

CIRCULAR DATED 2 NOVEMBER 2018

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

**This Circular is issued by 8Telecom International Holdings Co. Ltd. (the “Company”, and together with its subsidiaries, the “Group”). If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other independent professional adviser immediately.**

If you have sold or transferred all your ordinary shares in the issued and paid-up share capital of the Company, you should immediately forward this Circular together with the Notice of SGM (as defined herein) and the enclosed Proxy Form to the purchaser or transferee, or to the bank, stockbroker, or agent through whom you effected the sale for onward transmission to the purchaser or the transferee. If you have sold or transferred all your Shares (as defined herein) which are held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular, the Notice of SGM and the accompanying Proxy Form to the purchaser or transferee, as arrangements will be made by CDP for a separate Circular and the accompanying documents to be sent to the purchaser or transferee.

## **8TELECOM INTERNATIONAL HOLDINGS CO. LTD.**

(Incorporated in Bermuda on 5 January 2004)  
(Company Registration No. 34713)

### **CIRCULAR TO SHAREHOLDERS IN RELATION TO**

- (1) THE PROPOSED ACQUISITION OF 51% OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF EACH OF CHINA COMMODITY MARKET PTE. LTD. AND CHINA COMMODITY SHOPPING CENTRE PTE. LTD.;**
- (2) THE PROPOSED ISSUE AND ALLOTMENT OF THE CONSIDERATION SHARES;**
- (3) THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP TO INCLUDE THE RETAIL BUSINESS;**
- (4) THE PROPOSED CHANGE OF AUDITORS OF THE COMPANY FROM PRICEWATERHOUSECOOPERS LLP TO FOO KON TAN LLP; AND**
- (5) THE PROPOSED CHANGE OF THE COMPANY’S NAME FROM “8TELECOM INTERNATIONAL HOLDINGS CO. LTD.” TO “ASIA E-SUPERMARKET HOLDINGS CO. LTD.”**

### **IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	26 November 2018 at 9.30 a.m.
Date and time of Special General Meeting	:	28 November 2018 at 9.30 a.m.
Place of Special General Meeting	:	Chart Room, Raffles Marina, 10 Tuas West Drive, Singapore 638404

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## DEFINITIONS

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In this Circular, the following definitions shall apply throughout unless the context otherwise requires:

<b>“9M2017”</b>	:	The unaudited financial statements of the Group for the financial period ended 30 September 2017
<b>“ACRA”</b>	:	The Accounting and Corporate Regulatory Authority of Singapore
<b>“Agreement”</b>	:	The conditional sale and purchase agreement dated 8 March 2018 entered into between the Company and the Vendors in relation to the Proposed Acquisition
<b>“Arete M”</b>	:	Arete M Pte. Ltd.
<b>“Audit Committee”</b>	:	The audit committee of the Company, comprising Ms Xiang Ying and Ms Zhang Yuanyuan, as at the Latest Practicable Date
<b>“AUP”</b>	:	Has the meaning set out in Section 2.2.2 ( <i>Information on the Target Companies</i> ) of this Circular
<b>“Board” or “Board of Directors”</b>	:	The board of directors of the Company
<b>“Business Day”</b>	:	A day on which commercial banks are open for business in Singapore, excluding Saturdays, Sundays and public holidays
<b>“Bye-Laws”</b>	:	The Bye-Laws of the Company
<b>“CCM”</b>	:	China Commodity Market Pte. Ltd.
<b>“CCM Loan”</b>	:	The sum of S\$175,000 provided to CCM as a loan by the Company, pursuant to the loan agreement dated 1 December 2017, details of which are further set out in Section 2.3.2 ( <i>Consideration</i> ) of this Circular
<b>“CCSC”</b>	:	China Commodity Shopping Centre Pte. Ltd.
<b>“CCSC Loan”</b>	:	The sum of S\$175,000 provided to CCSC as a loan by the Company, pursuant to the loan agreement dated 1 December 2017, details of which are further set out in Section 2.3.2 ( <i>Consideration</i> ) of this Circular
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Chinatown Supermarket”</b>	:	The Supermarket located at 1 Park Road, #05-01, Singapore 059108, details of which are further set out in Section 2.2.3 ( <i>Information on the Supermarkets</i> ) of this Circular
<b>“Circular”</b>	:	This circular to Shareholders dated 2 November 2018 in relation to the Proposed Resolutions
<b>“Company”</b>	:	8Telecom International Holdings Co. Ltd.
<b>“Companies Act”</b>	:	The Companies Act 1981 of Bermuda, as amended, supplemented or modified from time to time

