

CIRCULAR DATED 5 JULY 2019

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

This Circular is issued by Valuetronics Holdings Limited (the “**Company**”) and is to be read together with the Company’s Annual Report for the financial year ended 31 March 2019 and the Company’s Notice of Annual General Meeting dated 5 July 2019. If you are in any doubt as to its contents or the course of action you should take, you should consult your stockbroker, bank manager, solicitor, account or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your ordinary shares in the capital of the Company which are represented by physical share certificate(s), you should forward this Circular immediately to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. Your attention is drawn to page 26 of this Circular in respect of action to be taken if you wish to attend and/or vote at the Annual General Meeting of the Company.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any statements made, opinions expressed or reports contained in this Circular.



VALUETRONICS HOLDINGS LIMITED

(Incorporated in Bermuda on 18 August 2006)

Registration No.: 38813

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

The purpose of this Circular is to provide Shareholders with information pertaining to, and to explain the rationale for the Proposed Renewal of the Share Buy-Back Mandate to be tabled at the Annual General Meeting of the Company to be held on 22 July 2019 at 10.00 a.m. at Level 3, Venus Room I & II, Furama RiverFront, Singapore, 405 Havelock Road, Singapore 169633.

The Company’s Notice of Annual General Meeting and the Proxy Form are enclosed with the Company’s Annual Report for the financial year ended 31 March 2019.

CONTENTS

	Page
DEFINITIONS	2
LETTER TO SHAREHOLDERS	
1. INTRODUCTION	6
2. THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE	7
3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	25
4. DIRECTORS' RECOMMENDATION	25
5. DIRECTORS' RESPONSIBILITY STATEMENT	26
6. ANNUAL GENERAL MEETING	26
7. ACTION TO BE TAKEN BY SHAREHOLDERS	26
8. DOCUMENTS AVAILABLE FOR INSPECTION	27

DEFINITIONS

In this Circular, unless the context otherwise requires or it is otherwise stated, the following words and expressions shall have the following meanings:–

“2008 SGM”	:	The special general meeting of the Company convened on 28 July 2008
“2018 AGM”	:	The annual general meeting of the Company convened on 23 July 2018
“Act”	:	The Companies Act, Cap. 50, of Singapore, as amended from time to time
“AGM”	:	The annual general meeting of the Company to be convened on Monday, 22 July 2019
“Annual Report”	:	The annual report of the Company for the financial year ended 31 March 2019
“Bermuda Companies Act”	:	The Companies Act 1981 of Bermuda, as amended from time to time
“Board”	:	The board of directors of the Company as at the date of this Circular
“Bye-Laws”	:	The Bye-Laws of the Company, as amended, varied or supplemented from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 5 July 2019
“Company”	:	Valuetronics Holdings Limited
“control”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
“Controlling Shareholder”	:	<p>A person who:–</p> <p>(a) holds directly or indirectly 15% or more of the total voting rights in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or</p> <p>(b) in fact exercises control over the Company</p>
“Council”	:	The Securities Industry Council

DEFINITIONS

“Directors”	:	The directors of the Company as at the date of this Circular
“EPS”	:	Earnings per Share
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	27 June 2019, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as amended, varied or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Maximum Price”	:	Has the meaning ascribed to it in Section 2.3(iv) of this Circular
“Memorandum of Association”	:	The Memorandum of Association of the Company, as amended, varied or supplemented from time to time
“Notice of AGM”	:	The notice of AGM as set out in the Annual Report
“NTA”	:	Net tangible assets
“Off-Market Purchase”	:	Has the meaning ascribed to it in Section 2.3(iii)(b) of this Circular
“Official List”	:	The official list of the SGX-ST
“On-Market Purchase”	:	Has the meaning ascribed to it in Section 2.3(iii)(a) of this Circular
“Proposed Renewal of the Share Buy-Back Mandate”	:	The proposed renewal of the Share Buy-Back Mandate by the Company
“Proxy Form”	:	The proxy form in respect of the AGM as set out in the Annual Report
“Relevant Period”	:	The period commencing from the date of the AGM and expiring on the date on which the following annual general meeting of the Company will be held or is required by law to be held, whichever is the earlier. For the purposes herein, it is assumed that the ordinary resolution relating to the Proposed Renewal of the Share Buy-Back Mandate is passed at the AGM
“Resolution 9”	:	The ordinary resolution 9 of the Notice of AGM pertaining to the Proposed Renewal of the Share Buy-Back Mandate

DEFINITIONS

“Securities Account”	:	Securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
“SFA”	:	The Securities and Futures Act, Cap. 289, of Singapore, as amended from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shares”	:	The ordinary shares in the capital of the Company with a par value of HK\$0.10 each
“Shareholders”	:	Registered holders of Shares in the Register of Members maintained by the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors in the Depository Register maintained by CDP and to whose Securities Accounts are credited with Shares
“Share Buy-Back Mandate”	:	The proposed general mandate to be given by Shareholders to authorise the Directors to exercise all powers of the Company to purchase or acquire, on behalf of the Company, Shares in accordance with the terms set out in this Circular
“Share Purchases”	:	On-Market Purchases or Off-Market Purchases undertaken by the Company during the Relevant Period and “Share Purchase” shall be construed accordingly
“Substantial Shareholder”	:	A substantial Shareholder as defined under the Act
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers
“Treasury Shares”	:	Shares that were or are treated as having been acquired and held by the Company and have been held continuously by the Company since they were so acquired and have not been cancelled
“%”	:	Per centum or percentage
<u>Currencies</u>		
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“S\$”	:	Singapore dollars, the lawful currency of the Republic of Singapore

DEFINITIONS

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

The term “**associate**”, “**associated company**” and “**subsidiary**” shall have the same meanings ascribed to them respectively in the Listing Manual and the Act.

The expressions “**our**”, “**ourselves**”, “**us**”, “**we**” or other grammatical variations thereof shall, unless otherwise stated, mean the Company and its subsidiaries.

