

WEE POH HOLDINGS LIMITED (“WPH” OR THE “COMPANY”)

VARIATION TO THE TERMS OF THE PROPOSED ACQUISITION BY THE COMPANY OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF WINNING METAL PRODUCTS MANUFACTURING COMPANY LIMITED (“WMP”) (THE “ACQUISITION”)

Capitalised terms not expressly defined herein shall have the meanings ascribed to them in our announcement dated 27 September 2004

1. INTRODUCTION

On 27 September 2004, the Directors announced (the “Original Announcement”), *inter alia*, that the Company had entered into a conditional sale and purchase agreement (the “Original Agreement”) with Winning International Limited (“WIL” or the “Vendor”) in respect of the Acquisition for the purchase consideration of S\$60.0 million (the “Original Purchase Consideration”) which shall be satisfied by way of the allotment and issue of 12,000,000,000 new shares of S\$0.005 each in the Company (the “Original Consideration Shares”) at an issue price of S\$0.005 each, to such party as the Vendor may nominate.

The Directors wish to announce that pursuant to further negotiations, the Company and the Vendor have entered into a supplemental agreement dated 25 April 2005 (“the Supplemental Agreement”) (collectively, the “Agreements”) to amend certain terms and conditions of the Original Agreement.

Pursuant to the Supplemental Agreement, the Company and the Vendor have agreed to amend, *inter alia*, the following terms and conditions of the Original Agreement as disclosed under the following headings of the Original Announcement:-

(i) The Vendor Restructured Group;

The meaning of the “Vendor Restructured Group” shall exclude Shenzhen Weiren Electronics Co., Ltd., which is currently in the process of liquidation (hereinafter referred to as the “Revised Vendor Restructured Group”).

(ii) Purchase Consideration;

The purchase consideration has been revised from S\$60,000,000 to S\$68,000,000 (subject to adjustment as mentioned below) (the “Revised Purchase Consideration”) and the consideration shares from 12,000,000,000 new shares of S\$0.005 each in the Company (“Shares”) to be issued at S\$0.005 each to 13,600,000,000 Shares (subject to adjustment as mentioned below) (the “Revised Consideration Shares”).

(iii) Very Substantial Acquisition And Reverse Takeover;

Pursuant to the completion of the Acquisition (the “Completion”), the Vendor and/or such party as the Vendor may nominate shall hold 13,600,000,000 Shares (subject to adjustment thereof as mentioned below) and this is expected to represent 79.9 per cent. of the enlarged share capital of the Company as at the date of Completion (the “Completion Date”) based on completion of Transactions as defined in section 2 of this Announcement.

(iv) Profit And Net Asset Value (“NAV”) Guarantee;

For the purpose of the Profit Guarantee as defined in the Original Announcement, the aggregate profit after tax of the Revised Vendor Restructured Group for the financial year ending 30 June 2005 shall exclude all profits and losses, if any, arising from the revaluation or realization of assets or of any extraordinary or exceptional items.

For the purpose of the NAV Guarantee as defined in the Original Announcement, the proforma consolidated NAV of the Revised Vendor Restructured Group for the financial year ended 30 June 2004 will not be less than HK\$50,000,000.

(v) Conditions Precedent:

Condition precedent (vi) of the Original Announcement is amended such that the completion of due diligence by the Vendor on the Company shall be on or before 31 May 2005.

Condition precedent (viii) of the Original Announcement is amended such that the meaning of the “Excluded Group Companies” shall include Wee Poh Construction Co. (Pte.) Ltd (“WPC”) (hereinafter referred to as the “Revised Excluded Group Companies”).

Condition precedent (ix) of the Original Announcement which reads as follows, “*completion of due diligence by the Vendor of WPC and the Vendor being of the opinion that WPC is viable and shall be part of the WPH Restructured Group (as hereinafter defined); but if the Vendor is not of the opinion, the Vendor shall be entitled to designate WPC as one of the Excluded Companies*”, is replaced in its entirety with “completion of due diligence by the Vendor on WPC”.