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## DEFINITIONS

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- “Completion”** : The completion of the sale and transfer of the Sale Shares to the Company
- “Completion Date”** : Subject to the conditions precedent to Completion being satisfied or waived, the date falling not more than ten (10) Business Days after the satisfaction of the Conditions Precedent, or such other date as the Parties may agree in writing
- “Conditions Precedent”** : Satisfaction (or waiver thereof) of the matters set out in Section 2.4 (*Conditions Precedent in relation to the Proposed Acquisition*) of this Circular
- “Consideration”** : The aggregate sum of S\$8,000,000, being the consideration for the Proposed Acquisition payable to the Vendors by the Company, details of which are further set out in Section 2.3.2 (*Consideration*) of this Circular
- “Consideration Shares”** : The Letu Consideration Shares and NP Consideration Shares, details of which are further set out in Section 2.3.2 (*Consideration*) of this Circular
- “Encumbrances”** : Any mortgage, assignment of receivables, debenture, lien, charge, pledge, security interest, title retention, right to acquire, options, restriction on transfer and any other encumbrance or condition whatsoever and any other arrangement having substantially the same or similar economic effect over or in respect of the relevant asset, security or right or the use thereof.
- “Existing Business”** : The existing business of the Company in telecommunication infrastructure solutions, details of which are further set out in Section 4.2 (*Existing Business of the Group*) of this Circular
- “Foo Kon Tan”** : Foo Kon Tan LLP
- “FY2016”** : The financial year ended 31 December 2016
- “FY2017”** : The financial year ended 31 December 2017
- “Geylang Supermarket”** : The Supermarket located at 538 Geylang Road, #01-01 to #01-05, Singapore 386493, details of which are further set out in Section 2.2.3 (*Information on the Supermarkets*) of this Circular
- “Group”** : The Company and its subsidiaries, collectively
- “Latest Practicable Date”** : 1 November 2018, being the latest practicable date prior to the printing of this Circular
- “Letu”** : Letu Investment Pte. Ltd.
- “Letu Consideration Shares”** : The new ordinary Shares to be issued and allotted to Letu pursuant to the terms of the Agreements, further details of which are set out in Section 2.3.2 (*Consideration*) of this Circular
- “Listing Manual”** : The Listing Manual of the SGX-ST as may be amended, modified, or supplemented from time to time

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## DEFINITIONS

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<b>“Loans”</b>	:	Has the meaning set out in Section 2.3.2 ( <i>Consideration</i> ) of this Circular
<b>“Memorandum of Association”</b>	:	The memorandum of association of the Company
<b>“New Pacific”</b>	:	New Pacific Trading Pte. Ltd.
<b>“Notice of SGM”</b>	:	The notice of the SGM as set out on pages N-1 to N-3 of this Circular
<b>“NP Consideration Shares”</b>	:	The new ordinary Shares to be issued and allotted to New Pacific pursuant to the terms of the Agreements, further details of which are set out in Section 2.3.2 ( <i>Consideration</i> ) of this Circular
<b>“NTA”</b>	:	Net tangible assets
<b>“Parties”</b>	:	The parties to the Agreements, being the Company and the Vendors
<b>“PRC Community”</b>	:	The People’s Republic of China nationals resident in Singapore and as set out in Section 2.5.2 ( <i>Rationale for the Proposed Acquisition</i> ) of this Circular
<b>“PRC Products”</b>	:	Popular products carried by the Supermarkets from the People’s Republic of China, details of which are further set out in Section 2.2.3 ( <i>Information on the Supermarkets</i> ) of this Circular
<b>“Products”</b>	:	The products to be sold as part of the Proposed New Business, being food (including wet and dry foods) and beverages, general merchandise such as household products and toiletries, stationery, electrical appliances, cosmetics, apparel and footwear
<b>“Proposed Acquisition”</b>	:	The proposed acquisition of the Sale Shares by the Company from the Vendors
<b>“Proposed Amendments”</b>	:	The proposed amendments to the Company’s Memorandum of Association and Bye-Laws to replace the name “8Telecom International Holdings Co. Ltd.” wherever it appears therein with the proposed new name of the Company, “Asia E-Supermarket Holdings Co. Ltd.”
<b>“Proposed Change of Auditors”</b>	:	The proposed change of auditors of the Company from PwC to Foo Kon Tan
<b>“Proposed Diversification”</b>	:	The proposed diversification of the Group’s Existing Business to include the Proposed New Business
<b>“Proposed Issue of Consideration Shares”</b>	:	The proposed issue and allotment of the Consideration Shares
<b>“Proposed Name Change”</b>	:	The proposed change in the Company’s name from “8Telecom International Holdings Co. Ltd.” to “Asia E-Supermarket Holdings Co. Ltd.”