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 genders and *vice versa*. References to “**persons**” shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word or term defined under the Bermuda Companies Act, the Act, the SFA, the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the same meaning ascribed to it under the Bermuda Companies Act, the Act, the SFA, the Listing Manual or any statutory modification thereof, as the case may be, unless the context requires otherwise.

Any discrepancies in tables included herein between the amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day and to dates in this Circular shall be a reference to Singapore time and dates, unless otherwise stated.

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

LETTER TO SHAREHOLDERS

VALUETRONICS HOLDINGS LIMITED

(Incorporated in Bermuda on 18 August 2006)
(Registration Number 38813)

Board of Directors:

Tse Chong Hing	(Chairman and Managing Director)
Chow Kok Kit	(Executive Director)
Ong Tiew Siam	(Lead Independent Director)
Loo Cheng Guan	(Independent Director)
Tan Siok Chin	(Independent Director)

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

5 July 2019

To: The Shareholders of Valuetronics Holdings Limited

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

1. INTRODUCTION

1.1 Annual General Meeting

The Directors are convening an AGM to be held on 22 July 2019 to seek Shareholders' approval for, *inter alia*, the Proposed Renewal of the Share Buy-Back Mandate.

1.2 Circular

The purpose of this Circular is to provide Shareholders with information relating to and to seek the approval of Shareholders at the forthcoming AGM for the Proposed Renewal of the Share Buy-Back Mandate.

For the avoidance of doubt, Depositors holding Shares through CDP are not to be treated, under the Bye-Laws and the Bermuda Companies Act, as members of the Company in respect of the number of Shares credited to their respective Securities Accounts. Accordingly, Depositors do not have a right under the Bermuda Companies Act to attend and to vote at the AGM. Depositors will be able to participate in the Proposed Renewal of the Share Buy-Back Mandate only through CDP, the latter being the registered holder of Shares in the Company's Register of Members.

However, administrative arrangements have been made with CDP to allow Depositors to take part in the Proposed Renewal of the Share Buy-Back Mandate. Depositors who wish to attend and vote at the AGM, and whose names are shown in the records of CDP as at a time not earlier than 72 hours prior to the time of the AGM supplied by CDP to the Company, may attend as CDP's proxies. Such Depositors who are individuals and who wish to attend the AGM in person need not take any further action and can attend and vote at the AGM without the lodgement of any proxy form. Such Depositors who are unable to attend personally and wish to appoint a nominee to attend and vote on his behalf, and such Depositors who are not individuals, will find attached to the Annual Report a Depositor Proxy Form which they must complete, sign and return in accordance with the instructions printed thereon as soon as

LETTER TO SHAREHOLDERS

possible and in any event, so as to reach the office of the Singapore share transfer agent of the Company, B.A.C.S. Private Limited, not later than 72 hours before the time fixed for holding the AGM. The completion and return of a Depositor Proxy Form by a Depositor who is an individual does not preclude him from attending and voting in person at the AGM in place of his nominee if he finds he is able to do so.

For the purpose of this Circular, the term “**Shareholders**” has been defined to also include reference to Depositors where the context admits and they will accordingly be treated administratively herein, where the context admits, as shareholders of the Company with entitlements in respect of the Proposed Renewal of the Share Buy-Back Mandate.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

1.3 SGX-ST

The SGX-ST assumes no responsibility for the accuracy of any statements made, opinions expressed or reports contained in this Circular.

2. THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

2.1 Background

The Share Buy-Back Mandate was first approved by Shareholders at the 2008 SGM to enable the Company to purchase or otherwise acquire Shares and to hold such Shares as Treasury Shares. The Share Buy-Back Mandate was last renewed at the 2018 AGM and will expire on the date of the forthcoming AGM. Accordingly, Shareholders’ approval for the Proposed Renewal of the Share Buy-Back Mandate is being sought to allow the Company to continue the buyback of its Shares. Subject to the approval of the Shareholders at the forthcoming AGM, the Proposed Renewal of the Share Buy-Back Mandate will take effect from the date of passing of such ordinary resolution. The Proposed Renewal of the Share Buy-Back Mandate is set out under Resolution 9 in the Notice of AGM.

Any Share Purchase by the Company will have to be made in accordance with, and in the manner prescribed by, the Bermuda Companies Act and such other laws and regulations as may be applicable. As the Company is listed on the SGX-ST, it is also required to comply with Part XIII of Chapter 8 of the Listing Manual, which relates to the purchase or acquisition of issued ordinary shares in the capital of a company listed on the SGX-ST.

The Company may purchase or acquire Shares by way of On-Market Purchases and/or Off-Market Purchases subject to compliance with all applicable laws and rules. In the event that subsequent to the AGM, there are new rules, regulations, directives or laws enacted or promulgated by the relevant competent authorities including but not limited to the SGX-ST and the Council (hereinafter, collectively referred to as the “**Further Rules**”) that augment, supplement or vary the existing governing provisions set out in the Bermuda Companies Act and/or the Listing Manual, the Company shall, to the extent that the Further Rules impact on the Share Buy-Back Mandate, disseminate to the public by announcement(s), a memorandum setting out such Further Rules and the extent to which the Share Buy-Back Mandate is affected by such Further Rules. In such an event, the Company shall not undertake any Share Purchase until such a memorandum has been publicly disseminated.

LETTER TO SHAREHOLDERS

2.2 Rationale for the Share Buy-Back Mandate

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:–

- (i) the Directors and management of the Company constantly seek to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Group. A Share Purchase made at an appropriate price level is one of the ways through which the EPS, NTA and the return on equity of the Group may be enhanced. The Share Buy-Back Mandate will give the Directors the flexibility to purchase or acquire Shares as and when the circumstances permit;
- (ii) Share Purchases provide the Company with an easy mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost efficient manner; and
- (iii) the Share Buy-Back Mandate will also give the Company the opportunity to purchase or acquire Shares when such Shares are undervalued, to help mitigate short-term market volatility and to offset the effects of short-term speculation and, in turn, bolster Shareholder confidence and employee morale.