Condition precedent (x) of the Original Announcement which reads as follows, “*the NAV of the WPH Restructured Group (as hereinafter defined), as at the date 1 month immediately preceding the Completion Date (if the Completion Date is after the 15th of the following month) or as at the date 1 month preceding the last month (if the Completion Date is before the 15th of the following month) (the “Relevant Date”), shall be no less than S\$7.0 million (before accounting for certain expenses as stated in the Agreement)*”, is deleted in its entirety.

Condition precedent (xi) of the Original Announcement is amended such that the minimum cash and cash equivalent of the Revised WPH Restructured Group (as defined below) as at the period to the day immediately preceding the Completion Date, shall not be less than S\$10,000 (after making full provisions as stated in the Agreements), and the financial gearing of the Revised WPH Restructured Group as at that day (after making full provisions as stated in the Agreements) shall not be more than 0.34.

Condition precedent (xii) of the Original Announcement is amended such that the meaning of the “WPH Restructured Group” shall exclude WPC (hereinafter referred to as the “Revised WPH Restructured Group”).

The parties have also agreed in the Supplemental Agreement that, as an additional condition precedent to the Completion, the disposal by the Company of the entire issued share capital of WPC pursuant to a sale and purchase agreement (the "Ho Lee Agreement") dated 7 February 2005 entered into between the Company and Ho Lee Construction Pte. Ltd. ("Ho Lee") (the "WPC Disposal") shall be completed in accordance with the terms and conditions of the Ho Lee Agreement or, in the event completion of the Ho Lee Agreement does not take place, WPC shall be disposed of or liquidated.

The Cut-Off Date being the deadline for the conditions precedent to be fulfilled, satisfied or effected to the extent and in the manner set out in the Agreements is revised to 31 December 2005 or such later date as the Parties may mutually agree in writing.

In addition to the above amendments, the Company and the Vendor have further agreed in the Supplemental Agreement, *inter alia*, on the following:-

- (i) Declaration of dividends and making of distributions by the Revised Vendor Restructured Group;

The parties have agreed under the Supplemental Agreement that, at any time prior to Completion, the Vendor may procure the Revised Vendor Restructured Group to declare any dividends or make other distributions to its shareholders without the prior notice or written consent of the Company, provided that such declaration of dividends or distributions will not reduce the consolidated NAV of the Revised Vendor Restructured Group to below HK\$50,000,000.

- (ii) Allotment of further Shares under the Agreements, the adjustment of the Purchase Consideration and the Consideration Shares.

The parties have agreed under the Supplemental Agreement that, in the event that the Company is unable to meet the financial undertakings set out in condition precedent (xi) of the Original Announcement, as amended above in accordance with paragraph (v). The Company is allowed to allot and issue additional Shares pursuant to, *inter alia*, the Scheme, the Debt Restructuring, the Placement, the WPC Disposal and the intended issue and possible exercise of employee share options, provided that the then total number of Shares in issue as enlarged by the issue of all such Shares (assuming the employee share options are exercised in full) shall not be more than 3,425,737,636 Shares.

In the event that the aggregate Shares in issue immediately following the allotment of the abovementioned additional Shares shall exceed 3,425,737,636, the Company has agreed to allot and issue to the Vendor at Completion three additional Consideration Shares at par, credited as fully paid, for every one Share in issue in excess of 3,425,737,636, and the number of Consideration Shares and the amount of Consideration as prescribed under the Agreements shall be adjusted accordingly.

2. FINANCIAL EFFECTS OF THE TRANSACTIONS

For illustration purposes only, the proforma financial effects of the Previous Placement, the Scheme, the Acquisition, the Disposal or Liquidation, the Debt Restructuring, the Placement and the WPC Disposal (collectively the “Transactions”) on the Company pursuant to the Agreements are set out beneath. The proforma financial effects have been prepared based on the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 30 June 2004, the proforma consolidated financial statements of the Revised Vendor Restructured Group for the financial year ended 30 June 2004, and on the following assumptions:-

