitled to treat a certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative.”*

3. The Rights of Shareholders in respect of Dividends, Capitalisation of Reserves and Winding Up

“DIVIDENDS AND RESERVES

128. *The Directors may with the sanction of an ordinary resolution at a general meeting, from time to time declare dividends but (without prejudice to the powers of the Company to pay interest on share capital as hereinbefore provided) no dividend shall be payable (except as expressly authorised by the Statutes) except out of the profits of the Company, or in excess of the amount recommended by the Directors. The Directors may, if they think fit, and if in their opinion the profits of the Company may justify such payment, without any sanction as aforesaid, from time to time declare and pay to the Members such interim dividends as appear to them to be justified by the position of the Company. The Company shall be entitled to pay any dividends payable to a Depositor to the Depository and to the extent of the payment made to the Depository, the Company shall be discharged from any and all liability in respect of that payment.*
129. *Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted by the Act, (a) all dividends shall be declared and 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 shall 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, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly. For the purposes of this Article no amount paid or credited as paid on a share in advance of a call shall be treated as paid on the share.*
130. *With the sanction of an ordinary resolution at a general meeting, dividends may be paid either wholly or in part in specie, and may be satisfied in whole or in part, by the distribution amongst the Members in accordance with their rights, of specific assets and in particular of fully paid shares, stocks or debentures of any other company in any one or more of such ways. The Directors shall have full liberty to make all such valuations, adjustments and arrangements, and to issue all such same certificates or documents of title as in their opinion may be necessary or expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the basis of the value so fixed, in order to adjust the rights of all Members, and may vest any such specific assets in trustees upon trust for the Members entitled to the dividend as may seem expedient to the Directors and no valuation, adjustment or arrangement so made shall be questioned by any Member.*

131. (1) *Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:*
- (a) *the basis of such allotment shall be determined by the Directors*
 - (b) *the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Article;*
 - (c) *the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in a specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and*
 - (d) *the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect of which the right of election has been duly exercised (the "elected ordinary shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of Article 141(1), the Directors shall (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sums as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.*
- (2) (a) *The ordinary shares allotted pursuant to the provision of Article 131(1) shall rank pari passu in all respects with the ordinary shares then in issue save only as regards to participation in dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.*
- (b) *The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of Article 131(1), with full power to make such provisions as they may think fit in the case of fractional entitlements to shares (including, notwithstanding any provision to the contrary in these Articles, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than the Members).*

- (3) *The Directors may, on any occasion when they resolve as provided in Article 131(1), determine the rights of election under that Article shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit and, in such event, the provisions of this Article shall be read and construed subject to such determination.*
- (4) *The Directors may, on any occasion when they resolve as provided in Article 131(1), further determine that no allotment of ordinary shares or rights of election for ordinary shares under that Article shall be made available or made to Members whose registered addresses entered in the Register of Members or (as the case may be) the Depository Register are outside Singapore or to such other Members or class of Members as the Directors may in their absolute discretion decide and in such event the only entitlements of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.*
- (5) *Notwithstanding the foregoing provisions of this Article, if at any time after the Directors' resolution to apply the provisions of Article 131(1) in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstances (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and as they deem fit in the interest of the Company, cancel the proposed application of Article 131(1).*
132. *The Directors may, before recommending any dividend, set aside out of the profits of the Company such sum or sums as they think proper as a reserve fund or reserve funds, which shall at the discretion of the Directors be applicable for meeting contingencies, for the gradual liquidation of any debt or liability of the Company, or for repairing or maintaining any works connected with the business of the Company, or shall be, as to the whole or in part, be applicable for special dividends or for equalising dividends, or for distribution by way of special dividend or bonus on such terms and conditions and in such manner as the Directors shall from time to time determine, or for such other purposes for which the profits of the Company may lawfully be applied as the Directors may think expedient in the interests of the Company, and pending such application the Directors may employ the sums from time to time so set apart as foresaid in the business of the Company or invest the same in such securities, other than the shares of the Company, as they may select. 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 be divided. The Directors may also, without placing the same to reserve, carry forward any profits as they deem expedient in the interests of the Company. In carrying sums to reserve and in applying the same the Directors shall comply with the provisions (if any) of the Statutes.*
133. *Every dividend warrant may, unless otherwise directed, be sent by post to the last registered address of the Member entitled thereto, and the receipt of the person whose name at the date of the declaration of the dividend appears on the Register of Members or (as the case may be) on the Depository Register as the owner of any share, or in the case of joint holders, of any one of such joint holders, shall be a good discharge to the Company for all payments made in respect of such shares.*
134. *No dividend or other moneys payable on or in respect of a share shall bear interest against the Company.*
135. *The Directors may deduct from any dividend or other moneys payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith whether such call shall have been made before or after the declaration of the dividend in question.*

136. *The Directors may retain any dividends or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.*
137. *The Directors may retain the dividends payable on 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 under those provisions is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.*
138. *The payment by the Directors of any unclaimed dividend 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 unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six (6) years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but 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 the Depository 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 (6) years has elapsed from the date of the declaration of such dividend or the date on which such other moneys are first payable. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever.*
139. *Any dividend, interest or other moneys payable in respect of shares 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 (2) or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of the shares 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 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 shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. Notwithstanding the provision of this Article, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of such payment.*
140. *If two (2) 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 (1) of them may give effectual receipts for any dividend or other moneys payable or in respect of the share.*

BONUS ISSUE AND CAPITALISATION OF PROFITS AND RESERVES

141. (1) *The Company may, with the sanction of an ordinary resolution (including any ordinary resolution passed pursuant to Article 54(2)):*
- (a) *issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:*
- (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 54(2)) 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 the profit and loss account or otherwise available for distribution 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 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 54(2)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares and applying such sum on their behalf in paying up the amounts, if any, for the time being unpaid on any shares held by such members respectively or in paying up in full new shares (or, subject to any specific rights previously conferred on any shares or class of shares for the time being issued, new shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up and amongst them as bonus shares in the proportion aforesaid or partly in one way and partly in the other.

(2) The Directors may do all acts and things necessary or expedient to give effect to any such bonus issue and/or capitalisation under Article 141(1), 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 entitled thereto into an agreement with the Company providing for any such bonus issue and/or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

(3) In addition and without prejudice to the powers provided for by Articles 141(1) and (2) above, the Directors shall have power to issue shares for which no consideration is payable and/or 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 new shares, 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 scheme or plan implemented by the Company and approved by shareholders in general meeting and on such terms as the Directors shall think fit.

WINDING UP

155. (1) If the Company shall be wound up and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding-up on the share held by them respectively. And if in a winding-up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up, the excess shall be distributed among the Members in proportion of the capital, at the commencement of the winding-up, paid up or which ought to have been paid up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

- (2) *If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the asset shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property to be divided aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members, but so that if any division is resolved on otherwise than in accordance with such rights, the Members shall have the same right of dissent and consequential rights as if such resolution were a Special Resolution passed pursuant to Section 306 of the Act. A Special Resolution sanctioning a transfer or sale to another company duly passed pursuant to the said Section may in like manner authorise the distribution of any shares or other consideration receivable by the liquidator amongst the Members otherwise than in accordance with their existing rights; and any such determination shall be binding upon all the Members subject to the right of dissent and consequential rights conferred by the said Section. The liquidator may, with the like sanction vest any part of the assets in trustees upon such trusts for the benefit of Members as the liquidator shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other securities in respect of which there is a liability.”*

APPENDIX D – NOTES TO THE FY2014 RESULTS

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

1. Corporate information

Hup Soon Global Corporation Limited (the “Company”), is a limited liability company, which is incorporated and domiciled in Singapore and was publicly traded on the Catalist Board of the Singapore Stock Exchange Securities Trading Limited (“Catalist Board”). The Company had voluntarily delisted from the Catalist Board on 8 April 2013.

The registered office and principal place of business of the Company is located at 15 Scotts Road, #04-01/03 Thong Teck Building, Singapore 228218 and 47 Scotts Road #04-02, Goldbell Towers Singapore 228233 respectively.

The principal activities of the Company are investment holding company. The principal activities of its subsidiaries are disclosed in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

The financial statements are presented in United States Dollars (USD or US\$) and all values in the tables are rounded to the nearest thousand (US\$'000) as indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014 and early adopted the Amendments to FRS 36 *Recoverable Amount Disclosures for Non-financial Assets* which are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

Accordingly, the transition provisions of FRS 113 *Fair Value Measurement*, FRS 113 has been applied prospectively by the Group on 1 January 2014.

2.3 Standards issued but not yet effective

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

| <i>Description</i> | <i>Effective for annual periods beginning on or after</i> |
|---|---|
| Amendments to FRS 19 <i>Defined Benefit Plans: Employee Contributions</i> | 1 July 2014 |
| Improvements to FRSs (January 2014) | |
| (a) Amendments to FRS 103 <i>Business Combinations</i> | 1 July 2014 |
| (b) Amendments to FRS 113 <i>Fair Value Measurement</i> | 1 July 2014 |
| (c) Amendments to FRS 16 <i>Property, Plant and Equipment</i> and FRS 38 <i>Intangible Assets</i> | 1 July 2014 |
| (d) Amendments to FRS 24 <i>Related Party Disclosures</i> | 1 July 2014 |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

| <i>Description</i> | <i>Effective for annual periods beginning on or after</i> |
|---|---|
| Improvements to FRSs (February 2014) | |
| (a) Amendments to FRS 103 <i>Business Combinations</i> | 1 July 2014 |
| (b) Amendments to FRS 113 <i>Fair Value Measurement</i> | 1 July 2014 |
| FRS 114 <i>Regulatory Deferral Accounts</i> | 1 January 2016 |
| Amendments to FRS 27 <i>Equity Method in Separate Financial Statements</i> | 1 January 2016 |
| Amendments to FRS 16 and FRS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> | 1 January 2016 |
| Amendments to FRS 110 and FRS 28 <i>Sales for Contribution of Assets between an Investor and its Associate or Joint Venture</i> | 1 January 2016 |
| Improvements to FRSs (November 2014) | |
| (a) Amendments to FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i> | 1 January 2016 |
| Amendments to FRS 107 <i>Financial Instruments: Disclosures</i> | 1 January 2016 |
| (c) Amendments to FRS 19 <i>Employee Benefits</i> | 1 January 2016 |
| (d) Amendments to FRS 34 <i>Interim Financial Reporting</i> | 1 January 2016 |
| FRS 109 <i>Financial Instruments</i> | 1 January 2016 |
| Amendments to FRS 110, FRS 112 and FRS 28 <i>Investment Entity: Applying the Consolidation Exception</i> | 1 January 2016 |
| FRS 115 <i>Revenue from Contracts with Customers</i> | 1 January 2017 |
| Amendments to FRS 1 <i>Disclosure Initiative</i> | 1 January 2018 |
| FRS 109 <i>Financial Instruments</i> | 1 January 2018 |

Except for FRS 115, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 are described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations (cont'd)*

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

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

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

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combinations*

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

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

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

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

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) *Business combinations (cont'd)*

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.11(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations involving entities under common control

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.
- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

2.5 Transactions with non-controlling interests

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

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

2. Summary of significant accounting policies (cont'd)

2.6 Foreign currency

(a) *Transactions and balances*

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

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

(b) *Consolidated financial statements*

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

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

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

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

Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

Freehold land had unlimited useful life and therefore it is not depreciated.

Depreciation is calculated on the straight-line method to write off the cost of property, plant and equipment over their estimated useful lives at the following annual rates:-

| | | |
|--|---|-----------|
| Leasehold land | - | 2% |
| Buildings | - | 2% |
| Leasehold improvement | - | 10% - 20% |
| Plant, machinery and equipment | - | 10% - 25% |
| Furniture, fittings and office equipment | - | 10% - 50% |
| Renovation | - | 33 1/3% |
| Motor vehicles | - | 20% |
| Forklifts | - | 20% |

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

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

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

2.8 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earned rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, for administration purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2. Summary of significant accounting policies (cont'd)

2.9 Intangible assets

(a) *Goodwill*

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign entities on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

(b) *Other intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

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

2. Summary of significant accounting policies (cont'd)

2.9 Intangible assets (cont'd)

(b) *Other intangible assets (cont'd)*

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

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

(i) Brand

The brand was acquired in business combinations. The useful life of the brand is estimated to be indefinite because based on the current market share of the brand, management believes there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows for the Group.

(ii) Computer software

Computer software was acquired separately and is amortised on a straight line basis over its finite useful life of 3 and 10 years.