The Share Purchases pursuant to the Share Buy-Back Mandate will only be undertaken as and when circumstances permit and only when the Directors are of the view that such purchases are in the interest of the Company and Shareholders. No purchases or acquisitions of Shares will be made in circumstances which the Directors believe will have or may have a material adverse effect on the liquidity and the orderly trading of the Shares and the working capital requirements and gearing level of the Company and the Group.

2.3 Authority and Limitations on the Share Buy-Back Mandate

The authority and limitations placed on the Share Purchases by the Company under the Share Buy-Back Mandate, if approved at the forthcoming AGM, are summarised below:–

(i) Maximum Number of Shares

Only Shares that are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired is limited in aggregate to that number of Shares representing not more than 10% of the issued share capital of the Company, ascertained as at the date of the forthcoming AGM at which the Proposed Renewal of the Share Buy-Back Mandate is approved, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered. For the purposes of calculating the percentage of issued Shares above, Shares which are held as Treasury Shares and subsidiary holdings will be disregarded.

LETTER TO SHAREHOLDERS

For illustrative purposes only, based on 433,378,337 Shares, being the total number of Shares in issue excluding Treasury Shares and subsidiary holdings as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the AGM, not more than 43,337,833 Shares (representing 10% of the issued share capital excluding Treasury Shares and subsidiary holdings of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate.

(ii) Duration of Authority

Under the Share Buy-Back Mandate, Share Purchases may be made, at any time and from time to time, on and from the date of the AGM (at which the Proposed Renewal of the Share Buy-Back Mandate is approved) up to the earlier of:–

- (a) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (b) the date on which the Share Purchases are carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Buy-Back Mandate is varied or revoked by Shareholders by ordinary resolution in a general meeting.

The authority conferred on the Directors by the Share Buy-Back Mandate to purchase or acquire Shares may be renewed at each annual general meeting or other general meeting of the Company.

(iii) Manner of Share Purchases

Share Purchases may be made by way of:–

- (a) on-market purchases through the SGX-ST's ready market, or as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose ("**On-Market Purchases**"); and/or
- (b) off-market purchases (if effected otherwise than on the SGX-ST) pursuant to an equal access scheme (as defined in Section 76C of the Act), which scheme shall satisfy all the conditions prescribed by the Listing Manual ("**Off-Market Purchases**").

The Directors may impose such terms and conditions, which are not inconsistent with the Share Buy-Back Mandate, the Listing Manual, the Bye-Laws, the Bermuda Companies Act and Section 76C of the Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

LETTER TO SHAREHOLDERS

Under the Act, an Off-Market Purchase must be effected in accordance with an equal access scheme, which must satisfy all of the following conditions:–

- (aa) offers for Share Purchases shall be made to every person who holds Shares, to purchase or acquire the same percentage of their Shares;
- (bb) all of those persons shall be given a reasonable opportunity to accept the offer made to them; and
- (cc) the terms of all the offers are the same, except that there shall be disregarded:–
 - (zz) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;
 - (yy) (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
 - (xx) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:–

- (A) the terms and conditions of the offer;
- (B) the period and procedures for acceptances;
- (C) the reasons for the proposed Share Purchases;
- (D) the consequences, if any, of Share Purchases by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (E) whether the Share Purchases, if made, would have any effect on the listing of the Shares on the Official List;
- (F) details of any Share Purchases made by the Company in the previous 12 months (whether an On-Market Purchase or an Off-Market Purchase), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Share Purchases, where relevant, and the total consideration paid for such Share Purchases; and
- (G) whether the Shares purchased or acquired by the Company will be cancelled or kept as Treasury Shares.

LETTER TO SHAREHOLDERS

(iv) Maximum Purchase Price

The purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price to be paid for a Share as determined by the Directors must not exceed:–

- (a) in the case of an On-Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase, 110% of the Average Closing Price (as defined hereinafter),

in either case, excluding related expenses of the Share Purchase (the “**Maximum Price**”).

For the above purposes:–

“**Average Closing Price**” means (aa) the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, preceding the date of the On-Market Purchase or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase; and (bb) deemed to be adjusted for any corporate action that occurs after the relevant five-day period; and

“**day of the making of the offer**” means the day on which the Company announces its intention to make an offer for the Share Purchases from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Status of Purchased Shares

Under the Bermuda Companies Act, any Share which is purchased by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to that Share will expire on such cancellation) unless such Share is purchased or acquired to be held, and is held by the Company as a Treasury Share. When Shares purchased or acquired by the Company are cancelled and not held as Treasury Shares, the issued share capital of the Company will be diminished by the nominal value of such Shares purchased or acquired by the Company. This shall not be taken as reducing the Company’s authorised share capital.

Any Shares purchased or acquired by the Company (and not held as Treasury Shares by the Company) and cancelled will be automatically de-listed by the SGX-ST and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase.

LETTER TO SHAREHOLDERS

2.5 Treasury Shares

Under the Bermuda Companies Act, a company may purchase its own shares if authorised by its memorandum of association or bye-laws. Some provisions on treasury shares under the Bermuda Companies Act are summarised below:–

(i) Maximum Holdings

The shares so purchased may either be cancelled or may be held as treasury shares. If the shares purchased are cancelled, the company's issued, but not its authorised share capital will be diminished accordingly. Under the laws of Bermuda, if a company holds shares as treasury shares, the company shall be entered in the registry of members as the member holding the shares but the company is not permitted to exercise any rights in respect of those shares (including any right to attend and vote at meetings), and any purported exercise of such right is void.

A company may not acquire its own shares to be held as treasury shares if, as a result of the acquisition, all of the company's issued shares, other than the shares to be held as treasury shares, would be non-voting shares.

No acquisition by a company of its own shares to be held as treasury shares may be effected if, on the date on which the acquisition is to be effected, there are reasonable grounds for believing that the company is, or after the acquisition would be, unable to pay its liabilities as they become due.

(ii) Voting and Other Rights

A company cannot exercise any right in respect of treasury shares including any right to attend and vote at meetings and any purported exercise of such a right is void.