- (i) that the Acquisition had been completed on 1 July 2003 for the purpose of the financial effects on earnings, and on 30 June 2004 for the purpose of the financial effects on the share capital, NTA and gearing, and that the Acquisition encompassed the allotment and issue of 13,600,000,000 Revised Consideration Shares;
- (ii) that the Disposal or Liquidation, as the case may be, of the Revised Excluded Group Companies had been completed on 30 June 2004, based on the cost of investment or the NTA, as the case may be, of the Revised Excluded Group Companies as at 30 June 2004, for the purpose of the financial effects on the share capital, NTA, and gearing and on 1 July 2003 for the purpose of the financial effects on earnings;
- (iii) that the Debt Restructuring had been completed on 1 July 2003 for the purpose of the financial effects on earnings, and on 30 June 2004 for the purpose of the financial effects on the share capital, NTA and gearing, and that the Debt Restructuring encompassed the allotment and issue of 363,992,773 Shares at an issue price of S\$0.01 each (the “Debt Conversion Shares”);
- (iv) that the Placement pursuant to (which the Company originally intended to place up to 100,000,000 Shares at a subscription price of S\$0.01 each as announced on 27 September 2004 but which has been subsequently changed by the Company to issue 123,000,000 Shares at a subscription price of S\$0.0075 each (the “Placement Shares”) pursuant to the announcement dated 17 March 2005) had been completed on 1 July 2003 for the purpose of the financial effects on earnings, and on 30 June 2004 for the purpose of the financial effects on the share capital, NTA and gearing;
- (v) that the Scheme had been completed on 1 July 2003 for the purpose of the financial effects on earnings, and on 30 June 2004 for the purpose of the financial effects on the share capital, NTA and gearing, and that the Scheme encompassed the allotment and issue of approximately 260,000,000 Shares at an issue price of S\$0.05 each (the “Scheme Shares”);
- (vi) that the WPC Disposal had been completed on 1 July 2003 for the purpose of the financial effects on earnings, and on 30 June 2004 for the purpose of the financial effects on the share capital, NTA and gearing, and that the WPC Disposal encompassed the allotment and issue of 200,000,000 Compensation Shares (as defined in the Company’s announcement dated 7 February 2005); and
- (vii) that the Previous Placement by the Company of 339,000,000 Shares at a subscription price of \$0.01 each (the “Previous Placement Shares”) which was completed on 16

July 2004 had been completed on 1 July 2003 for the purpose of the financial effects on earnings, and on 30 June 2004 for the purpose of the financial effects on the share capital, NTA and gearing,

before accounting for any expenses relating to the Transactions and had these expenses been accounted for, the following proforma financial effects of the Transactions would have been negatively affected.

Holders of securities in the Company and investors should note that the proforma financial effects of the Transactions set out beneath are based on the assumptions as aforementioned which may or may not materialise, and which may be based on such different terms and conditions even if they were to materialise.

In addition, the proforma financial effects of the Transactions set out beneath are based on audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 30 June 2004 and the unaudited proforma consolidated financial statements of the Revised Vendor Restructured Group for the financial year ended 30 June 2004 and accordingly, the proforma financial effects of the Transactions may be different if different financial year ends are used for the Company and its subsidiaries and the Revised Vendor Restructured Group.

Consequently, the proforma financial effects of the Transactions set out beneath are **strictly for illustration purposes only** and they may not be representative of the actual financial results and financial condition of the Enlarged Group pursuant to the Transactions. Holders of securities in the Company and investors should exercise caution in interpreting these proforma financial effects in their dealings in the securities of the Company.

Share Capital

	No. of Shares '000	S\$'000
Issued and paid-up share capital as at 30 June 2004	2,099,745	10,499
Previous Placement Shares arising from the Previous Placement	339,000	1,695
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Adjusted issued and paid-up share capital post Previous Placement	2,438,745	12,194
Scheme Shares arising from the Scheme	260,000	1,300
Debt Conversion Shares arising from the Debt Restructuring	363,993	1,820
Placement Shares arising from the Placement	123,000	615
Compensation Shares arising from the WPC Disposal	200,000	1,000
Revised Consideration Shares arising from the Acquisition	<hr/> 13,600,000	<hr/> 68,000
Issued and paid-up share capital immediately after the completion of the Transactions as at 30 June 2004	<hr/> 16,985,738 <hr/>	<hr/> 84,929 <hr/>