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.11 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of directors. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.11 *Associates (cont'd)*

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associate and, therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2.12 *Impairment of non-financial assets*

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

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

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

2. Summary of significant accounting policies (cont'd)

2.12 Impairment of non-financial assets (cont'd)

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

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

2.13 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.13 *Financial instruments (cont'd)*

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

Subsequent measurement (cont'd)

(ii) *Financial assets at fair value through profit or loss (cont'd)*

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

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

(ii) *Loans and receivables*

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

Derecognition

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

Regular way purchase or sale of a financial asset

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

(b) *Financial liabilities*

Initial recognition and measurement

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

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.13 *Financial instruments (cont'd)*

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

Initial recognition and measurement (cont'd)

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

Subsequent measurement

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

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

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

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

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

(ii) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

(c) *Offsetting of financial instruments*

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

2. Summary of significant accounting policies (cont'd)

2.14 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

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

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

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

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

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

(b) *Financial assets carried at cost*

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

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.15 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials and machinery parts and tools: purchase costs on a first-in first-out basis or weighted average cost basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned by using the weighted average cost basis.

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

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

2.17 *Provisions*

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

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

2.18 *Borrowing costs*

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

2. Summary of significant accounting policies (cont'd)

2.19 Employee benefits

(a) *Defined contribution plans*

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

(b) *Employee leave entitlement*

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

(c) *Retirement benefits*

Certain subsidiaries operate defined benefit pension plans which are unfunded. The costs of providing benefits under the defined benefit plans are determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense in profit or loss. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised, reduced by past service cost not yet recognised.

These companies' rights to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

2.20 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.20 *Non-current assets held for sale and discontinued operations (cont'd)*

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.21 *Leases*

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

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

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(b). Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (cont'd)

2.22 Revenue

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

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, which generally coincides with delivery of goods and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Rental income*

Rental income from operating lease is recognised on a straight-line basis over the term of the lease. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) *Rendering of services*

Revenue from rendering of services is recognised upon the performance of services.

(d) *Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

2.23 Taxes

(a) *Current income tax*

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

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

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.23 Taxes (cont'd)

(b) *Deferred tax*

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (cont'd)

2.23 Taxes (cont'd)

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

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

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

(c) *Sales tax*

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

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

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

2.24 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.25 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.

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.25 Contingencies (cont'd)

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

3. Significant accounting judgments and estimates

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

3.1 Judgments made in applying accounting policies

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

(a) *Income taxes*

The Group has exposure to income taxes in various jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amount of the Group's provision for taxation, deferred tax assets and deferred tax liabilities at the end of the reporting period were US\$3,000 (2013 : US\$327,000), US\$Nil (2013 : US\$1,391,000) and US\$Nil (2013 : US\$1,999,000) respectively.

(b) *Determination of functional currency*

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

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

3. Significant accounting judgments and estimates (cont'd)

3.2 Key sources of estimation uncertainty

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

(a) *Impairment of loans and receivables*

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period was disclosed in Note 20 to the financial statements.

(b) *Impairment of investment in subsidiaries*

The Company assesses at each reporting date whether there is an indication that the investment in subsidiaries may be impaired. Where an indication of impairment exists, recoverable value is assessed based on an estimation of the value in use of the subsidiaries. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the subsidiaries and also to choose 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 at the end of the reporting period was US\$20,397,000 (2013: US\$56,247,000).

4. Revenue

| | Group | |
|---------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Sale of goods | – | 14,404 |
| Rental income | 129 | 63 |
| | <hr/> | <hr/> |
| | 129 | 14,467 |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2014

5. Other operating income

| | Group | |
|--|----------|----------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Interest income from loans and receivables | 121 | 437 |
| Foreign exchange gain, net | 614 | 109 |
| Rebate and claim | – | 6 |
| Government subsidy | 11 | – |
| Gain on disposal of property, plant and equipment | – | 2 |
| Write back of allowance for doubtful trade receivables (Note 19) | – | 33 |
| Gain on disposal of investment in joint controlled entity | – | 3,632 |
| Others | 29 | 41 |
| | 775 | 4,260 |
| | 775 | 4,260 |

6. Finance costs

| | Group | |
|----------------------|----------|----------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Interest expense: | | |
| Revolving bank loans | – | (28) |
| Term loan | (168) | (616) |
| Bank overdraft | – | (3) |
| | (168) | (647) |
| | (168) | (647) |

7. Other income

Other income represented flood compensation received from insurer.

8. Profit before tax from continuing operations

The following items have been included in arriving at profit before tax from continuing operations:

| | Group | |
|--|----------|----------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Depreciation of property, plant and equipment | (446) | (230) |
| Depreciation of investment property | (16) | – |
| Inventories written-down, net | – | (116) |
| Loss on disposal of property, plant and equipment | – | (14) |
| Loss on disposal of investment in subsidiaries | – | (2,986) |
| Allowance for doubtful trade receivables | – | (11) |
| Directors' and officers' emoluments | (1,037) | (1,117) |
| Salaries and employees' benefits (excluding directors' and officers' emoluments) | | |
| - Wages, salaries and bonus | (347) | (1,707) |
| - Defined contribution plans | (41) | (153) |
| - Other employee benefits | (1) | (649) |
| - Retrenchment costs | (38) | – |
| Rental expense | (73) | (342) |
| Provision for warranty and rebates | – | (133) |
| | (1,037) | (1,117) |
| | (1,037) | (1,117) |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2014

9. Tax expense

| | Group | |
|---|----------|----------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Consolidated statement of comprehensive income: | | |
| Current income tax – continuing operations | | |
| - Current income taxation | 342 | 392 |
| - (Under)/over provision in respect of prior year | (5) | 4 |
| | 337 | 396 |
| Deferred income tax – continuing operations | | |
| - Origination and reversal of temporary differences | – | (14) |
| - Under provision in respect of prior year | – | (2) |
| | – | (16) |
| Income tax attributable to continuing operations | 337 | 380 |
| Income tax attributable to discontinued operation (Note 10) | 1,335 | 2,122 |
| Income tax expense recognised in profit or loss | 1,672 | 2,502 |

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate is as follows:-

| | | |
|--|---------|---------|
| (Loss)/profit before tax from continuing operations | (1,988) | 955 |
| Profit before tax from discontinued operations (Note 10) | 20,953 | 5,405 |
| Accounting profit before tax | 18,965 | 6,360 |
| Taxation at the domestic rate applicable to profit in the countries where the Group operates | 5,940 | 2,214 |
| Tax effect on non-taxable income | (4,874) | (1,022) |
| Tax effect on income received from overseas | 269 | 15 |
| Tax effect on non-deductible expenses | (86) | 1,155 |
| Utilisation of previously unrecognised deferred tax assets | 7 | – |
| Deferred tax benefits not recognised | 49 | 296 |
| Over/(under) provision in respect of prior year | (5) | 2 |
| Others | 372 | (158) |
| Income tax expense recognised in profit or loss | 1,672 | 2,502 |

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The amount of unutilised tax losses and unutilised capital allowances of certain subsidiaries which have no expiry date for which no deferred tax asset is recognised in the balance sheet are as follows :-

| | Group | |
|-------------------------------|----------|----------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Unused tax losses | – | 791 |
| Unutilised capital allowances | – | 221 |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

10. Discontinued operation and disposal group classified as held for sale

Disposal of investment in subsidiaries

On 20 March 2014, the Group entered into a sales agreement to dispose of 100% of its interest in its wholly-owned subsidiary, Borneo Technical (Thailand) Limited and Borneo Technical Co. (M) Sdn. Bhd. (collectively known as "Borneo Group") to Toyota Tsusho Corporation at a total consideration, fully settled in cash of US\$25,618,000. The disposal was completed on 28 May 2014, on which date control of Borneo Group passed to the acquirer (Note 14).

Disposal group classified as held for sale

On 29 December 2014, the Company's subsidiary company, HSG Investments Pte. Ltd. entered into a heads of agreement ("HOA") with Fordington Pte. Ltd. ("Fordington") for the sale of its entire 62.17% equity interest in Yokohama Industries Berhad and its subsidiaries ("YIB Group"). As at 31 December 2014, the assets and liabilities related to YIB have been presented in the balance sheets as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale", and its results are presented separately on profit or loss as "Profit from discontinued operation, net of tax". The disposal of YIB was subsequently completed on 16 February 2015 (Note 40).

Balance sheet disclosures

Disposal of investment in subsidiaries

The major classes of assets and liabilities of the Borneo Group as of 31 May 2014 are as follows:-

| | US\$'000 |
|---|----------------------|
| Assets: | |
| Property, plant and equipment | 2,323 |
| Intangible assets | 443 |
| Deferred tax assets | 1,479 |
| Inventories | 31,079 |
| Trade receivables | 30,671 |
| Other receivables and prepayment | 1,235 |
| Tax recoverable | 271 |
| Cash and bank balances | 10,176 |
| Assets of disposed group | <u>77,677</u> |
| Liabilities: | |
| Trade payables | (22,120) |
| Other payables and accruals | (21,106) |
| Provision for retirement benefits | (816) |
| Interests-bearing loans and borrowings | (21,847) |
| Liabilities of disposed group | <u>(65,889)</u> |
| Net assets of disposed group | 11,788 |
| Realisation of foreign currency translation reserve | (2,961) |
| | <u>8,827</u> |
| Total consideration | <u>(25,618)</u> |
| Gain on disposal | <u>16,791</u> |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2014

10. Discontinued operation and disposal group classified as held for sale (cont'd)

Balance sheet disclosures

Disposal group classified as held for sale

The major classes of assets and liabilities of YIB Group classified as held for sale and the related reserves as at 31 December are as follows:

| | US\$'000 |
|---|---------------|
| Assets: | |
| Property, plant and equipment | 25,866 |
| Intangible assets | 6,596 |
| Deferred tax assets | 1,056 |
| Inventories | 15,234 |
| Trade receivables | 9,020 |
| Other receivables | 921 |
| Tax recoverable | 368 |
| Cash and bank balances | 2,478 |
| | <hr/> |
| Assets of disposal group classified as held for sale | 61,539 |
| | <hr/> |
| Liabilities: | |
| Trade payables | (1,685) |
| Other payables and accruals | (2,693) |
| Provision for liabilities | (134) |
| Interests-bearing loans and borrowings | (15,552) |
| Provision for taxation | (232) |
| Deferred tax liabilities | (2,761) |
| | <hr/> |
| Liabilities of disposal group classified as held for sale | (23,057) |
| | <hr/> |
| Net assets directly associated with disposal group classified as held for sale | 38,481 |
| | <hr/> <hr/> |
| Reserve: | |
| Translation reserve | 1,525 |
| Premium on disposal of non-controlling interest | (313) |
| Discount on acquisition of non-controlling interest | 102 |
| | <hr/> |
| Reserve of disposal group classified as held for sale | 1,314 |
| | <hr/> <hr/> |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2014

10. Discontinued operation and disposal group classified as held for sale (cont'd)

Income Statement Disclosure

As at 31 December 2014, the result of Borneo Group and YIB Group had been presented separately on Consolidated Statement of Comprehensive income as Discontinued Operation. The comparative figures have been re-presented to report separately profit and loss items for continuing and discontinued operations.

The results of Borneo Group and YIB Group for the years ended 31 December are as follows:

| | Group | |
|---|-----------------|------------------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Revenue | 103,162 | 185,740 |
| Cost of sales | <u>(80,704)</u> | <u>(138,483)</u> |
| Gross profit | 22,458 | 47,257 |
| Other operating income | 1,762 | 1,600 |
| Selling and distribution expenses | (2,441) | (30,892) |
| Administrative expense | (16,436) | (7,446) |
| Other expenses | - | (2,986) |
| Finance costs | (1,180) | (2,126) |
| Share of loss of associate | (1) | (2) |
| Gain on disposal of subsidiaries | 16,791 | - |
| Profit before tax from discontinued operation | 20,953 | 5,405 |
| Tax expense | (1,335) | (2,122) |
| Profit from discontinued operation, net of tax | 19,618 | 3,283 |