In addition, no dividend may be paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distributions of assets to members on a winding up) may be made, to the company in respect of treasury shares. However, the making of an allotment of shares as fully paid bonus shares in respect of treasury shares is allowed and any such bonus shares shall be treated for the purposes of the Bermuda Companies Act as if they had been acquired by the company at the time they were allotted. Also, a subdivision or consolidation of any treasury shares into shares of a different amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(iii) Disposal and Cancellation

Where shares are held as treasury shares, a company may, *inter alia*, at any time:–

- (a) continue to hold all or any of such treasury shares;
- (b) dispose of or transfer all or any of the treasury shares for the purpose of or pursuant to any employee share scheme;
- (c) dispose of or transfer all or any of the treasury shares for cash or other consideration;

LETTER TO SHAREHOLDERS

- (d) cancel all or any of the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister of Finance.

A company may transfer any treasury shares for the purpose of or pursuant to an employee share option or award scheme. The number of shares held as treasury shares shall not at any time exceed 10% of the total issued ordinary share capital of the company. In the event of any sale, transfer and/or cancellation of treasury shares, the Listing Manual requires the company to make an immediate announcement stating the following:–

- (aa) the date of such sale, transfer and/or cancellation;
- (bb) the purpose of such sale, transfer and/or cancellation;
- (cc) the number of treasury shares sold, transferred and/or cancelled;
- (dd) the number of treasury shares before and after such sale, transfer and/or cancellation;
- (ee) the percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer and/or cancellation; and
- (ff) the value of the treasury shares if they are used for a sale, transfer and/or cancellation.

2.6 Source of Funds

Under the Bermuda Companies Act, a purchase of shares may only be funded, so long as the company is solvent, out of the capital paid-up on the shares to be purchased, or out of the funds of the company which would otherwise be available for dividend or distribution, or out of the proceeds of a fresh issue of shares made for the purpose of the purchase and the premium payable on the purchase (i.e. the amount paid in excess of the nominal value of the shares to be purchased) must be provided for out of the funds of the company which would otherwise be available for dividend or distribution, or out of the company's share premium account before the shares are purchased. Any amount due to a Shareholder by the Company on purchase of its own Shares may be (i) paid in cash, (ii) satisfied by the transfer of any part of the undertaking or property of the Company having the same value or (iii) satisfied partly in cash and partly by the transfer of any part of the undertaking or property of the Company having the same value.

In undertaking Share Purchases, the Company may only apply funds legally available for such purchase in accordance with the Bermuda Companies Act, the Bye-Laws and the applicable laws in Singapore. The Company may not purchase its Shares for consideration other than cash or, in the case of an On-Market Purchase, for settlement other than in accordance with the trading rules of the SGX-ST. No purchase or acquisition by the Company of its own shares may be effected if, on the date on which the purchase or acquisition is effected, there are reasonable grounds for believing that the Company is, or after the purchase or acquisition would be, unable to pay its liabilities as they become due.

LETTER TO SHAREHOLDERS

The Company may use its internal resources of funds and/or external borrowings, or a combination of internal resources and external borrowings to finance buy-back of its Shares. It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Buy-Back Mandate on the Company's consolidated NTA and EPS as the resultant effect would depend on factors such as the aggregate number of Shares purchased, the purchase prices paid at the relevant time and the amount (if any) borrowed by the Company to fund the purchase.

Where the Share Purchase is made out of distributable profits, such purchase (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the Share Purchase is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

Where the Share Purchase is financed through internal resources, it will reduce the cash reserves of the Company, and thus the current assets and Shareholders' funds of the Company. This will result in an increase in the gearing ratios of the Company and a decline in the current ratios of the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the Share Purchase is financed through external borrowings or financing, there would be an increase in the gearing ratios of the Company and a decline in the current ratios of the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired. The Directors will only make purchases or acquisitions pursuant to the Share Buy-Back Mandate in circumstances which they believe will not result in any material adverse effect to the financial condition of the Company and would cause the Company to be insolvent.

2.7 Financial Effects

The financial effects on the Company and the Group, based on the audited consolidated financial statements of the Company for the financial year ended 31 March 2019, are based on the following principal assumptions:—

- (i) the number of Shares purchased was 43,337,833 (representing 10% of 433,378,337 issued Shares excluding Treasury Shares and subsidiary holdings as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as Treasury Shares on or prior to the AGM);
- (ii) in the case of On-Market Purchases, the Maximum Price was \$0.72 per Share (being the price equivalent to 5% above the Average Closing Prices of the Shares for the five Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date) and accordingly the maximum amount of funds required for the purchase or acquisition of 43,337,833 Shares (excluding ancillary expenses such as related brokerage, goods and services tax, stamp duties and clearance fees) is approximately S\$31,081,894;
- (iii) in the case of Off-Market Purchases, the Maximum Price was S\$0.75 per Share (being the price equivalent to 10% above the Average Closing Prices of the Shares for the five Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date) and accordingly the maximum amount of funds required for

LETTER TO SHAREHOLDERS

the purchase or acquisition of 43,337,833 Shares (excluding ancillary expenses such as related brokerage, goods and services tax, stamp duties and clearance fees) is approximately S\$32,559,714;

- (iv) the Share Purchases pursuant to the Share Buy-Back Mandate took place on 31 March 2019; and
- (v) transaction costs incurred for the Share Purchases pursuant to the Share Buy-Back Mandate are assumed to be insignificant and have been ignored for the purpose of computing the financial effects.

For illustrative purposes only, based on the assumptions set out above, the financial effects of the purchase of 43,337,833 Shares by the Company pursuant to the Share Buy-Back Mandate by way of:-

- (a) purchases made entirely out of capital and held as Treasury Shares;
- (b) purchases made entirely out of capital and cancelled;
- (c) purchases made entirely out of distributable profits and held as Treasury Shares; and
- (d) purchases made entirely out of distributable profits and cancelled,

on the audited consolidated financial statements of the Company for the financial year ended 31 March 2019, are set out below.