NTA

	S\$'000
Audited net tangible liabilities ("NTL") as at 30 June 2004	(14,196)
Add: NTL on account of the deconsolidation of the Revised Excluded Group Companies pursuant to the Disposal or Liquidation	24,259
Less:	
Guarantees by WPH to bankers of WPC	(2,755)
Liabilities of WPH pursuant to the Scheme	(13,000)
Liabilities of WPH pursuant to the WPC Disposal	(1,000)
Proforma adjustments in relation to the Revised Excluded Group Companies	<u>(6,898)</u>
Adjusted NTL as at 30 June 2004	(13,590)
Add:	
Gross proceeds pursuant to the Previous Placement	3,390
Conversion of liabilities of WPH pursuant to the Scheme to Scheme Shares	13,000
Conversion of liabilities of WPH pursuant to the WPC Disposal to Compensation Shares	1,000
Conversion of debt pursuant to the Debt Restructuring to Debt Conversion Shares	3,640
Gross proceeds pursuant to the Placement	<u>923</u>
Adjusted net assets of the Revised WPH Restructured Group as at 30 June 2004	8,363
Minimum NTA of the Revised Vendor Restructured Group as at 30 June 2004	11,030 ¹
	<u> </u>
Adjusted NTA immediately after the completion of the Transactions as at 30 June 2004	<u><u>19,393</u></u>
Adjusted NTA per Share immediately after the completion of the Transactions as at 30 June 2004 (cents)	0.11

¹ S\$11.0 million assumes that the Revised Vendor Restructured Group as at 30 June 2004 had a minimum NTA of HK\$50.0 million which approximates the minimum as per the NAV Guarantee described above. Had we used the proforma consolidated NTA of the Revised Vendor Restructured Group as at 30 June 2004 of approximately S\$32.4 million (HK\$ 147.0 million), the adjusted NTA per Share immediately after the completion of the Transactions would have been Singapore 0.24 cents.

Earnings

	S\$'000
Audited loss after tax for FY2004	(19,134)
Add:	
Unaudited loss after tax attributable to the Revised Excluded Group Companies for FY2004	17,137
Proforma adjustment attributable to the Revised Excluded Group Companies for FY2004	1,647
Adjusted loss after tax of the Revised WPH Restructured Group for FY2004	(350)
Add: Proforma profit after tax of the Revised Vendor Restructured Group for FY2004	7,442
Adjusted profit after tax (before Goodwill written off²) after the completion of the Transactions for FY2004	<u>7,092</u>
Adjusted profit after tax (before Goodwill written off) per Share after the completion of the Transactions for FY2004 (cents)	0.04

The one-off Goodwill written off would have been S\$16.1 million and accordingly reduce the profit after tax to a loss after tax of S\$9.0 million and a correspondingly a loss after tax per share of Singapore 0.05 cents.

² “Goodwill” is deemed to be the excess of the fair value of the entire issued and paid up share capital of WPH after the issuance of Previous Placement Shares, Scheme Shares, Debt Conversion Shares, Placement Shares and Compensation Shares as determined at \$0.005 per share (the closing bid price as of April 15, 2005 as quoted on SESDAQ) over the adjusted net assets of WPH restructured group as at July 1, 2003. Goodwill arising from the reverse acquisition of WPH is immediately written off to the Profit and Loss Statement as the directors are of the opinion that WPH’s existing businesses will be discontinued following the reverse acquisition and therefore the amount of the goodwill arising is not expected to be recoverable in the future.

Gearing

	S\$'000
Audited Total Borrowings³ as at 30 June 2004	9,531
Less: Total Borrowings attributable to Revised Excluded Group Companies as at 30 June 2004	(9,531)
Adjusted Total Borrowings of the Revised WPH Restructure Group as at 30 June 2004	-
Add: Proforma Total Borrowings attributable to the Revised Vendor Restructured Group as at 30 June 2004	18,296
Adjusted Total Borrowings after the completion of the Transactions as at 30 June 2004	18,296
Adjusted Shareholders' Funds ⁴ after the completion of the Transactions as at 30 June 2004	19,393 ⁵
Adjusted Gearing⁶ after the completion of the Transactions as at 30 June 2004 (times)	0.94

³ "Total Borrowings" means the aggregate borrowings from banks and financial institutions including bank overdrafts, trust receipts and finance leases.