Cash flow statement disclosures

The cash flows attributable to Borneo Group and YIB Group are as follows:-

| | Group | |
|-------------------------|--------------|--------------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Operating activities | 1,192 | 3,405 |
| Investing activities | (1,221) | 7,070 |
| Financing activities | 755 | (7,544) |
| Net cash inflows | 726 | 2,931 |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2014

| 11. Property, plant and equipment | Group | Freehold land | Leasehold land | Freehold building | Leasehold buildings | Leasehold improvement | Plant, machinery and equipment | Furniture, fittings and office equipment | Renovation | Motor vehicles | Capital in progress | Total |
|--|---------|---------------|----------------|-------------------|---------------------|-----------------------|--------------------------------|--|------------|----------------|---------------------|----------|
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Cost | | | | | | | | | | | | |
| At 1 January 2013 | 1,917 | 8,728 | 1,378 | 13,333 | 3,621 | 22,232 | 5,881 | 1,416 | 2,240 | 442 | 61,188 | |
| Additions | - | - | - | 304 | 320 | 1,632 | 706 | 92 | 397 | 354 | 3,805 | |
| Disposals | - | - | - | - | (1) | (272) | (213) | (491) | (230) | - | (1,207) | |
| Written-off | - | - | - | - | (12) | (1,063) | (44) | (98) | - | - | (1,217) | |
| Disposal of subsidiaries (Note 14) | - | - | - | - | (546) | - | (1,517) | - | (333) | - | (2,396) | |
| Reclassification | - | - | - | 51 | - | 16 | - | (21) | 21 | (67) | - | |
| Exchange difference | (131) | (635) | (98) | (795) | (259) | (1,522) | (469) | (86) | (160) | (41) | (4,196) | |
| At 31 December 2013 and 1 January 2014 | 1,786 | 8,093 | 1,280 | 12,893 | 3,123 | 21,023 | 4,344 | 812 | 1,935 | 688 | 55,977 | |
| Additions | - | - | - | 80 | 115 | 1,849 | 167 | 5 | 71 | 172 | 2,459 | |
| Disposals | - | - | - | - | - | (15) | (132) | - | (43) | - | (190) | |
| Written-off | - | - | - | (5) | (1) | (107) | (5) | - | - | - | (118) | |
| Disposal of subsidiaries (Note 10) | - | - | - | - | (832) | (946) | (2,863) | (771) | (1,681) | (9) | (7,102) | |
| Reclassification to assets of disposal group classified as held for sale (Note 10) | - | (7,555) | 61 | (12,281) | (2,258) | (20,293) | (1,437) | - | (282) | (799) | (44,844) | |
| Reclassification to investment property (Note 12) | (1,675) | - | (1,258) | - | - | - | - | - | - | - | (2,933) | |
| Exchange difference | (111) | (538) | (83) | (687) | (147) | (1,337) | (62) | 13 | 10 | (52) | (2,994) | |
| At 31 December 2014 | - | - | - | - | - | 174 | 12 | 59 | 10 | - | 255 | |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2014

| 11. Property, plant and equipment (cont'd) | Freehold land US\$'000 | Leasehold land US\$'000 | Freehold building US\$'000 | Leasehold buildings US\$'000 | Leasehold improvement US\$'000 | Plant, machinery and equipment US\$'000 | Furniture, fittings and office equipment US\$'000 | Renovation US\$'000 | Motor vehicles US\$'000 | Capital in progress US\$'000 | Total US\$'000 |
|--|------------------------|-------------------------|----------------------------|------------------------------|--------------------------------|---|---|---------------------|-------------------------|------------------------------|----------------|
| Accumulated depreciation | | | | | | | | | | | |
| At 1 January 2013 | - | 898 | 91 | 1,663 | 1,717 | 14,500 | 3,500 | 878 | 1,370 | - | 24,617 |
| Depreciation charge for the year | - | 95 | 28 | 268 | 429 | 1,530 | 805 | 127 | 369 | - | 3,651 |
| Disposals | - | - | - | - | - | (268) | (148) | (491) | (151) | - | (1,058) |
| Written-off | - | - | - | - | (3) | (1,011) | (41) | (66) | - | - | (1,121) |
| Disposal of subsidiaries (Note 14) | - | - | - | - | (369) | - | (693) | - | (192) | - | (1,254) |
| Exchange difference | - | (24) | (7) | (121) | (136) | (994) | (336) | (38) | (103) | - | (1,759) |
| At 31 December 2013 and 1 January 2014 | - | 969 | 112 | 1,810 | 1,638 | 13,757 | 3,087 | 410 | 1,293 | - | 23,076 |
| Depreciation charge for the year | - | 103 | 11 | 223 | 239 | 1,449 | 294 | 55 | 132 | - | 2,506 |
| Disposals | - | - | - | - | - | (11) | (40) | - | (135) | - | (186) |
| Written-off | - | - | - | (1) | - | (100) | (4) | - | - | - | (105) |
| Disposal of subsidiaries (Note 10) | - | - | - | - | (511) | (640) | (2,132) | (400) | (1,096) | - | (4,779) |
| Reclassification of assets of disposal group classified as held for sale (Note 10) | - | (1,042) | - | (1,908) | (1,283) | (13,394) | (1,140) | (16) | (195) | - | (18,978) |
| Reclassification to investment property (Note 12) | - | - | (113) | - | - | - | - | - | - | - | (1,133) |
| Exchange difference | - | (30) | (10) | (124) | (83) | (887) | (53) | 5 | 6 | - | (1,176) |
| At 31 December 2014 | - | - | - | - | - | 174 | 12 | 54 | 5 | - | 245 |
| Net carrying value | | | | | | | | | | | |
| At 31 December 2013 | 1,786 | 7,124 | 1,168 | 11,083 | 1,485 | 7,266 | 1,257 | 402 | 642 | 688 | 32,901 |
| At 31 December 2014 | - | - | - | - | - | - | - | 5 | 5 | - | 10 |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2014

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

| Company | Plant, machinery and equipment US\$'000 | Renovation US\$'000 | Motor vehicles US\$'000 | Total US\$'000 |
|---|---|------------------------|-------------------------------|-------------------|
| Cost | | | | |
| At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014 | - | - | 2 | 2 |
| Accumulated depreciation | | | | |
| At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014 | - | - | 2 | 2 |
| Net book value | | | | |
| At 31 December 2013 and 2014 | - | - | - | - |

Assets held under finance leases

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of US\$2,459,000 (2013: US\$3,805,000) of which US\$1,191,000 (2013: US\$486,000) was acquired by means of finance leases. Cash outflow on acquisition of property, plant and equipment amounted to US\$1,268,000 (2013: US\$3,319,000).

The carrying amount of property, plant and equipment held under finance leases at the end of the reporting period was US\$Nil (2013: US\$1,930,000).

Leased assets are pledged as security for the related finance lease.

Assets pledged as security

The Group's freehold land, buildings and plant, machinery and equipment with a carrying amount of US\$Nil (2013: US\$24,657,000) are mortgaged to secure the Group's interest-bearing loans and borrowings (Note 27).

Other disclosures

As of 31 December 2013, the net carrying value of temporary idle equipment of the Group amounted to US\$89,206 (equivalent to RM292,863). There is no temporary idle equipment in current financial year.

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2014

12. Investment property

| | Group | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Cost | | |
| At 1 January | – | – |
| Reclassification from property, plant and equipment (Note 11) | 2,933 | – |
| At 31 December | 2,933 | – |
| Accumulated depreciation | | |
| At 1 January | – | – |
| Reclassification from property, plant and equipment (Note 11) | 113 | – |
| Depreciation charge for the year | 16 | – |
| At 31 December | 129 | – |
| Net carrying amount | | |
| At 31 December | 2,804 | – |

The Group's investment property is mortgaged to secure the Group's interest-bearing loans and borrowings (Note 27).

The investment properties are stated at cost less accumulated depreciation. The fair value of the investment property held by the Group is approximately US\$4,857,000 based on valuation performed by a registered independent external valuer in 2014, of which the fair value was arrived at by reference to market evidence of transacted prices for similar properties.

| | 2014 US\$'000 | 2013 US\$'000 |
|---|------------------|------------------|
| Consolidated statement of comprehensive income: | | |
| Rental income from investment properties: | | |
| - Minimum lease payments | 253 | – |
| Direct operating expenses (including repairs and maintenance) arising from: | | |
| - Quit rent | 17 | 18 |
| - Insurance | 11 | 11 |
| - Repair and maintenance | 1 | 1 |

13. Intangible assets

| Group | Computer software US\$'000 | Brand US\$'000 | Total US\$'000 |
|---|----------------------------------|-------------------|-------------------|
| | Cost | | |
| At 1 January 2013 | 943 | 6,596 | 7,539 |
| Additions | 39 | – | 39 |
| Disposal | (24) | – | (24) |
| Disposal of subsidiaries (Note 14) | (248) | – | (248) |
| Exchange difference | (49) | – | (49) |
| At 31 December 2013 and 1 January 2014 | 661 | 6,596 | 7,257 |
| Disposal of subsidiaries (Note 10) | (664) | – | (664) |
| Attributable to discontinued operations (Note 10) | – | (6,596) | (6,596) |
| Exchange difference | 3 | – | 3 |
| At 31 December 2014 | – | – | – |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2014

13. Intangible assets (cont'd)

| Group | Computer software | Brand | Total |
|--|-------------------|----------|----------|
| | US\$'000 | US\$'000 | US\$'000 |
| Accumulated amortisation and impairment | | | |
| At 1 January 2013 | 222 | – | 222 |
| Amortisation charge for the year | 85 | – | 85 |
| Disposal | (2) | – | (2) |
| Disposal of subsidiaries (Note 14) | (93) | – | (93) |
| Exchange difference | (16) | – | (16) |
| At 31 December 2013 and 1 January 2014 | 196 | – | 196 |
| Amortisation charge for the year | 23 | – | 23 |
| Disposal of subsidiaries (Note 10) | (221) | – | (221) |
| Exchange difference | 2 | – | 2 |
| At 31 December 2014 | – | – | – |
| Net carrying amount | | | |
| At 31 December 2013 | 465 | 6,596 | 7,061 |
| At 31 December 2014 | – | – | – |

Brand

Brand relates to the “Yokohama” (acquired in 2010) brand name for the Group’s specialised battery that was acquired in a business combination. As explained in Note 2.9(b), the useful life of the brand is estimated to be indefinite.

On 29 December 2014, the Group’s subsidiary company, HSG Investments Pte. Ltd. has entered into a head of agreements (“HOA”) to sell its entire interest in YIB and the disposal was completed on 16 February 2015. As at 31 December 2014, the Brand of which related to YIB have been reclassified as assets of disposal group held for sale (Note 10).

14. Investment in subsidiaries

| | Company | |
|--------------------------------|-----------|-----------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Shares, at cost | 182,344 | 182,344 |
| Less: Impairment loss | (172,084) | (137,352) |
| Exchange differences | 10,137 | 11,255 |
| Carrying amount of investments | 20,397 | 56,247 |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

14. Investment in subsidiaries (cont'd)

The subsidiaries as at 31 December are:-

| Name of Company (Country of incorporation) | Principal activities (Place of business) | Proportion of ownership interest | |
|---|---|--|-----------|
| | | 2014 % | 2013 % |
| <i>Held by the Company</i> | | | |
| # Hup Soon Global Pte. Ltd. (Singapore) | Investment holding (Singapore) | 100 | 100 |
| @ Borid Energy Investment Holdings Pte. Ltd. ⁽⁵⁾ (Singapore) | Dormant | – | 100 |
| # HSG Holdings Pte. Ltd. (Singapore) | Investment holding (Singapore) | 100 | 100 |
| # United Motor Works International Pte. Ltd. (Singapore) | Investment holding (Singapore) | 100 | 100 |
| # HSG Management Services Pte Ltd (Singapore) | Provides management services (Singapore) | 100 | 100 |
| # HSG Investments Pte.Ltd. (Singapore) | Investment holding (Singapore) | 100 | 100 |
| * Hup Soon Global (M) Sdn. Bhd. (Malaysia) | Investment holding (Malaysia) | 100 | 100 |
| <i>Held through subsidiaries</i> | | | |
| <i>Held by Hup Soon Global Pte. Ltd.</i> | | | |
| Borneo Technical (S) Pte. Ltd. ⁽⁵⁾ (Singapore) | Dormant | – | 100 |
| * Borneo Technical (Thailand) Limited ⁽¹⁾ (Thailand) | Marketing and distribution of industrial products and automotive parts (Thailand) | – | 100 |
| * Factory Products Centre (Thailand) Limited (Thailand) | Dormant | 100 | 100 |
| * Borneo Technical Co. (M) Sdn. Bhd. (Malaysia) ⁽¹⁾ | Marketing and distribution of automotive replacement parts and industrial supplies (Malaysia) | – | 100 |
| * Kwikpart Sdn. Bhd. (Malaysia) | Dormant | 100 | 100 |
| * BatteryPro (M) Sdn. Bhd. (Malaysia) | Retail and service centre for batteries, automotive replacement parts and battery-related products and applications | 100 | 100 |
| <i>Held by HSG Investments Pte Ltd</i> | | | |
| * Yokohama Industries Berhad (Malaysia) ⁽²⁾ | Investment holding (Malaysia) | 62.17 | 61.88 |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2014