LETTER TO SHAREHOLDERS

Scenario 1 – Purchases made entirely out of capital and held as Treasury Shares

	Group			Company		
(HK\$'000)	Before Share buy-back	After Share buy-back assuming On-Market Purchase ⁽⁵⁾	After Share buy-back assuming Off-Market Purchase ⁽⁶⁾	Before Share buy-back	After Share buy-back assuming On-Market Purchase ⁽⁵⁾	After Share buy-back assuming Off-Market Purchase ⁽⁶⁾
Share capital	43,401	43,401	43,401	43,401	43,401	43,401
Shareholders' funds	1,159,282	980,036	971,513	495,403	316,157	307,634
NTA	1,159,050	979,804	971,281	495,403	316,157	307,634
Current assets	1,695,708	1,516,462	1,507,939	412,402	233,156	224,633
Current liabilities	845,167	845,167	845,167	329	329	329
Working capital	850,541	671,295	662,772	412,073	232,827	224,304
Total borrowings	–	–	–	–	–	–
Cash & cash equivalents	930,445	751,199	742,676	165	(179,081)	(187,604)
Profit after tax and minority interest	199,480	199,480	199,480	113,449	113,449	113,449
Number of Shares ('000)						
Shares	434,008	434,008	434,008	434,008	434,008	434,008
Less: Treasury Shares	630	43,968	43,968	630	43,968	43,968
Issued and paid-up Shares (Net of Treasury Shares)	433,378	390,040	390,040	433,378	390,040	390,040
Weighted average number of issued and paid-up Shares	431,536	388,198	388,198	431,536	388,198	388,198
Financial Ratios						
NTA per Share (HK cents) ⁽¹⁾	267.45	251.21	249.02	114.31	81.06	78.87
Basic EPS (HK cents) ⁽²⁾	46.23	51.39	51.39	26.29	29.22	29.22
Net gearing (times) ⁽³⁾	–	–	–	–	0.57	0.61
Return on equity (%) ⁽⁴⁾	17.21%	20.35%	20.53%	22.90%	35.88%	36.88%

Notes:–

- (1) NTA per Share equals NTA divided by number of issued and paid-up Shares as at 31 March 2019.
- (2) Basic EPS equals profit after tax and minority interest divided by the weighted average number of issued and paid-up Shares as at 31 March 2019.
- (3) Net gearing equals total borrowings less cash and cash equivalents divided by Shareholders' funds.
- (4) Return on equity equals profit after tax and minority interest divided by Shareholders' funds.
- (5) Assuming that the Company purchases the 43,337,833 Shares at the Maximum Price of S\$0.72 for one Share, which is 5% above the Average Closing Prices of a Share over the last 5 Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,337,833 Shares is approximately S\$31,081,894 (equivalent to HK\$179,246,174).
- (6) Assuming that the Company purchases the 43,337,833 Shares at the Maximum Price of S\$0.75 for one Share, which is 10% above the Average Closing Prices of a Share over the last 5 Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,337,833 Shares is approximately S\$32,559,714 (equivalent to HK\$187,768,614).

LETTER TO SHAREHOLDERS

Scenario 2 – Purchases made entirely out of capital and cancelled

	Group			Company		
(HK\$'000)	Before Share buy-back	After Share buy-back assuming On-Market Purchase ⁽⁵⁾	After Share buy-back assuming Off-Market Purchase ⁽⁶⁾	Before Share buy-back	After Share buy-back assuming On-Market Purchase ⁽⁵⁾	After Share buy-back assuming Off-Market Purchase ⁽⁶⁾
Share capital	43,401	39,067	39,067	43,401	39,067	39,067
Shareholders' funds	1,159,282	980,036	971,513	495,403	316,157	307,634
NTA	1,159,050	979,804	971,281	495,403	316,157	307,634
Current assets	1,695,708	1,516,462	1,507,939	412,402	233,156	224,633
Current liabilities	845,167	845,167	845,167	329	329	329
Working capital	850,541	671,295	662,772	412,073	232,827	224,304
Total borrowings	–	–	–	–	–	–
Cash & cash equivalents	930,445	751,199	742,676	165	(179,081)	(187,604)
Profit after tax and minority interest	199,480	199,480	199,480	113,449	113,449	113,449
Number of Shares ('000)						
Issued and paid-up Shares	433,378	390,040	390,040	433,378	390,040	390,040
Weighted average number of issued and paid-up Shares	431,536	388,198	388,198	431,536	388,198	388,198
Financial Ratios						
NTA per Share (HK cents) ⁽¹⁾	267.45	251.21	249.02	114.31	81.06	78.87
Basic EPS (HK cents) ⁽²⁾	46.23	51.39	51.39	26.29	29.22	29.22
Net gearing (times) ⁽³⁾	–	–	–	–	0.57	0.61
Return on equity (%) ⁽⁴⁾	17.21%	20.35%	20.53%	22.90%	35.88%	36.88%

Notes:–

- (1) NTA per Share equals NTA divided by number of issued and paid-up Shares as at 31 March 2019.
- (2) Basic EPS equals profit after tax and minority interest divided by the weighted average number of issued and paid-up Shares as at 31 March 2019.
- (3) Net gearing equals total borrowings less cash and cash equivalents divided by Shareholders' funds.
- (4) Return on equity equals profit after tax and minority interest divided by Shareholders' funds.
- (5) Assuming that the Company purchases the 43,337,833 Shares at the Maximum Price of S\$0.72 for one Share, which is 5% above the Average Closing Prices of a Share over the last 5 Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,337,833 Shares is approximately S\$31,081,894 (equivalent to HK\$179,246,174).
- (6) Assuming that the Company purchases the 43,337,833 Shares at the Maximum Price of S\$0.75 for one Share, which is 10% above the Average Closing Prices of a Share over the last 5 Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,337,833 Shares is approximately S\$32,559,714 (equivalent to HK\$187,768,614).