⁴ "Shareholders' Funds" means the aggregate amount of issued and paid-up share capital, registered capital, share premium, retained earnings/accumulated losses, and translation reserve and other reserves.

⁵ The adjusted Shareholders' Funds of S\$19.4 million assumes that the Revised Vendor Restructured Group as at 30 June 2004 had a minimum NTA of HK\$50.0 million as described in footnote 2. Had we used the proforma consolidated NTA of the Revised Vendor Restructured Group as at 30 June 2004 of approximately S\$32.4 million (HK\$ 147.0 million),, the adjusted Shareholders' Funds would have been S\$40.8 million and accordingly, the adjusted Gearing after the completion of the Transactions would have been 0.45 times.

⁶ "Gearing" means the ratio of Total Borrowings to Shareholders' Funds.

3. PROFORMA FINANCIAL INFORMATION ON THE REVISED VENDOR RESTRUCTURED GROUP

The proforma financial statements presented below is based on the unaudited proforma consolidated financial statements of the Revised Vendor Restructured Group.

The proforma consolidated profit and loss statement of the Revised Vendor Restructured Group for the financial years ended 30 June (“FY”) 2002, FY2003 and FY2004, after making such adjustments as were considered appropriate and assuming that the group structure of the Revised Vendor Restructured Group had been in place since 1 July 2001, is as follows:-

	FY2002 HK\$'000	FY2003 HK\$'000	FY2004 HK\$'000
Revenue	420,760	462,849	574,259
Cost of sales	(353,842)	(391,355)	(494,600)
Gross profit	66,918	71,494	79,659
Operating expenses (net of other income)	(49,833)	(49,170)	(42,215)
Profit from operations	17,085	22,324	37,444
Profit before income tax	13,822	20,299	35,341
Net profit after tax and minority interest	12,853	20,098	32,559

The proforma consolidated balance sheet of the Revised Vendor Restructured Group for FY2004, after making such adjustments as were considered appropriate and assuming that the group structure had been in place as at 30 June 2004, is as follows:-

	FY2004 HK '000
Total current assets	276,078
Total non-current assets	15,798
Total assets	291,876
Total current liabilities	139,130
Total non-current liabilities	4,588
Minority interest	1,168
Shareholders' equity	146,990
Total liabilities and shareholders' equity	291,876

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors has any interest, direct or indirect, in the Acquisition. The Directors are not aware of any controlling shareholders of the Company having an interest, direct or indirect, in the Acquisition and have not received any notification of interest in the Acquisition from any controlling shareholder of the Company.

5. APPOINTMENT OF FINANCIAL ADVISER

The Board has appointed Deloitte & Touche Corporate Finance Pte Ltd as the financial adviser to advise the Company in connection with the Acquisition.

6. CIRCULARS TO SHAREHOLDERS

The Acquisition is subject, *inter alia*, to approval of the Shareholders at an extraordinary general meeting to be convened. A circular in respect of the Acquisition will be despatched to the Shareholders in due course.

7. CAUTION TO BE EXERCISED ON THE TRADING OF SHARES

It should be noted that the Acquisition is subject to certain conditions precedent being fulfilled or satisfied including the approval, consent and/or waiver of various authorities in Singapore such as the SGX-ST, the SIC and any other applicable laws and regulations whether of Singapore, HK, the PRC or elsewhere. Such approvals, consents and/or waivers are beyond the control of the parties and there is no assurance that all such approvals, consents and/or waivers will be granted by the relevant authorities or that all other conditions precedent will be fulfilled or satisfied.

Accordingly, holders of securities in the Company and investors are advised by the Directors to exercise caution in their dealings in the securities of the Company as the Acquisition may or may not materialise. Further announcements will be made by the Company as and when appropriate.

8. DOCUMENTS FOR INSPECTION

A copy of the Original Agreement and the Supplemental Agreement are available for inspection at the registered office of the Company at 105 Cecil Street #03-03/04, The Octagon, Singapore 069534 during office hours for 3 months after the date of this Announcement.

By Order of the Board