14. Investment in subsidiaries (cont'd)

| Name of Company (Country of incorporation) | Principal activities (Place of business) | Proportion of ownership interest | |
|--|---|----------------------------------|-----------|
| | | 2014 % | 2013 % |
| <u>Held through subsidiaries (cont'd)</u> | | | |
| <i>Held by HSG Holdings Pte. Ltd.</i> | | | |
| * MIND Electric (M) Sdn Bhd (Malaysia) | Dormant | 100 | 100 |
| # HSG Ventures (Australia) Pte Ltd (Singapore) | Investment holding (Singapore) | 100 | 100 |
| @ Anglo-Thai Corp (BVI) Limited (British Virgin Islands) ⁽⁴⁾ | Dormant | 100 | 100 |
| @ The Borneo Co (BVI) Limited (British Virgin Islands) ⁽⁴⁾ | Dormant | 100 | 100 |
| <i>Held by The Borneo Co (BVI) Limited</i> | | | |
| @ Anglo-Thai Corporation (United Kingdom) ⁽⁵⁾ | Dormant | – | 99.98 |
| @ The Borneo Company (United Kingdom) ⁽⁵⁾ | Dormant | – | 99.90 |
| <i>Held by Anglo-Thai Corp (BVI) Limited</i> | | | |
| @ Anglo-Thai Corporation (United Kingdom) ⁽⁵⁾ | Dormant | – | 0.02 |
| @ The Borneo Company (United Kingdom) ⁽⁵⁾ | Dormant | – | 0.10 |
| <i>Held by Yokohama Industries Berhad</i> | | | |
| #Yoko Borid Energy Holdings Pte. Ltd. (Singapore) | Investment holding (Singapore) | 100 | 100 |
| * Yokohama Batteries Sdn. Bhd. (Malaysia) | Manufacturing and marketing of batteries (Malaysia) | 100 | 100 |
| * Yokohama Holdings Sdn. Bhd. (Malaysia) | Investment holding (Malaysia) | 100 | 100 |
| * Yokolube Sdn. Bhd. (Malaysia) | Dormant | 100 | 100 |
| * Tai Kwong Battery (Ipoh) Sdn. Bhd. ⁽⁵⁾ (Malaysia) | Dormant | – | 100 |
| * Tai Kwong Battery (JB) Sdn. Bhd. (Malaysia) ⁽⁵⁾ | Dormant | – | 50 |
| * Tai Kwong Battery (Penang) Sdn. Bhd. (Malaysia) | Dormant | 20 | 20 |
| * Yokohama Ventures Sdn. Bhd. ⁽³⁾ (Malaysia) | Investment holding (Malaysia) | 100 | 100 |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2014

14. Investment in subsidiaries (cont'd)

| Name of Company (Country of incorporation) | Principal activities (Place of business) | Proportion of ownership interest | |
|---|--|--|-----------|
| | | 2014 % | 2013 % |
| <u>Held through subsidiaries(cont'd)</u> | | | |
| <i>Held by Yokohama Industries Berhad (cont'd)</i> | | | |
| * Yokohama Management Services Sdn. Bhd. (Malaysia) | Investment holding (Malaysia) | 100 | 100 |
| * Ikatan Intan Sdn. Bhd. (Malaysia) | Investment holding (Malaysia) | 100 | 100 |
| * Yokohama Reclamation Sdn. Bhd. (Malaysia) | Material recovery in production and trading of secondary lead and plastic reclamation from scrap batteries and other related rejects. (Malaysia) | 100 | 100 |
| <i>Held by Yokohama Holdings Sdn. Bhd.</i> | | | |
| * Tai Kwong Battery (JB) Sdn. Bhd. ⁽⁵⁾ (Malaysia) | Dormant | – | 50 |
| * Tai Kwong Battery (Penang) Sdn. Bhd. (Malaysia) | Dormant | 80 | 80 |
| * Yokohama Trading Sdn. Bhd. (Malaysia) | Marketing and trading of batteries and related products (Malaysia) | 100 | 100 |
| * Tai Kwong-Yokohama Battery (Sabah) Sdn. Bhd. (Malaysia) | Dormant | 100 | 100 |
| * Tai Kwong-Yokohama Battery (Tawau) Sdn. Bhd. (Malaysia) | Dormant | 100 | 100 |
| * Tai Kwong Yokohama Battery (Melaka) Sdn. Bhd. (Malaysia) | Dormant | 100 | 100 |
| <i>Held by Yokohama Batteries Sdn. Bhd.</i> | | | |
| Orient Batteries Sdn. Bhd. ⁽⁴⁾ (Malaysia) | Dormant | 100 | 100 |
| <i>Held by Ikatan Intan Sdn. Bhd.</i> | | | |
| * Jendela Wira Sdn. Bhd. (Malaysia) | Transportation services (Malaysia) | 100 | 100 |
| <i>Held by Jendela Wira Sdn. Bhd.</i> | | | |
| * Syarikat ZHK Sdn. Bhd. (Malaysia) | Transportation services (Malaysia) | 100 | 100 |
| <i>Held by Yokohama Management Services Sdn. Bhd.</i> | | | |
| * Yokohama Technical Services Sdn. Bhd. (Malaysia) | Dormant | 100 | 100 |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

14. Investment in subsidiaries (cont'd)

| Name of Company (Country of incorporation) | Principal activities (Place of business) | Proportion of ownership interest | |
|--|---|--|-----------|
| | | 2014 % | 2013 % |
| <u>Held through subsidiaries(cont'd)</u> | | | |
| <i>Held by Yokohama Ventures Sdn. Bhd.</i> | | | |
| * Yoko Bolder (M) Sdn. Bhd. (Malaysia) | Development, manufacturing, distribution and trading of Thin Metal Film lead acid batteries and related batteries products (Malaysia) | 70 | 70 |
| <i>Held by Yokohama Borid Energy Holdings Pte. Ltd.</i> | | | |
| * Yoko Borid Energy (M) Sdn. Bhd. (Malaysia) | Charging batteries, marketing and distribution of batteries and technical products (Malaysia) | 100 | 100 |
| * Yoko Borid Technologies (M) Sdn. Bhd. (Malaysia) | Dormant | 100 | 100 |
| * Yoko Borid Electrics Sdn. Bhd. (Malaysia) | Dormant | 100 | 100 |

Audited by Ernst & Young LLP, Singapore.

* Audited by a member firm of Ernst & Young Global.

@ Not required to be audited in the country of incorporation.

(1) On 20 March 2014, the Company entered into a sale and purchase agreement to dispose its entire stake in its subsidiaries, Borneo Technical Co. (M) Sdn Bhd ("BTM") and Borneo Technical (Thailand) Limited ("BTL"), to Toyota Tsusho Corporation for a consideration of US\$25,618,000. The disposal was completed on 28 May 2014, with a profit on disposal amounting to US\$17,181,000.

(2) On 29 December 2014, HSG Investments Pte. Ltd. had entered into a Heads of Agreement (HOA) with Fordington Pte. Ltd., on the unconditional take-over of Yokohama Industries Berhad and its subsidiaries. The takeover was completed on 16 February 2015.

(3) On 13 May 2011, Yokohama Ventures Sdn. Bhd. ("YVSB") entered into a Call Option Agreement ("Agreement") with Mehran Cycle, wherein Mehran Yokohama Batteries (Pvt.) Limited in Pakistan. Mehran Yokohama Batteries (Pvt.) Limited is a setup entity in Pakistan with its principal activity being manufacturing and trading of automotive batteries and has yet to commence commercial production at the reporting date. The option had expired in the last financial year.

(4) In the process of winding up

(5) Have wound up in current financial year

Impairment testing of investment in a subsidiary

Management performed an impairment test for investment in Hup Soon Global Pte Ltd ("HSGPL") as at 31 December 2014. An impairment loss of US\$34,732,000 (2013: US\$7,600,000) was recognised for the year ended 31 December 2014 to write down this subsidiary to its recoverable amount. The recoverable amount of investment in HSGPL has been determined based on a value in use calculation of an associate of HSGPL, using cash flow projections based on financial budgets approved by management covering a three-year (2013: three-year) period. The pre-tax discount rate of the associate applied to the cash flow projections is 11.8% (2013: 11.9%). The growth rate used to extrapolate the cash flows beyond the three-year period is 0% (2013: 0%).

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

14. Investment in subsidiaries (cont'd)

Disposal of a subsidiary

On 20 March 2014, the Group entered into a sales agreement to dispose of 100% of its interest in its wholly-owned subsidiary, Borneo Technical (Thailand) Limited and Borneo Technical Co. (M) Sdn. Bhd. (collectively known as "Borneo Group") to Toyota Tsusho Corporation at a total consideration, fully settled in cash of US\$25,618,000. The disposal was completed on 28 May 2014, on which date control of Borneo Group passed to the acquirer. Accordingly the assets and liabilities of Borneo group have been deconsolidated with effect from that date (Note 10).

In 2013, the Group's subsidiary, Borneo Technical (Thailand) Limited disposed of its 70% equity interest in Anglo-Thai Company Limited and Anglo-Thai Tractors Limited (collectively known as "Anglo-Thai Group") for a cash consideration of US\$6,091,000 (equivalent to THB 199,298,000). The remaining 30% equity interest to United Motor Works International Pte Ltd for a total consideration amounting to US\$2,780,000 (equivalent to THB 90,946,000) (Note 15).

The carrying amounts of the identifiable assets and liabilities of Anglo-Thai Group as at the date of disposal were:

| | US\$'000 |
|---|-------------|
| Property, plant and equipment | 1,142 |
| Intangible assets | 166 |
| Inventories | 15,153 |
| Trade receivables | 7,156 |
| Other receivables and prepayment | 1,165 |
| Cash and bank balances | 311 |
| Deferred tax assets | 408 |
| Trade payables | (1,507) |
| Other payables and accruals | (933) |
| Provision for taxation | (4) |
| Provision for retirement benefits | (421) |
| Interests-bearing loans and borrowings | (11,109) |
| | <hr/> |
| Total net identifiable liabilities disposed | 11,527 |
| Translation reserve released upon disposal of a subsidiary | (2,450) |
| Loss on disposal of a subsidiary (Note 8) | (2,986) |
| | <hr/> |
| Total consideration | 6,091 |
| | <hr/> |
| <u>Effect of disposal of Anglo-Thai Group on cash flows</u> | |
| Total consideration | 6,091 |
| Less: Cash and bank balances | (311) |
| | <hr/> |
| Net cash inflow on disposal | 5,780 |
| | <hr/> <hr/> |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

14. Investment in subsidiaries (cont'd)

Acquisition of non-controlling interests

On 16 October 2013, the Group's subsidiary company, HSG Investments Pte Ltd ("HSGI"), acquired an additional 0.46% equity interest in Yokohama Industries Berhad, from its non-controlling interest for a cash consideration of S\$177,700 (equivalent to US\$141,000). As a result of the acquisition, the Group's equity interest in YIB had increased to 61.88% as at 31 December 2013.

The following summarises the effect of the change in the Group's ownership interest in YIB on the equity attributable to owners of the parents:

| | 2013 US\$'000 |
|---|-------------------------|
| Consideration paid for acquisition of non-controlling interests | 141 |
| Decrease in equity attributable to non-controlling interests | (192) |
| Increase in equity attributable to owners of the parent | (51) |

Purchase of treasury shares

During the financial year, the Group's subsidiary, Yokohama Industries Berhad ("YIB"), bought back 397,900 ordinary shares for a cash consideration of approximately RM481,000 (equivalent to approximately US\$147,000). These shares are treated as treasury shares of YIB. Arising from this transaction, the Group is deemed to have acquired an additional 0.29% equity interest in YIB resulting in the Group's equity interest in YIB increasing from approximately 61.88% to 62.17%. The difference of US\$32,000 between the consideration and the carrying value of the additional interest acquired had been recognised as "Discount on acquisition of non-controlling interests" within equity.

15. Investment in associates

| | Group | |
|------------------------------------|-------------------------|-------------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Shares, at cost | 4,625 | 4,660 |
| Share of post-acquisition reserves | 5,252 | 4,287 |
| Exchange differences | 1,113 | 380 |
| Carrying amount of investments | 10,990 | 9,327 |

The share of post-acquisition reserves includes negative goodwill of US\$2,208,000 (2013: US\$2,208,000).

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
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15. Investment in associates (cont'd)

The associates as at 31 December are:-

| Name of Company (Country of incorporation) | Principal activities (Place of business) | Proportion of ownership interest | |
|--|---|--|-----------|
| | | 2014 % | 2013 % |
| <i>Held through subsidiaries</i> | | | |
| <i>Held by United Motor Works International Pte. Ltd.</i> | | | |
| Anglo-Thai Company Limited **(Thailand) | Marketing and distribution of tractors and marketing of automatic transmissions (Thailand) | 30 | 30 |
| * Capricorn Holdings Limited (Thailand) | Investment holding (Thailand) | 49 | - |
| <i>Held by Hup Soon Global Pte. Ltd.</i> | | % | % |
| * Capricorn Holdings Limited (Thailand) | Investment holding (Thailand) | - | 49 |
| <i>Held by Yokohama Ventures Sdn. Bhd.</i> | | | |
| ** Lambaian Cekal Sdn. Bhd. (Malaysia) | Dormant | 40 | 40 |
| ** Jauhari Hati Sdn. Bhd. (Malaysia) | Dormant | 40 | 40 |
| ** Dermaga Asli Sdn. Bhd. (Malaysia) | Dormant | 30 | 30 |

* Audited by member firms of Ernst & Young Global

** Audited by other firms other than member firms of Ernst & Young Global

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group is as follows:-

| | 2014 US\$'000 | 2013 US\$'000 |
|---------------------------------|------------------|------------------|
| Assets and liabilities : | | |
| Current assets | 38,227 | 13,170 |
| Non-current assets | 17,065 | 17,191 |
| Total assets | 55,292 | 30,361 |
| Current liabilities | 26,701 | 12,682 |
| Non-current liabilities | 1,919 | 3,532 |
| Total liabilities | 28,620 | 16,214 |
| Results : | | |
| Revenue | 33,250 | 22,958 |
| Profit for the year | 649 | 1,878 |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
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16. Investment in jointly controlled entities

| | Group | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Shares, at cost | – | 1,737 |
| Share of post-acquisition reserves | – | 2,515 |
| Exchange differences | – | (229) |
| Disposal of investment in jointly controlled entities | – | (4,023) |
| Carrying amount of investments | – | – |

The jointly controlled entities as at 31 December is:-

| Name of Company (Country of incorporation) | Principal activities (Place of business) | Proportion of ownership interest | |
|--|---|--|-----------|
| | | 2014 % | 2013 % |
| <u>Held through subsidiaries</u> | | | |
| <i>Held by HSG Ventures (Australia) Pte. Ltd.</i> | | | |
| @ Total Battery Solutions Pty Ltd (Australia) | Dormant | 50 | 50 |

@ Not required to be audited in the country of incorporation.