LETTER TO SHAREHOLDERS

Scenario 3 – Purchases made entirely out of distributable profits and held as Treasury Shares

	Group			Company		
(HK\$'000)	Before Share buy-back	After Share buy-back assuming On-Market Purchase ⁽⁵⁾	After Share buy-back assuming Off-Market Purchase ⁽⁶⁾	Before Share buy-back	After Share buy-back assuming On-Market Purchase ⁽⁵⁾	After Share buy-back assuming Off-Market Purchase ⁽⁶⁾
Share capital	43,401	43,401	43,401	43,401	43,401	43,401
Shareholders' funds	1,159,282	980,036	971,513	495,403	316,157	307,634
NTA	1,159,050	979,804	971,281	495,403	316,157	307,634
Current assets	1,695,708	1,516,462	1,507,939	412,402	233,156	224,633
Current liabilities	845,167	845,167	845,167	329	329	329
Working capital	850,541	671,295	662,772	412,073	232,827	224,304
Total borrowings	–	–	–	–	–	–
Cash & cash equivalents	930,445	751,199	742,676	165	(179,081)	(187,604)
Profit after tax and minority interest	199,480	199,480	199,480	113,449	113,449	113,449
Number of Shares ('000)						
Shares	434,008	434,008	434,008	434,008	434,008	434,008
Less: Treasury Shares	630	43,968	43,968	630	43,968	43,968
Issued and paid-up Shares (Net of Treasury Shares)	433,378	390,040	390,040	433,378	390,040	390,040
Weighted average number of issued and paid-up Shares	431,536	388,198	388,198	431,536	388,198	388,198
Financial Ratios						
NTA per Share (HK cents) ⁽¹⁾	267.45	251.21	249.02	114.31	81.06	78.87
Basic EPS (HK cents) ⁽²⁾	46.23	51.39	51.39	26.29	29.22	29.22
Net gearing (times) ⁽³⁾	–	–	–	–	0.57	0.61
Return on equity (%) ⁽⁴⁾	17.21%	20.35%	20.53%	22.90%	35.88%	36.88%

Notes:–

- (1) NTA per Share equals NTA divided by number of issued and paid-up Shares as at 31 March 2019.
- (2) Basic EPS equals profit after tax and minority interest divided by the weighted average number of issued and paid-up Shares as at 31 March 2019.
- (3) Net gearing equals total borrowings less cash and cash equivalents divided by Shareholders' funds.
- (4) Return on equity equals profit after tax and minority interest divided by Shareholders' funds.
- (5) Assuming that the Company purchases the 43,337,833 Shares at the Maximum Price of S\$0.72 for one Share, which is 5% above the Average Closing Prices of a Share over the last 5 Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,337,833 Shares is approximately S\$31,081,894 (equivalent to HK\$179,246,174).
- (6) Assuming that the Company purchases the 43,337,833 Shares at the Maximum Price of S\$0.75 for one Share, which is 10% above the Average Closing Prices of a Share over the last 5 Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,337,833 Shares is approximately S\$32,559,714 (equivalent to HK\$187,768,614).

LETTER TO SHAREHOLDERS

Scenario 4 – Purchases made entirely out of distributable profits and cancelled

	Group			Company		
(HK\$'000)	Before Share buy-back	After Share buy-back assuming On-Market Purchase ⁽⁵⁾	After Share buy-back assuming Off-Market Purchase ⁽⁶⁾	Before Share buy-back	After Share buy-back assuming On-Market Purchase ⁽⁵⁾	After Share buy-back assuming Off-Market Purchase ⁽⁶⁾
Share capital	43,401	43,401	43,401	43,401	43,401	43,401
Shareholders' funds	1,159,282	980,036	971,513	495,403	316,157	307,634
NTA	1,159,050	979,804	971,281	495,403	316,157	307,634
Current assets	1,695,708	1,516,462	1,507,939	412,402	233,156	224,633
Current liabilities	845,167	845,167	845,167	329	329	329
Working capital	850,541	671,295	662,772	412,073	232,827	224,304
Total borrowings	–	–	–	–	–	–
Cash & cash equivalents	930,445	751,199	742,676	165	(179,081)	(187,604)
Profit after tax and minority interest	199,480	199,480	199,480	113,449	113,449	113,449
Number of Shares ('000)						
Issued and paid-up Shares	433,378	390,040	390,040	433,378	390,040	390,040
Weighted average number of issued and paid-up Shares	431,536	388,198	388,198	431,536	388,198	388,198
Financial Ratios						
NTA per Share (HK cents) ⁽¹⁾	267.45	251.21	249.02	114.31	81.06	78.87
Basic EPS (HK cents) ⁽²⁾	46.23	51.39	51.39	26.29	29.22	29.22
Net gearing (times) ⁽³⁾	–	–	–	–	0.57	0.61
Return on equity (%) ⁽⁴⁾	17.21%	20.35%	20.53%	22.90%	35.88%	36.88%

Notes:–

- (1) NTA per Share equals NTA divided by number of issued and paid-up Shares as at 31 March 2019.
- (2) Basic EPS equals profit after tax and minority interest divided by the weighted average number of issued and paid-up Shares as at 31 March 2019.
- (3) Net gearing equals total borrowings less cash and cash equivalents divided by Shareholders' funds.
- (4) Return on equity equals profit after tax and minority interest divided by Shareholders' funds.
- (5) Assuming that the Company purchases the 43,337,833 Shares at the Maximum Price of S\$0.72 for one Share, which is 5% above the Average Closing Prices of a Share over the last 5 Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,337,833 Shares is approximately S\$31,081,894 (equivalent to HK\$179,246,174).
- (6) Assuming that the Company purchases the 43,337,833 Shares at the Maximum Price of S\$0.75 for one Share, which is 10% above the Average Closing Prices of a Share over the last 5 Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,337,833 Shares is approximately S\$32,559,714 (equivalent to HK\$187,768,614).

LETTER TO SHAREHOLDERS

As illustrated above, a summary of the financial effects of the Share Purchases are:–

- (aa) increased net gearing ratios of the Company;
- (bb) decreased consolidated NTA per Share and NTA per Share of the Company;
- (cc) increased consolidated basic EPS and basic EPS of the Company; and
- (dd) increased positive return on equity of the Group and the Company.

Shareholders should note that the financial effects illustrated above are for illustration purposes only. In particular, it is important to note that the above analysis is based on the latest audited consolidated financial statements of the Company as at 31 March 2019, and is not necessarily representative of the future financial performance of the Company.

Although the Share Buy-Back Mandate would authorise the Company to purchase up to 10% of the Company's issued Shares, the Company may not necessarily purchase or be able to purchase the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares purchased or acquired, or hold all or part of the Shares purchased or acquired as Treasury Shares.

2.8 Tax Implications

Shareholders who are in any doubt as to their respective tax positions or the tax implications of Share Purchases by the Company, or who may be subject to tax whether inside or outside Singapore, should consult their own professional advisers.

2.9 Listing Status

The Directors will ensure that the Share Purchases will not have any effect on the listing of the Company's securities including the Shares listed on the SGX-ST. The Company is required under Rule 723 of the SGX-ST Listing Manual to ensure that at least 10% of its Shares are in the hands of the public. The "public", as defined in the Listing Manual, are persons other than the Directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company and its subsidiaries, as well as the associates (as defined in the Listing Manual) of such persons.

The Directors shall safeguard the interests of the public (as defined above) before undertaking any Share Purchase. Before exercising the Share Buy-Back Mandate, the Directors shall at all times take due cognisance of (i) the then shareholding spread of the Company in respect of the number of Shares held by Substantial Shareholders and by non-Substantial Shareholders; and (ii) the volume of trading on the SGX-ST in respect of the Shares immediately before the exercise of any Share Purchase.

As at the Latest Practicable Date, there are 316,887,365 Shares in the hands of the public (as defined above) representing 73.1% of the issued Shares excluding Treasury Shares and subsidiary holdings. Assuming that the Company purchases 43,337,833 Shares through market purchases up to the full 10% limit pursuant to the Share Buy-Back Mandate, the number of Shares in the hands of the public would be reduced to 273,549,532 Shares, representing 70.1% of the Shares excluding Treasury Shares and subsidiary holdings as at the Latest Practicable Date.

LETTER TO SHAREHOLDERS

Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by the public (as defined above) which would permit the Company to undertake purchases or acquisitions of its Shares through market purchases up to the full 10% limit pursuant to the Share Buy-Back Mandate without adversely affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to adversely affect orderly trading. The Company will ensure that notwithstanding the Share Purchases, a sufficient float in the hands of the public will be maintained in order not to cause market illiquidity or affect orderly trade.

2.10 SGX-ST Listing Manual

Under the Listing Manual, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. The term “**average closing market price**” is defined in the Listing Manual as (i) the average of the closing market prices of shares over the last five Market Days, on which transactions in the shares were recorded, before the day on which purchases are made; and (ii) deemed to be adjusted for any corporate action that occurs after the relevant five-day period. The Maximum Price for a Share in relation to market purchases by the Company, referred to in Section 2.3(iv) of this Circular, conforms to this restriction.

Additionally, the Listing Manual also specifies that a listed company shall notify all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:—

- (a) in the case of an On-Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such notification shall include, details of the total number of shares authorised for purchase, the date of purchase, the total number of shares purchased, the purchase price per share, the total purchase price for the Shares, the highest and lowest prices per share for the shares purchased to date and the number of issued shares after purchase, in the form prescribed under the Listing Manual.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time(s), because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase of Shares pursuant to the Share Buy-Back Mandate at any time after any matter or development of a price sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company will not purchase or acquire any Shares during the period commencing two weeks immediately preceding the announcement of the Company’s quarterly financial statements or one month immediately preceding the announcement of the Company’s annual financial statements and ending on the date of the announcement of the relevant results.

LETTER TO SHAREHOLDERS

2.11 Application of the Take-over Code

(i) Obligations to make a take-over offer

Under Rule 14 of the Take-over Code, a person will be required to make a general offer for a public company if:–

- (a) he acquires 30% or more of the voting rights in the company; or
- (b) he, together with persons acting in concert with him, holds between 30% and 50% of the voting rights in the company and he, or any person acting in concert with him, increases their voting rights in the company by more than 1% in any six-month period.

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert under the Take-over Code:–

(aa) the following companies:–

(zz) a company;

(yy) the parent company of (zz);

(xx) the subsidiaries of (zz);

(ww) the fellow subsidiaries of (zz);

(vv) the associated companies of any of (zz), (yy), (xx) or (ww);

(uu) companies whose associated companies include any of (zz), (yy), (xx), (ww) or (vv); and

(tt) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and

LETTER TO SHAREHOLDERS

- (bb) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

For this purpose, ownership or control of at least 20% but not more than 50% of the equity share capital of a company will be regarded as the test of associated company status. The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

Under Appendix 2 of the Take-over Code, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights in the Company of such Directors and their concert parties would:–

- (A) increase to 30% or more; or
- (B) if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties increase by more than 1% in any period of six months.

In calculating the percentages of voting rights in the Company of such Directors and their concert parties, Treasury Shares shall be excluded.

A Shareholder who is not acting in concert with the Directors will not incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or if the voting rights of such Shareholder fall between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder increases by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the ordinary resolution authorising the Share Buy-Back Mandate.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer under Rule 14 of the Take-over Code as a result of any Share Purchases by the Company pursuant to the Share Buy-Back Mandate are advised to consult their professional advisers and/or the Council before they acquire any Shares during the period when the renewed Share Buy-Back Mandate is in force.

Details of the interests of the Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date are set out in Section 3 of this Circular.