17. Deferred tax assets/(liabilities)

Deferred tax as at 31 December relates to the following:

| | Group | | | |
|---------------------------------------|------------------|------------------|------------------|------------------|
| | Balance sheet | | Income statement | |
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Deferred tax assets: | | | | |
| Allowance for slow-moving inventories | – | 182 | – | (12) |
| Allowance for doubtful debts | – | 47 | – | (8) |
| Provision for retirement benefits | – | 126 | – | 13 |
| Provision for liabilities | – | 1,145 | – | (13) |
| Provision for unrealised profits | – | 3 | – | (68) |
| Property, plant and equipment | – | (128) | – | – |
| Unused tax losses | – | 5 | – | (10) |
| Other items | – | 11 | – | (5) |
| | – | 1,391 | | |
| Deferred tax liabilities: | | | | |
| Property, plant and equipment | – | (1,954) | – | 95 |
| Provision for liabilities | – | 123 | – | 15 |
| Other items | – | (168) | – | (17) |
| | – | (1,999) | | |
| Exchange difference | | | – | (2) |
| Deferred tax expense (Note 9) | | | – | (12) |

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
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18. Inventories

| | Group | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Balance sheet | | |
| Raw materials (at cost) | – | 3,457 |
| Finished goods | | |
| At cost | – | 38,299 |
| At net realisable value | – | 342 |
| Work-in-progress (at cost) | – | 5,407 |
| Consumables (at cost) | – | 120 |
| Goods in transit (at cost) | – | 818 |
| Total inventories at lower of cost and net realisable value | – | 48,443 |
| Income statement | | |
| Inventories recognised as an expense in cost of sales | – | 12,267 |
| Inclusive of the following charge : | | |
| - Inventories written-down | – | 122 |
| - Reversal of inventories written-down | – | (6) |

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts.

19. Trade receivables

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| External parties | 125 | 29,185 | – | – |
| Less: Allowance for doubtful debts | (125) | (940) | – | – |
| Total trade receivables | – | 28,245 | – | – |
| Add: | | | | |
| Other receivables (Note 20) | 3,069 | 340 | 3 | – |
| Amount due from related companies (Note 22) | – | – | 12,239 | 9,817 |
| Loan to an associate (Note 21) | 991 | 1,447 | – | – |
| Cash and cash equivalent (Note 23) | 3,728 | 8,282 | 2,721 | 126 |
| Total loans and receivables | 7,788 | 38,314 | 14,963 | 9,943 |

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to US\$Nil (2013: US\$1,819,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

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19. Trade receivables (cont'd)

Receivables that are past due but not impaired (cont'd)

| | Group | |
|------------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Trade receivables past due : | | |
| Lesser than 30 days | – | 1,199 |
| 30 to 60 days | – | 339 |
| More than 60 days | – | 281 |
| | – | 1,819 |
| | – | 1,819 |

Receivables that are impaired

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

| | Group | | | |
|-------------------------------------|-----------------------|------------------|-----------------------|------------------|
| | Collectively impaired | | Individually impaired | |
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Trade receivables – nominal amounts | – | 153 | 125 | 787 |
| Less: Allowance for doubtful debts | – | (153) | (125) | (787) |
| | – | – | – | – |
| | – | – | – | – |
| Movement in allowance accounts: | | | | |
| At 1 January | (153) | (170) | (787) | (1,202) |
| Disposal of a subsidiary | 154 | 11 | 678 | 167 |
| Charge for the year | – | (270) | – | (367) |
| Write back | – | 198 | (27) | 92 |
| Written off | 52 | 67 | 6 | 461 |
| Exchange differences | (1) | 11 | 5 | 62 |
| | – | (153) | (125) | (787) |
| At 31 December | – | (153) | (125) | (787) |

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

Trade receivables denominated in foreign currencies as at 31 December are as follows:-

| | Group | |
|-------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Malaysian Ringgit | – | 14,614 |
| Thai Baht | – | 13,403 |
| US Dollar | – | 202 |
| Singapore Dollar | – | 26 |
| | – | 28,245 |
| | – | 28,245 |

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20. Other receivables

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Sundry receivables | 3,069 | 348 | 3 | – |
| Less: Allowance for doubtful debts | – | (8) | – | – |
| | 3,069 | 340 | 3 | – |
| Rebate and claims receivable from suppliers | – | 180 | – | – |
| Deposits | 30 | 487 | – | – |
| | 3,099 | 1,007 | 3 | – |

In 2013, included in sundry receivables are sale proceeds from disposal of property, plant and equipment of US\$118,000.

In 2014, included in the sundry receivables are sale proceeds from disposal of Borneo Group held in Escrow account of US\$3,056,000.

Sundry receivables that are impaired

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

| | Group Individually impaired | |
|--------------------------------------|--------------------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Sundry receivables – nominal amounts | – | 8 |
| Less: Allowance for doubtful debts | – | (8) |
| | – | – |
| Movement in allowance accounts: | | |
| At 1 January | (8) | (27) |
| Charge for the year (Note 8) | – | (3) |
| Written off | – | 21 |
| Disposal of subsidiaries | 9 | – |
| Exchange difference | (1) | 1 |
| At 31 December | – | (8) |

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

21. Loan to an associate

Loan to an associate denominated in Thai Baht bears interest at the Company's cost of funds of 7.00% (2013: 7.20%) per annum and is repayable on demand. This loan is secured by a pledge of associate's rights, titles and interests in shares of United Motor Works (Siam) Public Co Ltd.

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22. Amounts due from/(to) related companies

| | Group | | Company | |
|-------------------------------------|--------------|-------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Amounts due from related companies: | | | | |
| Subsidiaries | – | – | 12,209 | 9,817 |
| Associate | – | – | 15 | – |
| | – | – | 12,224 | 9,817 |
| Amounts due to related companies: | | | | |
| Subsidiaries | – | – | (1,077) | – |
| Associate | – | (4) | – | – |
| | – | (4) | (1,077) | – |

Amounts due from subsidiaries are non-trade in nature, unsecured, repayable on demand and are to be settled in cash. These amounts are non-interest bearing except for US\$1,089,000 (2013: US\$1,092,000) due from a subsidiary which bears interest at 5% (2013: 5%) per annum.

Amount due from an associate is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is to be settled in cash.

The currency profile of amounts due from/(to) related companies are as follows :-

| | Group | | Company | |
|------------------|--------------|-------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Singapore Dollar | – | – | 11,147 | 9,817 |
| Thai Baht | – | (4) | – | – |
| | – | (4) | 11,147 | 9,817 |

23. Cash and short-term deposits

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day to 12 months (2013 : one day to 12 months) depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates.

The currency profile of cash and short-term deposits are as follows:-

| | Group | | Company | |
|-------------------|--------------|-------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Malaysian Ringgit | 313 | 4,375 | – | – |
| Thai Baht | 87 | 1,962 | – | – |
| Singapore Dollar | 3,267 | 741 | 2,714 | 119 |
| US Dollar | 61 | 1,204 | 7 | 7 |
| | 3,728 | 8,282 | 2,721 | 126 |

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Notes to the financial statements
For the financial year ended 31 December 2014

23. Cash and short-term deposits (cont'd)

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following as at 31 December:-

| | Group | |
|------------------------------------|----------|----------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Cash and bank balances | | |
| - Continuing operations | 3,728 | 8,282 |
| - Discontinued operation (Note 10) | 2,478 | - |
| | 6,206 | 8,282 |
| Less: Short-term deposits pledged | - | - |
| Cash and cash equivalents | 6,206 | 8,282 |

24. Trade payables

| | Group | | Company | |
|---|----------|----------|----------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Trade payables | - | 15,892 | - | - |
| Add: | | | | |
| Other payables and accruals (Note 25) | 855 | 8,576 | 50 | 65 |
| Amount due to related companies (Note 22) | - | 4 | 1,077 | - |
| Interest-bearing loans and borrowings (Note 27) | 2,192 | 41,097 | 261 | 396 |
| | 3,047 | 65,569 | 1,388 | 461 |

Trade payables are non-interest bearing. These amounts are normally settled on 60 to 120 days' terms.

The currency profile of trade payables are as follows:-

| | Group | |
|-------------------|----------|----------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Malaysian Ringgit | - | 3,537 |
| Thai Baht | - | 9,833 |
| US Dollar | - | 2,450 |
| Others | - | 72 |
| | - | 15,892 |

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For the financial year ended 31 December 2014

25. Other payables and accruals

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Accruals | 355 | 6,709 | 49 | 63 |
| Deposits from customers | – | 38 | – | – |
| Sundry payables | 500 | 1,844 | 1 | 2 |
| Fair value of forward currency contract (Note 35) | – | (15) | – | – |
| | 855 | 8,576 | 50 | 65 |

26. Provision for liabilities

| | Warranty US\$'000 | Rebate US\$'000 | Total US\$'000 |
|--|----------------------|--------------------|-------------------|
| Group | | | |
| At 1 January 2013 | 1,868 | 620 | 2,488 |
| Charge to profit or loss | 2,684 | 3,239 | 5,923 |
| Utilised during the year | (2,548) | (3,249) | (5,797) |
| Deconsolidation of subsidiaries | (2) | – | (2) |
| Exchange difference | (131) | (42) | (173) |
| At 31 December 2013 and at 1 January 2014 | 1,871 | 568 | 2,439 |
| Charge to profit or loss | 256 | – | 256 |
| Utilised during the year | (429) | – | (429) |
| Disposal of subsidiaries | (1,565) | (571) | (2,136) |
| Reclassification of liabilities classified as held for sale | (134) | – | (134) |
| Exchange difference | 1 | 3 | 4 |
| At 31 December 2014 | – | – | – |

Warranty

The Group provides warranty on certain goods sold to customers and undertakes to repair or replace items that fail to perform satisfactorily. A provision has been recognised at the financial year end for expected warranty claims based on past experience of repairs and returns.

Rebate

The Group provides rebates to dealers in the form of discounts to improve sales of certain products. Provision is based on 0.5% to 10.5% of sales of qualifying products generated during the financial year.

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27. Interest-bearing loans and borrowings

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| <u>Floating rate</u> | | | | |
| Banker's acceptance | – | 11,554 | – | – |
| Revolving loans | – | 6,987 | 261 | 396 |
| Term loans | 1,930 | 21,333 | – | – |
| | 1,930 | 39,874 | 261 | 396 |
| <u>Fixed rate</u> | | | | |
| Obligations under finance leases (Note 31) | 262 | 1,223 | – | – |
| | 2,192 | 41,097 | 261 | 396 |
| Less: | | | | |
| Term loans (non-current) | (1,862) | (5,784) | – | – |
| Obligations under finance leases (non-current) (Note 31) | (1) | (708) | – | – |
| Interest-bearing loans and borrowings (non-current) | (1,863) | (6,492) | – | – |
| Interest-bearing loans and borrowings (current) | 329 | 34,605 | 261 | 396 |

The interest-bearing loans and borrowings are for working capital purposes except for the term loans and obligations under finance leases which are for the purchase of property, plant and equipment and acquisition of additional equity interest in a subsidiary, Yokohama Industries Berhad ("YIB"). During the year, loan for acquisition of YIB has been fully repaid.

Interest-bearing loans and borrowings in 2013 amounted to US\$778,000 were secured by leased assets with net carrying values of US\$1,930,000 (Note 11). Interest-bearing loans and borrowings of US\$1,930,000 (2013: US\$3,601,000) are secured by way of a legal mortgage on subsidiaries' investment property and property, plant and equipment net carrying values of approximately US\$2,804,000 (2013: US\$24,657,000) (Note 12).

The non-current portion of the obligation under finance leases are due later than 1 year but not later than 5 years.

The non-current portion of term loans are due later than 1 year but not later than 5 years except for a term loan amounting to US\$1,556,000 (2013: US\$1,956,000) which is due later than 5 years.

The currency profile of interest-bearing loans and borrowings are as follows:-

| | Group | | Company | |
|-------------------|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Malaysian Ringgit | 1,931 | 21,073 | – | – |
| Thai Baht | – | 17,556 | – | – |
| Singapore Dollar | 261 | 396 | 261 | 396 |
| US Dollar | – | 2,072 | – | – |
| | 2,192 | 41,097 | 261 | 396 |

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27. Interest-bearing loans and borrowings (cont'd)

The weighted average effective interest rates at the end of the reporting period for borrowings, excluding obligations under finance leases were as follows :-

| | Group | |
|---------------------|-------|------|
| | 2014 | 2013 |
| | % | % |
| Banker's acceptance | – | 4.02 |
| Trust receipts | – | 3.22 |
| Bank overdrafts | – | 6.80 |
| Revolving loans | 2.85% | 4.35 |
| Term loans | 4.85% | 4.94 |

28. Provision for retirement benefits

Certain subsidiaries operate defined benefit pension plans, namely the Legal Severance Payment Plan, Long Service Provision Plan and Long Service Award Plan (collectively referred to as "the Plans"). These Plans are unfunded.

In 2013, all employees of Borneo Technical (Thailand) Limited ("BTL") are eligible for the Plans. The amount of Legal Severance Payment is determined by the duration of employment in accordance with the Legal Severance Payment as described under Article 18 of the Thai Labor Protection Act (Code) in Thailand. Under the Legal Severance Payment Plan, the amount of severance pay for retiring employee is determined based on the duration of employment from more than 120 days to over 10 years with entitlement for minimum of one month to ten months basic salary and other fixed income depending on the length of service. Under the Long Service Provision Plan, retiring employees who have completed a minimum of 8 years of service are entitled up to six months of the last drawn salary plus allowances, depending on the length of service. In respect of the Long Service Award Plan, 7.6 grams of gold are awarded for a minimum of 10 years of service and up to 91.2 grams of gold are awarded for 40 years of service.

Following the disposal of BTL in current financial year, this is no longer available.

The following tables summarise the components of net benefit expense recognised in profit or loss and amounts recognised in the balance sheets for the respective plans.

| Group | Legal Severance Payment Plan | | Long Service Provision Plan and Long Service Award Plan | | Total | |
|-------|------------------------------|----------|---|----------|----------|----------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |

Statement of other comprehensive income:

| | | | | | | |
|---|---|-----|---|----|---|-----|
| Current service cost | – | 94 | – | 39 | – | 133 |
| Interest cost on benefit obligation | – | 33 | – | 17 | – | 50 |
| Net actuarial losses recognised during the year | – | 116 | – | – | – | 116 |
| Net benefit expense | – | 243 | – | 56 | – | 299 |

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28. Provision for retirement benefits (cont'd)

| Group | Legal Severance Payment Plan | | Long Service Provision Plan and Long Service Award Plan | | Total | |
|---------------------------------|------------------------------|----------|---|----------|----------|----------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| <u>Balance sheet:</u> | | | | | | |
| Defined benefit obligation | - | 404 | - | 289 | - | 693 |
| Unrecognised net actuarial gain | - | - | - | - | - | - |
| Benefit liability | - | 404 | - | 289 | - | 693 |

Changes in the present value of the defined obligation are as follows:-

| | | | | | | |
|---|-------|-------|-------|-------|-------|-------|
| Benefit obligation at beginning of year | 404 | 677 | 289 | 417 | 693 | 1,094 |
| Translation differences | - | (29) | - | (22) | - | (51) |
| Current service cost | - | 94 | - | 39 | - | 133 |
| Interest cost on benefit obligation | - | 33 | - | 17 | - | 50 |
| Unrecorded net actuarial gain | - | - | - | - | - | - |
| Net actuarial losses recognised during the year | 123 | 116 | - | - | 123 | 116 |
| Benefits paid | - | (174) | - | (27) | - | (201) |
| Disposal of a subsidiary | (527) | (313) | (289) | (135) | (816) | (448) |
| Benefit obligation at end of the reporting period | - | 404 | - | 289 | - | 693 |

The principal assumptions used in determining the Plans are as follows:-

| | 2014 | 2013 |
|--------------------------------|--------|--------|
| | % | % |
| Discount rates | - | 4.0 |
| Price inflation | - | 2.5 |
| Salary inflation | - | 5.0 |
| Per Baht weight of Gold | | |
| Gold prices (Thai Baht) | 20,000 | 20,000 |

Assumed price inflation rates on medical costs is not expected to have significant effect on the amounts recognised in profit or loss.

The amounts for the defined benefit obligation are as follows:-

| | 2014 | 2013 |
|---|----------|----------|
| | US\$'000 | US\$'000 |
| Legal Severance Payment Plan | - | 404 |
| Long Service Provision Plan and Long Service Award Plan | - | 289 |
| | - | 693 |

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29. Share capital and treasury shares

(a) *Share capital*

| | Group | | Company | |
|--|-----------------------|----------|-----------------------|----------|
| | Number of shares '000 | US\$'000 | Number of shares '000 | US\$'000 |
| Issued and fully paid: | | | | |
| At 1 January 2013, 31 December 2013 and 1 January 2014 | 364,354 | 68,248 | 364,354 | 65,613 |
| Capital reductions | – | (42,056) | – | (42,506) |
| At 31 December 2014 | 364,354 | 25,742 | 364,354 | 23,107 |

The equity structure (number and types of equity issued) at the end of the reporting period represents that of the Company, being the legal parent. However, for the purpose of reverse acquisition accounting in relation to the completed acquisition of Hup Soon Global Pte. Ltd. and its subsidiaries (the “Acquired Group”) on 26 April 2007 from shareholders of Hup Soon Global Pte. Ltd. by the Company, the amount of share capital of the Group at the date of completion represents that of the Acquired Group before the reverse acquisition.

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

During the year, the Company undertake a Capital Reduction pursuant to Section 78A read with Section 78C of the Companies Act. The Capital Reduction was effected by reducing the Company’s issued and paid-up share capital by an aggregate amount of US\$42,056,000. The Capital Reduction is effected through the return of cash to shareholder amounting to US\$23,865,000 and the offset of the accumulated losses amounting to US\$19,687,000.

(b) *Treasury shares*

| Group and Company | 2014 | | 2013 | |
|---------------------------------|-----------------------|----------|-----------------------|----------|
| | Number of shares '000 | US\$'000 | Number of shares '000 | US\$'000 |
| At 1 January and 31 December | (80) | (10) | (80) | (10) |

Treasury shares relate to ordinary shares of the Company that is held by the Company.

30. Reserves

Legal reserve

In accordance with Section 1202 of the Thai Civil Commercial Code applicable to the subsidiaries in Thailand, the subsidiaries are required to make appropriation to a legal reserve. At least 5 percent of net profit must be allocated to legal reserve whenever dividend is paid, until such reserve reaches 10 percent of registered share capital. This reserve cannot be paid out as dividend or offset against accumulated losses.

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30. Reserves (cont'd)

Share grant reserve

- (a) In 2007, in conjunction with the Company's acquisition of Hup Soon Global Pte. Ltd. ("HSG") and its subsidiaries, shares were granted to qualifying employees of HSG.

Based on the fair value of the shares of HSG at grant date, the share-based payment of approximately US\$3,453,000 was expensed over the vesting period, i.e. from November 2006, the date on which the shares were granted to the date of issuance of shares upon the completion of the acquisition, i.e. 26 April 2007.

- (b) On 22 October 2008, the Company issued PSP to eligible executives. The PSP shares will be released to eligible executives after the vesting period if certain performance targets as determined by the Committee are achieved or otherwise in accordance with the rules of the PSP. The fair value of the share awards was determined using the Monte-Carlo model. As certain performance targets of PSP for the period from 1 January 2008 to 31 December 2010 were not met, all the share awards granted under the PSP lapsed on 17 March 2011.

Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations and the Company whose functional currencies are different from that of the Group's presentation currency.

Capital reserve

Capital reserve of the Group represents the transfer of amount of goodwill written off arising from the reverse acquisition in 2007, from accumulated losses to capital reserve.

31. Finance lease obligations

| | Group | | | |
|---|--|--|--|--|
| | 2014 | | 2013 | |
| | Minimum lease payments US\$'000 | Present value of payments (Note 27) US\$'000 | Minimum lease payments US\$'000 | Present value of payments (Note 27) US\$'000 |
| Not later than one year | – | – | 578 | 514 |
| Later than one year but not later than five years | – | – | 753 | 709 |
| Total minimum lease payments | – | – | 1,331 | 1,223 |
| Less: Amounts representing finance charges | – | – | (108) | – |
| Present value of minimum lease payments | – | – | 1,223 | 1,223 |

In 2013, The effective interest rates of the finance leases range from 3.37% to 6.27% per annum.

All assets acquired under finance leases are charged to secure the obligations under the finance leases. The carrying amount of assets acquired under finance leases is disclosed in Note 11.

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Notes to the financial statements For the financial year ended 31 December 2014

31. Finance lease obligations (cont'd)

The finance leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debts or entering into other leasing agreements.

32. Derivative financial instruments

The Group has the following forward currency contracts with settlement dates ranging from 1 to 5 months.

| | Group | |
|------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Notional amount | | |
| US Dollar | – | 1,891 |
| Japanese Yen | – | 35 |
| Euro | – | 11 |
| | – | 1,937 |

Net fair value

Derivative financial instruments included in the balance sheets at 31 December are as follows:-

| | Group | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Fair value gain on forward currency contracts | – | (15) |

33. Related party transactions

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

In addition to the related party information disclosed elsewhere in the financial statements, the Group has the following significant related party transactions between the Group and related parties who are not members of the Group which took place on terms agreed between the parties during the financial year:-

| | Group | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Related parties :- | | |
| Sale of goods to associates | – | (47) |
| Purchase of goods and equipment from an associate | – | 1 |
| Purchase of services from an associate | – | 47 |
| Rental expenses paid to an associate | – | 120 |
| Interest income received from an associate | (90) | (118) |

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33. Related party transactions (cont'd)

(b) *Compensation of key management personnel*

| | Group | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Short-term employee benefits | 1,401 | 2,659 |
| Total compensation paid to key management personnel | 1,401 | 2,659 |
| Comprise amounts paid to :- | | |
| Directors of the Company | 1,076 | 781 |
| Other key management personnel | 325 | 1,878 |
| | 1,401 | 2,659 |

34. Operating lease commitments

The Group leases certain land and building, properties and motor vehicles. These non-cancellable leases have remaining lease terms of between 2 months and 6 years with renewal option included in the contracts. There are no restrictions placed upon the Group or the Company as a result of entering into these leases. Operating lease payments recognised in profit or loss during the year amounted to US\$nil (2013: US\$1,417,000).

Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows :-

| | Group | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Within one year | – | 792 |
| After one year but not more than five years | – | 1,490 |
| More than five years | – | – |
| | – | 2,282 |

35. Capital commitments

| | Group | |
|--|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Capital commitments in respect of property, plant and equipment approved and contracted for | – | 609 |

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36. Contingencies

(a) *Contingent liabilities*

Legal claims

On 15 January 2010, Borneo Technical (Thailand) Limited ("BTL"), Anglo-Thai Company Limited ("ATC") and certain of their directors were sued as joint defendants in labor law related cases by 2 former employees in relation to termination of employment by BTL and ATC. The plaintiffs sought damages amounting to approximately THB 67.3 million (equivalent to US\$2.02 million) plus surcharge and interest. The trial of witnesses was scheduled in the month of June 2010.

In July 2010 and August 2010, the Central Labor Court ordered BTL and ATC to pay damages to the 2 former employees totaling THB 6.4 million (equivalent to US\$0.21 million).

On 7 September 2010, BTL and ATC (as the defendants) appealed against the Central Labor Court's ruling and the former employees (the plaintiffs) also submitted a counterclaim against BTL's appeal.

On 20 April 2011, BTL and ATC placed a deposit of THB 9.9 million (equivalent to US\$0.32 million) plus interest with the Central Labor Court for a stay of execution.

As at 31 December 2014, ATC has provided for damages in profit or loss for the year amounting to THB 0.4 million (equivalent to US\$0.01 million) [2013: THB 0.4 million (equivalent to US\$0.01 million)]. In 2013 BTL has provided for damages in profit or loss for the year amounting to THB 0.5 million (equivalent to US\$0.02 million).

As at report date, the cases remained pending at the Supreme Court and no damages have been paid.

(b) *Guarantees*

| | Company | |
|---|----------|----------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Corporate guarantee given to financial institutions for credit facilities of the subsidiaries | 31,843 | 73,264 |

37. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The main risks arising from the Group's and the Company's financial instruments are foreign currency risk, liquidity risk, interest rate risk and credit risk. The board reviews and agrees policies for managing each of these risks.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and objectives, policies and processes for the management of these risks.

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

37. Financial risk management objectives and policies (cont'd)

(a) *Foreign currency risk*

The Group has transactional currency exposures arising from purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Malaysian Ringgit (MYR) and Thai Baht (THB). The foreign currencies in which these transactions are denominated are mainly US Dollar (USD), British Pound (GBP), Japanese Yen (JPY), Euro Dollar (Euro) and Australian Dollar (AUD). Approximately 28% (2013: 28%) of the Group's purchases are denominated in foreign currencies.

The Group and the Company also hold cash and bank balances and short-term deposits, net of bank overdrafts denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances (mainly in USD) amounted to US\$61,000 (2013: US\$1,204,000) and US\$7,000 (2013: US\$7,000) for the Group and the Company respectively.