LETTER TO SHAREHOLDERS

(ii) Take-over implications arising from the Share Buy-Back Mandate

Based on the Company's Register of Directors' Shareholdings and Substantial Shareholders maintained by the Company as at the Latest Practicable Date, the shareholdings of the Directors and the Substantial Shareholders before and after the Share Buy-Back Mandate (assuming (a) the Company purchased a maximum number of 43,337,833 Shares, being 10% of the total issued share capital excluding Treasury Shares and subsidiary holdings of the Company as at the Latest Practicable Date, and (b) there was no change in the number of Shares held or deemed to be held by the Directors and the Substantial Shareholders) are as follows:–

	Before Share buy-back			After Share buy-back		
	Direct Interest	Deemed Interest	Total Interest (%) ⁽¹⁾	Direct Interest	Deemed Interest	Total Interest (%) ⁽²⁾
Substantial Shareholders						
Tse Chong Hing ⁽³⁾	75,990,411	–	17.5	75,990,411	–	19.5
Chow Kok Kit ⁽⁴⁾	32,000,361	–	7.4	32,000,361	–	8.2

Notes:–

- (1) As a percentage of the issued share capital excluding Treasury Shares and subsidiary holdings of the Company as at the Latest Practicable Date, comprising 433,378,337 Shares.
- (2) As a percentage of the issued share capital excluding Treasury Shares and subsidiary holdings of the Company as at the Latest Practicable Date, comprising 390,040,504 Shares (assuming that the Company purchased or acquired the maximum number of 43,337,833 Shares under the Share Buy-Back Mandate).
- (3) Mr. Tse Chong Hing is the Chairman and Managing Director of the Company.
- (4) Mr. Chow Kok Kit is the Executive Director of the Company.

Based on the Company's Register of Directors' Shareholdings and Substantial Shareholders maintained by the Company as at the Latest Practicable Date, in the event the Company undertakes Share Purchases within the Relevant Period of up to 10% of the issued Shares of the Company as at the Latest Practicable Date as permitted by the Share Buy-Back Mandate, the shareholdings and voting rights of Mr. Tse Chong Hing and Mr. Chow Kok Kit will remain below 30%. Accordingly, no general offer by Mr. Tse Chong Hing and Mr. Chow Kok Kit is required to be made pursuant to Rule 14 of the Take-over Code.

2.12 Share Purchases in the previous 12 months

As at the Latest Practicable Date, the Company had, pursuant to the Share Buy-Back Mandate approved by Shareholders at the 2018 AGM, purchased or acquired an aggregate of 630,000 Shares by way of On-Market Purchases. The highest and lowest price paid was S\$0.635 and S\$0.630 per Share respectively. The total consideration paid (excluding brokerage, commission, applicable goods and services tax, and other related expenses) was S\$399,042.

LETTER TO SHAREHOLDERS

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors in the Shares as recorded in the Company's Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:–

Name of Director	Direct Interest	Deemed Interest	Total Interest (%) ⁽¹⁾
Tse Chong Hing	75,990,411	–	17.5
Chow Kok Kit	32,000,361	–	7.4
Ong Tiew Siam	–	–	–
Loo Cheng Guan	–	–	–
Tan Siok Chin	–	–	–

Note:–

(1) As a percentage of the issued share capital excluding Treasury Shares and subsidiary holdings of the Company as at the Latest Practicable Date, comprising 433,378,337 Shares.

The interests of the Substantial Shareholders as recorded in the Company's Register of Substantial Shareholders as at the Latest Practicable Date are set out below:–

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Total Interest (%) ⁽¹⁾
Tse Chong Hing	75,990,411	–	17.5
Chow Kok Kit	32,000,361	–	7.4

Note:–

(1) As a percentage of the issued share capital excluding Treasury Shares and subsidiary holdings of the Company as at the Latest Practicable Date, comprising 433,378,337 Shares.

Save for their respective shareholdings in the Company set out above, none of the Directors and the Substantial Shareholders have any interest, direct or indirect, in the Share Buy-Back Mandate.

4. DIRECTORS' RECOMMENDATION

The Directors having fully considered, *inter alia*, the terms and rationale of the Share Buy-Back Mandate as set out in this Circular, are of the opinion that the Proposed Renewal of the Share Buy-Back Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Resolution 9 to be proposed at the AGM.

LETTER TO SHAREHOLDERS

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Share Buy-Back Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

6. ANNUAL GENERAL MEETING

The Board is convening an AGM to be held at Level 3, Venus Room I & II, Furama RiverFront, Singapore, 405 Havelock Road, Singapore 169633, on 22 July 2019 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, Resolution 9 as set out in the Notice of AGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and wish to appoint a proxy to attend and vote at the AGM on their behalf must complete, sign and return the Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be deposited at the office of the Singapore share transfer agent of the Company, B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, not less than 72 hours before the time fixed for holding the AGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the AGM in place of his proxy if he finds that he is able to do so. However, any appointment of a proxy by such Shareholder shall be deemed to be revoked if the Shareholder attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person, appointed under the instrument of proxy, to the AGM.

Depositors who wish to attend and vote at the AGM, and whose names are shown in the records of CDP as at a time not earlier than 72 hours prior to the time of the AGM supplied by CDP to the Company, may attend as CDP's proxies. Such Depositors who are individuals and who wish to attend the AGM in person need not take any further action and can attend and vote at the AGM without the lodgement of any proxy form. Such Depositors who are unable to attend personally and wish to appoint a nominee to attend and vote on his behalf, and such Depositors who are not individuals, will find attached to the Annual Report a Depositor Proxy Form which they must complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event, so as to be deposited at the office of the Singapore share transfer agent of the Company, B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, not less than 72 hours before the time fixed for holding the AGM. The completion and return of a Depositor Proxy Form by a Depositor who is an individual does not preclude him from attending and voting in person at the AGM in place of his nominee if he finds he is able to do so.

LETTER TO SHAREHOLDERS

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Singapore share transfer agent of the Company, B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, during normal business hours from the date of this Circular up to and including the time and date of the AGM:—

- (i) the Memorandum of Association and the Bye-Laws of the Company; and
- (ii) the Annual Report of the Company for the financial year ended 31 March 2019.

Yours faithfully,
For and on behalf of the Board of Directors of
VALUETRONICS HOLDINGS LIMITED

Tse Chong Hing
Chairman and Managing Director