The Group is exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia and Thailand. The Group's net investments in Malaysia and Thailand are not hedged as currency positions in MYR and THB are considered to be long term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD and THB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

| Group | Profit net of tax | |
|----------------------------|-------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| USD | | |
| Strengthened 3% (2013: 3%) | (4) | (38) |
| Weakened 3% (2013: 3%) | 4 | 38 |
| THB | | |
| Strengthened 6% (2013: 6%) | 1 | 72 |
| Weakened 6% (2013: 6%) | (1) | (72) |

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is that loans and borrowings (including overdrafts) falling due in the next one year period are kept to manageable levels, and to maintain sufficient liquid financial assets and stand-by credit facilities with a number of different banks. At the end of the reporting period, approximately 15.0% (2013: 84.2%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements, as these facilities are predominantly trade in nature.

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2014

37. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

| | 2014 | | | | 2013 | | | |
|--|-------------------------------|-----------------------------|-----------------------------------|-------------------|-------------------------------|-----------------------------|-----------------------------------|-------------------|
| | 1 year or less US\$'000 | 1 to 5 years US\$'000 | Later than 5 years US\$'000 | Total US\$'000 | 1 year or less US\$'000 | 1 to 5 years US\$'000 | Later than 5 years US\$'000 | Total US\$'000 |
| Group | | | | | | | | |
| Financial assets: | | | | | | | | |
| Trade receivables | — | — | — | — | 28,245 | — | — | 28,245 |
| Other receivables | 3,099 | — | — | 3,099 | 1,007 | — | — | 1,007 |
| Loan to an associate | 991 | — | — | 991 | 1,447 | — | — | 1,447 |
| Cash and short-term deposits | 3,728 | — | — | 3,728 | 8,282 | — | — | 8,282 |
| Total undiscounted financial assets | 7,818 | — | — | 7,818 | 38,981 | — | — | 38,981 |
| Financial liabilities: | | | | | | | | |
| Trade payables | — | — | — | — | 15,892 | — | — | 15,892 |
| Other payables and accruals (excludes derivatives) | 855 | — | — | 855 | 8,576 | — | — | 8,576 |
| Amounts due to related companies | — | — | — | — | 4 | — | — | 4 |
| Interest-bearing loans and borrowings | 420 | 637 | 2,105 | 3,162 | 36,165 | 5,067 | 3,389 | 44,621 |
| Derivatives | | | | | | | | |
| - Forward currency contracts – gross payments | — | — | — | — | 1,939 | — | — | 1,939 |
| - Forward currency contracts – gross receipts | — | — | — | — | (1,954) | — | — | (1,954) |
| Total undiscounted financial liabilities | 1,275 | 637 | 2,105 | 4,017 | 60,622 | 5,067 | 3,389 | 69,078 |
| Total net undiscounted financial liabilities | 6,543 | (637) | (2,105) | 3,801 | (21,641) | (5,067) | (3,389) | (30,097) |

At 31 December 2014, the financial assets and liabilities of the Company based on contractual undiscounted payments are due within one year.

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2014

37. Financial risk management objectives and policies (cont'd)

(b) **Liquidity risk (cont'd)**

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the corporate guarantee contracts are allocated to the earliest period in which the guarantee could be called.

| | 2014 | | 2013 | |
|----------------------|-------------------------------|-------------------|-------------------------------|-------------------|
| | 1 year or less US\$'000 | Total US\$'000 | 1 year or less US\$'000 | Total US\$'000 |
| Company | | | | |
| Corporate guarantees | 31,843 | 31,843 | 73,264 | 73,264 |

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its interest-bearing loans and borrowings, loan to an associate and cash and cash equivalents.

Sensitivity analysis for interest rate risk

At the balance sheet date, if the Groups' effective interest rates had been 75 (2013: 75) basis points higher with all other variables held constant, the Group's profit for the year net of tax would have been lower by US\$43,000 (2013: US\$197,000), arising mainly as a result of higher interest expense on floating rate loans and borrowings.

(d) **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade receivables, other receivables, amounts due from related companies and loan to an associate. For other financial assets (including cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Group controls its credit risk by setting credit limits to its customers on credit terms. Receivable balances also are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values (Note 38).

37. Financial risk management objectives and policies (cont'd)

(d) **Credit risk (cont'd)**

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows :

| | 2014 | | 2013 | |
|--------------------------|----------|------------|----------|------------|
| | US\$'000 | % of total | US\$'000 | % of total |
| By country: | | | | |
| Malaysia | – | – | 14,614 | 52 |
| Thailand | – | – | 13,402 | 47 |
| United States of America | – | – | 203 | 1 |
| Singapore | – | – | 26 | – |
| | – | – | 28,245 | 100 |

Financial assets that are neither past due nor impaired

Trade receivables, other receivables, amounts due from related companies and loan to an associate that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

38. Fair value of financial assets and liabilities

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

Management has determined that the carrying amounts of trade and other receivables, amounts due from/(to) related companies, loan to an associate, short-term deposits, cash and bank balances, trade and other payables and interest-bearing loans and borrowings, based on their notional amounts, reasonably approximate their fair values due to their short-term nature or are repriced frequently.

39. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

As disclosed in Note 30, certain subsidiaries of the Group are required by the Thai Civil Commercial Code to contribute to and maintain a non-distributable legal reserve. This externally imposed capital requirement has been complied with by the relevant subsidiaries for the financial years ended 31 December 2014 and 2013.

Hup Soon Global Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2014

39. Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at manageable levels. The Group includes within net debt, interest-bearing loans and borrowings, amounts due to related companies, trade payables, other payables and accruals, less cash and short-term deposits. Capital includes equity attributable to the equity holders of the Company less translation reserve and the abovementioned legal reserve.

| | Group | |
|---|---------------|----------------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Trade payables (Note 24) | – | 15,892 |
| Other payables and accruals (Note 25) | 855 | 8,576 |
| Amounts due to related companies (Note 20) | – | 4 |
| Interest-bearing loans and borrowings (Note 27) | 2,192 | 41,097 |
| Less: Cash and short-term deposits (Note 22) | (3,728) | (8,282) |
| Net debt | (681) | 57,287 |
| Equity attributable to owners of the Company | 42,122 | 53,352 |
| Less: | | |
| Legal reserve | (144) | (144) |
| Translation reserve | (2,839) | (6,149) |
| Total capital | 39,139 | 47,059 |
| Capital and net debt | 38,458 | 104,346 |
| Gearing ratio | -1% | 55% |

40. Events occurring after the reporting period

On 16 February 2015, the Group's subsidiary company has completed the disposal of 62.17% equity interest in Yokohama Industries Berhad (YIB), which has been classified as disposal group classified as held for sale (Note 10) as at 31 December 2014, for a cash consideration of US\$25million. The estimated profit from disposal amounts to US\$1million.

41. Authorisation of financial statements

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 2 June 2015

APPENDIX E – 7M 2015 RESULTS

Hup Soon Global Corporation Limited
Unaudited Consolidated Statement of Comprehensive Income
Financial period ended 31 July 2015

| | 31-Jul-15 US\$'000 | 31-Dec-14 US\$'000 |
|---|-------------------------------|-------------------------------|
| <u>Continuing operations</u> | | |
| Revenue | 115 | 129 |
| Cost of sales | - | - |
| Gross profit | 115 | 129 |
| Other operating income | 44 | 775 |
| Administrative expenses | (1,940) | (3,689) |
| Loss from operations | (1,781) | (2,785) |
| Finance costs | (59) | (168) |
| Share of results of associates | 445 | 965 |
| Loss before tax from continuing operations | (1,395) | (1,988) |
| Tax expense | (8) | (337) |
| Loss from continuing operations, net of tax | (1,403) | (2,325) |
| <u>Discontinued operations</u> | | |
| (Loss)/profit on discontinued operations | (1,173) | 19,618 |
| (Loss)/profit for the period/year | (2,576) | 17,293 |
| Other comprehensive income: | | |
| - foreign currency translation loss | 962 | (5,594) |
| Other comprehensive income for the period/year | 962 | (5,594) |
| Total comprehensive (expense)/income for the period/year | (1,614) | 11,699 |
| (Loss)/profit attributable to: | | |
| Owners of the Company | | |
| - Loss from continuing operations, net of tax | (1,403) | (2,325) |
| - (Loss)/profit from discontinued operations, net of tax | (905) | 18,781 |
| | (2,308) | 16,456 |
| Non-controlling interests | | |
| - (Loss)/profit from discontinued operations, net of tax | (268) | 837 |
| | (2,576) | 17,293 |
| Total comprehensive income/(loss) attributable to: | | |
| Owners of the Company | (972) | 11,654 |
| Non-controlling interests | (642) | 45 |
| | (1,614) | 11,699 |

Hup Soon Global Corporation Limited
Unaudited Balance Sheet
Financial period ended 31 July 2015

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 31-Jul-15 | 31-Dec-14 | 31-Jul-15 | 31-Dec-14 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 6 | 10 | | |
| Investment in subsidiaries | - | - | 19,696 | 20,397 |
| Investment in associates | 10,755 | 10,990 | | |
| Investment properties | 2,551 | 2,804 | | |
| | 13,312 | 13,804 | 19,696 | 20,397 |
| Current assets | | | | |
| Other receivables | 2,999 | 3,099 | 2 | 3 |
| Prepayments | 7 | 30 | 1 | 12 |
| Tax recoverable | 10 | - | | |
| Amounts due from related companies | - | - | 6,447 | 12,224 |
| Loan to an associate | 274 | 991 | | |
| Cash and bank balances | 10,635 | 3,728 | 7,141 | 2,721 |
| | 13,925 | 7,848 | 13,591 | 14,960 |
| Assets of disposal group classified as held for sale | - | 61,539 | - | - |
| | 13,925 | 69,387 | 13,591 | 14,960 |
| Current liabilities | | | | |
| Other payables and accruals | 826 | 855 | 148 | 50 |
| Amounts due to related companies | - | - | - | 1,077 |
| Interest-bearing loans and borrowings | 310 | 329 | 252 | 261 |
| Provision for taxation | - | 3 | | |
| | 1,136 | 1,187 | 400 | 1,388 |
| Liabilities of disposal group classified as held for sale | - | 23,057 | - | - |
| | 1,136 | 24,244 | 400 | 1,388 |
| Net current assets | 12,789 | 45,143 | 13,191 | 13,572 |
| Non-current liabilities | | | | |
| Interest-bearing loans and borrowings | 1,675 | 1,863 | - | - |
| | 1,675 | 1,863 | - | - |
| Net assets | 24,426 | 57,084 | 32,887 | 33,969 |
| Equity attributable to owners of the Company | | | | |
| Share capital | 25,742 | 25,742 | 23,107 | 23,107 |
| Treasury shares | (10) | (10) | (10) | (10) |
| Retained profits | 35,672 | 54,493 | 9,778 | 10,860 |
| <i>Other reserves</i> | | | | |
| Legal reserve | 6 | 6 | - | - |
| Share grant reserve | 3,465 | 3,465 | 12 | 12 |
| Translation reserve | 2,650 | 2,839 | - | - |
| Capital reserve | (43,099) | (43,099) | - | - |
| | (36,978) | (36,789) | 12 | 12 |
| Reserve of disposal group classified as held for sale | - | (1,314) | - | - |
| | 24,426 | 42,122 | 32,887 | 33,969 |
| Non-controlling interests | - | 14,962 | | |
| Total equity | 24,426 | 57,084 | 32,887 | 33,969 |

APPENDIX F1 – EXTRACT OF THE VALUATION REPORT

Property Valuation Report

Ref No. HO-581-0648

Client : Hup Soon Global Corporation Limited.
Property : Land with Building
Location : No.2 Phahonyothin (HW.1) Road,
Prachathipat Sub-District
Thanyaburi District,
Pathum Thani Province.

By

Siam Appraisal and Services Co., Ltd.

Report of Hup Soon Global Corporation Limited and prepare as the standard of Valuer Association Of Thailand (VAT)

Valuation Report No .HO-581-0648

By Siam Appraisal And Services Co., Ltd.

Property : Land with building



บริษัท สยามแอฟเฟรเชียล แอนด์ เซอร์วิส จำกัด
Siam Appraisal And Services Co.,Ltd.

At SA. 5810615

Date : September 23,2015

Title : Property Valuation Report
To : Managing Director
Hup Soon Global Co.,Ltd.

According to Siam Appraisal and Service Co., Ltd. , is assigned from the client to value the property. At the moment , our company get through the objectives by showing the standard , assumption and condition in the valuation. Then we conclude the valuation of property as the following:

| | |
|-------------------------------|---|
| Name of Client | Hup Soon Global Corporation Limited. |
| Type of Property | Land with Building |
| Location | No.2 Phahonyothin (HW.1) Road, Prachathipat Sub-District, Thanyaburi District, Pathum Thani Province. |
| Land Right Document | Title deed no.16960, total 1 plot with area 12-2-28 Rai (5,028 Sq.wah or 20,112 Sq.m.). |
| Building | 12 Items (The details are shown as Appendix A) |
| Encumbrance | Unencumbered. |
| Purpose of Valuation | Public purpose. |
| Standard and Valuation Method | Cost Approach. |
| Date of Valuation | September 18, 2015 |
| Market Value | 432,299,800.-Baht. (Four hundred thirty-two million two hundred ninety-nine thousand and eight hundred baht only) |

Siam Appraisal and Services Co.,Ltd. and valuer assure that our company have not any conflicts of interest to such property. Then we work as the valuer with carefulness following to the standard and professional ethics.

Accordingly , please consider this report

Sincerely ,

MR.PASIT CHOOCHOMPOLKAJANA

APPENDIX F2 – ASSESSMENT OF FINANCIAL POSITION OF ATC REPORT

Stone Forest Corporate Advisory

14 September 2015

THE BOARD OF DIRECTORS
Hup Soon Global Corporation Limited
47 Scotts Road
#04-02 Goldbell Tower
Singapore 228233

Stone Forest Corporate Advisory Pte Ltd
8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095
T +65 6533 7600
cas@stoneforest.com.sg www.StoneForest.com.sg

Dear Sirs,

ASSESSMENT OF FINANCIAL POSITION OF ANGLO-THAI COMPANY LIMITED

1. INTRODUCTION

- 1.1 The principal activity of Hup Soon Global Corporation Limited (“HSG”), a public unlisted company, is that of an investment holding company.
- 1.2 We were given to understand that HSG has 30% interest in an associated company namely Anglo-Thai Company Limited (“ATC”) based in Thailand whose principal activities are in the distribution of tractors, implements and transmission products. ATC also offers after-sale services, spare parts, training and maintenance services. ATC has a wholly owned subsidiary, Anglo-Thai Tractors Limited (“ATT”) which we understand from the management of HSG and ATC, is currently dormant.
- 1.3 Due to the challenging market conditions in the agricultural sector of Thailand, the business of ATC has been poor, resulting in slow turnover of ATC’s trade debtors and inventory. Concerns are now raised as to whether ATC will default on the loans which are given by one of ATC’s bankers and guaranteed by HSG.
- 1.4 The management of HSG has estimated that the net realizable values of the book debts and inventory of ATC are approximately 30% of their book values as at 31 July 2015 if ATC’s assets were to be realized in a liquidation scenario.

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**HUP SOON GLOBAL CORPORATION LIMITED
ASSESSMENT OF FINANCIAL POSITION OF ANGLO-THAI COMPANY LIMITED**

2. TERMS OF REFERENCE

2.1 Stone Forest Corporate Advisory Pte Ltd (“**SFCA**”) has been engaged by HSG to carry out an assessment on the financial position of ATC to:

- (i) assess the net realizable values of the book debts and inventory based on discussions with the management of ATC and provide an independent view on whether the estimated recovery of 30% of their values as at 31 July 2015 are reasonable; and
- (ii) assess the amount of liabilities which may be called on the corporate guarantee provided by HSG to ATC’s lender if ATC were to default on its loans after taking into consideration the estimated recovery from ATC’s assets including book debts and inventory.

2.2 We have performed our scope of work stated above based on discussions with HSG and ATC’s management (collectively “**the Management**”) as well as the review of information and documents that were made available to us.

2.3 This Report is prepared for HSG, in accordance with the requests received and is solely for the purpose as stated in SFCA’s engagement letter dated 29 July 2015. It is not for general circulation or publication nor shall it be quoted or referred to, either in whole or in part, without SFCA’s prior written consent. SFCA consents however to the use of this Report in connection with the corporate exercise to be undertaken by HSG.

2.4 No liability is accepted by SFCA for losses occasioned to any party resulting from the circulation, reproduction or use of this Report contrary to the restrictions set out herein.

2.5 The contents and findings set out in this Report are based on information made available to SFCA up to the date of this Report. In the event that any relevant documents are made available to SFCA subsequently, the findings / opinions may change accordingly.

**HUP SOON GLOBAL CORPORATION LIMITED
ASSESSMENT OF FINANCIAL POSITION OF ANGLO-THAI COMPANY LIMITED**

- 2.6 SFCA has not undertaken any due diligence or audit on the information provided. As such, SFCA does not warrant, whether expressly or impliedly, the accuracy, veracity and / or completeness of such facts and information provided and relied upon in the Report. The scope of work is not performed in accordance with generally accepted auditing practice and in this regard we do not express an audit opinion.
- 2.7 It should be noted that SFCA is not qualified to provide legal advice. SFCA's findings and comments should not at any time be construed as constituting legal advice on any matter. HSG should seek separate and independent legal advice on any of the matters, issues and / or findings contained, or referred to, in this Report, which may have legal consequences.
- 2.8 For the avoidance of doubt, the statements, opinions and information contained in this Report are current as at the date of the Report, unless otherwise specified. SFCA reserves the right (but not under any obligation whatsoever) to review, alter, supplement and / or amend the Report in the light of any additional information and / or matters made known to SFCA and / or brought to SFCA's attention as a result of new developments and / or disclosures made known to SFCA subsequent to the date of this Report.
- 3. ASSESSMENT OF FINANCIAL POSITION OF ATC AS AT 31 JULY 2015**
- 3.1 We set out in the tables below an abstract of ATC's Statement of Income and Statement of Financial Position for the financial years ended 31 December 2013 and 31 December 2014 based on the audited reports provided as well as management accounts for the period ended 31 July 2015.

HUP SOON GLOBAL CORPORATION LIMITED
ASSESSMENT OF FINANCIAL POSITION OF ANGLO-THAI COMPANY LIMITED

ATC's Statement of Income

| | Jul-15 THB Mgt Accounts | Dec-14 THB Audited | Dec-13 THB Audited | Jul-15 SGD Mgt Accounts | Dec-14 SGD Audited | Dec-13 SGD Audited |
|--|-------------------------------|--------------------------|--------------------------|-------------------------------|--------------------------|--------------------------|
| REVENUE | | | | | | |
| Sales Income | 226,526,358 | 404,926,688 | 555,179,959 | 9,413,749 | 16,118,091 | 22,095,162 |
| Other Income | 3,557,743 | 7,135,657 | 20,484,564 | 141,598 | 284,007 | 815,236 |
| Total Revenue | 240,084,101 | 412,062,345 | 575,664,523 | 9,555,347 | 16,400,098 | 22,911,449 |
| Cost of Sales | 182,479,792 | 299,319,309 | 466,945,790 | 7,660,696 | 11,912,908 | 18,584,442 |
| Gross Profit | 47,604,309 | 112,743,036 | 108,718,733 | 1,894,651 | 4,487,190 | 4,327,006 |
| Gross Profit Margin (%) | 20% | 28% | 20% | 20% | 28% | 20% |
| EXPENSES | 62,650,291 | 108,685,445 | 130,499,748 | 2,483,482 | 4,325,681 | 5,193,890 |
| Profit/Loss before finance cost and income tax | (15,045,982) | 4,057,771 | (21,780,995) | (588,830) | 161,499 | (866,884) |
| Finance cost | (15,167,912) | (28,086,777) | (19,367,756) | (603,683) | (1,038,652) | (770,837) |
| Profit/Loss before income tax | (30,213,894) | (22,029,006) | (41,148,751) | (1,202,513) | (877,152) | (1,637,720) |
| Income tax | 1,442,050 | (3,078,437) | 1,580,193 | 57,394 | (122,522) | 62,892 |
| Net Profit/Loss for the year | (28,771,834) | (25,117,443) | (39,568,558) | (1,145,119) | (999,674) | (1,574,829) |

ATC's Statement of Financial Position

| | Jul-15 THB Mgt Accounts | Dec-14 THB Audited | Dec-13 THB Audited | Jul-15 SGD Mgt Accounts | Dec-14 SGD Audited | Dec-13 SGD Audited |
|---|-------------------------------|--------------------------|--------------------------|-------------------------------|--------------------------|--------------------------|
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | 24,475,677 | 10,220,630 | 38,607,586 | 974,132 | 405,781 | 1,536,582 |
| Trade accounts and Other Receivables - net | 243,015,671 | 258,469,923 | 236,198,305 | 9,672,024 | 10,267,103 | 9,400,693 |
| Inventories - net | 504,985,630 | 608,670,400 | 724,826,279 | 20,098,428 | 24,233,042 | 28,848,086 |
| Other Current Assets | 34,599 | 37,313,881 | 39,800,807 | 1,377 | 1,485,092 | 1,584,072 |
| Total Current Assets | 772,511,577 | 914,874,834 | 1,039,432,977 | 30,746,961 | 36,412,018 | 41,369,433 |
| Non-Current Assets | | | | | | |
| Investment in Subsidiary | 18,817,247 | 18,817,247 | 56,315,747 | 748,926 | 748,926 | 2,241,367 |
| Leasehold improvement and equipment | 23,216,874 | 20,949,814 | 32,927,926 | 924,032 | 833,803 | 1,310,531 |
| Others | 11,213,712 | 18,277,387 | 18,905,588 | 446,306 | 727,440 | 752,442 |
| Total Non Current Assets | 53,247,833 | 58,044,448 | 108,149,261 | 2,119,264 | 2,310,169 | 4,304,341 |
| TOTAL ASSETS | 825,759,410 | 972,919,282 | 1,147,582,238 | 32,866,225 | 38,722,187 | 45,673,773 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | | |
| Current Liabilities | | | | | | |
| Short-term loans from financial institutions | 419,019,330 | 538,911,827 | 446,637,152 | 16,676,969 | 21,448,691 | 17,778,159 |
| Trade accounts and other payables | 56,323,566 | 45,918,085 | 247,090,104 | 2,241,678 | 1,827,540 | 9,834,185 |
| Others | 23,062,401 | 31,160,334 | 69,731,092 | 917,884 | 1,240,181 | 2,735,497 |
| Total current liabilities | 498,405,297 | 615,990,246 | 763,458,348 | 19,836,531 | 24,516,412 | 30,347,841 |
| Non Current Liabilities | | | | | | |
| Liabilities under finance lease contracts - net | | 695,024 | 2,655,238 | | 27,264 | 105,678 |
| Provision for long term employee benefits | 12,017,685 | 12,135,750 | 13,242,947 | 478,304 | 483,003 | 527,069 |
| Total non-current liabilities | 12,017,685 | 12,830,774 | 15,898,185 | 478,304 | 510,267 | 632,747 |
| TOTAL LIABILITIES | 510,422,982 | 628,821,020 | 779,356,533 | 20,314,835 | 25,026,679 | 30,979,590 |
| SHAREHOLDERS' EQUITY | | | | | | |
| Issued and Paid Up Capital | 286,000,000 | 286,000,000 | 286,000,000 | 11,382,800 | 11,382,800 | 11,382,800 |
| Retained Earnings (Deficit) | (39,263,572) | | | (1,562,690) | | |
| Appropriated/Unappropriated | 68,600,000 | 58,108,262 | 83,225,705 | 2,730,280 | 2,312,709 | 3,312,383 |
| Total shareholders' equity | 315,336,428 | 344,108,262 | 369,225,705 | 12,550,390 | 13,695,509 | 14,695,183 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 825,759,410 | 972,919,282 | 1,147,582,238 | 32,866,225 | 38,722,187 | 45,673,773 |

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3.2 Our assessment on the net realizable values ("NRV") of the assets and financial position of ATC as at 31 July 2015 are based on the following two scenarios:

- Scenario 1 – An orderly winding down of ATC's assets; and
- Scenario 2 – Forced sale of ATC's assets

3.3 The estimated NRV of the assets are derived based on our professional judgment as insolvency practitioners and experience in dealing with ATC's assets of similar nature.

4. OUR OPINION

4.1 Our assessment of the financial position of ATC in a liquidation scenario, whereby Scenario 1 and Scenario 2 are based on an orderly winding down and forced sale of ATC's assets respectively, takes into consideration the general conditions of the assets, aging reports provided by the Management as well as the impact of the current economic and political situation in Thailand on the rice farming sector.

4.2 Our analysis shows that the net realizable value of ATC's trade receivables represents **26%** and **32%** of its total book value as at 31 July 2015 under the two scenarios mentioned above. Hence, HSG management's estimated recovery of **30%** for ATC's trade receivables appears reasonable in our view.

4.3 On the other hand, our analysis of the net realizable value of ATC's inventories represents only **18%** and **26%** of its total book value as at 31 July 2015 under the two scenarios mentioned above. Hence, we are of the view that HSG management's estimated recovery of **30%** for ATC's inventories appears to be on the optimistic side.

4.4 On the basis of our assessment on the financial position of ATC as at 31 July 2015 in a liquidation scenario, the recovery to all unsecured creditors of ATC is estimated to be in the region of **30% to 40%**, before costs of administration in a liquidation scenario.

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4.5 In light of this, pursuant to the guarantee provided by HSG to one of ATC's bankers, it is estimated that the amount the ATC's banker may call on HSG in the event of ATC's liquidation is approximately in the region of **S\$9.5 million to S\$11.09 million.**



Chee Yoh Chuang

Executive Director

Stone Forest Corporate Advisory Pte Ltd