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## DEFINITIONS

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- “Proposed New Business”** : The proposed new retail business, details of which are further set out in Section 4.3 (*The Proposed New Business*) of this Circular
- “Proposed Resolutions”** : The resolutions as set out in the Notice of SGM
- “PwC”** : PricewaterhouseCoopers LLP
- “Sale Shares”** : The 51,000 issued and paid-up shares in the capital of each of the Target Companies, representing 51% of the total issued and paid-up share capital of each of the Target Companies, which are to be sold by the Vendors to the Company, on the terms and subject to the conditions in the Agreements
- “Securities Account”** : A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
- “Securities and Futures Act”** : Securities and Futures Act (Cap. 289) of Singapore, as may be amended, modified, or supplemented from time to time
- “SGX-ST”** : Singapore Exchange Securities Trading Limited
- “SGXNET”** : The SGXNET Corporate Announcement System, being a system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
- “Shareholders”** : Registered holders of Shares
- “Shares”** : Ordinary shares with a par value of US\$0.001 each in the capital of the Company, and each a **“Share”**
- “Singapore”** : The Republic of Singapore
- “SGM”** : The special general meeting of the Company to be convened on 28 November 2018 (or any adjournment thereof), the notice of which is set out on page N-1 to N-3 of this Circular
- “Subscription”** : The placement of 18,740,000 Shares to two (2) new subscribers as announced by the Group on 2 November 2017, 11 December 2017, 14 December 2017 and 18 December 2017
- “Substantial Shareholder”** : A person (including a corporation) who holds (directly or indirectly) not less than five per cent (5%) of the total votes attached to all the voting Shares in the Company
- “Supermarkets”** : The two (2) supermarkets owned by CCM and CCSC operating under the trade name of “China Commodity Market” (中国商品超市), details of which are further set out in Section 2.2.2 (*Information on the Target Companies*) of this Circular
- “Supplemental Agreement”** : The supplemental agreement dated 10 September 2018 entered into between the Company and the Vendors in relation to the Proposed Acquisition

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## DEFINITIONS

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<b>“Target Companies”</b>	:	CCM and CCSC
<b>“Unaudited 9M2017 Accounts”</b>	:	The unaudited financial statements of CCM for the financial period from 12 December 2016 (date of incorporation) to 30 September 2017 and unaudited financial statements of CCSC for the financial period from 21 November 2016 (date of incorporation) to 30 September 2017
<b>“Vendors”</b>	:	New Pacific and Letu collectively
<b>“S\$” and “cents”</b>	:	Singapore dollars and cents respectively, the lawful currency of Singapore
<b>“US\$”</b>	:	United States dollars, the lawful currency of the United States of America
<b>“%” or “per cent”</b>	:	Per centum or percentage

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** have the same meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act or any statutory modification thereof, as the case may be.

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 include corporations where applicable.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Companies Act, the Securities and Futures Act of Singapore, the Listing Manual, or any statutory or regulatory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the Securities and Futures Act, the Listing Manual, or such statutory or regulatory modification thereof, as the case may be, unless otherwise provided.

Any reference to a date and/or time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

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

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

Any reference to **“we”**, **“us”** and **“our”** in this Circular is a reference to the Group or any member of the Group as the context requires.



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## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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All statements other than statements of historical facts included in this Circular 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**”, “**if**”, “**would**”, “**should**”, “**could**”, “**may**” and “**might**”. These statements reflect 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 should not place undue reliance on such forward-looking statements, and the Company assumes no obligation to update publicly or revise any forward-looking statement.

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## LETTER TO SHAREHOLDERS

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### 8TELECOM INTERNATIONAL HOLDINGS CO. LTD.

(Incorporated in Bermuda on 5 January 2004)  
(Company Registration No. 34713)

#### BOARD OF DIRECTORS

Ms Wang Zhejun (Executive Director)  
Ms Tiffany Gong Qian (Executive Director)  
Mr Liu Lu (Executive Director)  
Ms Xiang Ying (Non-Independent Non-Executive Director)  
Ms Zhang Yuanyuan (Independent Director)

#### REGISTERED OFFICE:

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

2 November 2018

To: The Shareholders of 8Telecom International Holdings Co. Ltd.

Dear Sir / Madam

- (1) THE PROPOSED ACQUISITION OF 51% OF THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF EACH OF CHINA COMMODITY MARKET PTE. LTD. AND CHINA COMMODITY SHOPPING CENTRE PTE. LTD.;
- (2) THE PROPOSED ISSUE AND ALLOTMENT OF THE CONSIDERATION SHARES;
- (3) THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP TO INCLUDE THE RETAIL BUSINESS;
- (4) THE PROPOSED CHANGE OF AUDITORS OF THE COMPANY FROM PRICEWATERHOUSECOOPERS LLP TO FOO KON TAN LLP
- (5) THE PROPOSED CHANGE OF THE COMPANY'S NAME FROM "8TELECOM INTERNATIONAL HOLDINGS CO. LTD." TO "ASIA E-SUPERMARKET HOLDINGS CO. LTD."

#### 1. INTRODUCTION

1.1. The Board is convening the SGM to be held on 28 November 2018 at 9.30 a.m. at Chart Room, Raffles Marina, 10 Tuas West Drive, Singapore 638404 to seek Shareholders' approval for the following:

- (a) the Proposed Acquisition,
- (b) the Proposed Issue of Consideration Shares,
- (c) the Proposed Diversification,
- (d) the Proposed Change of Auditors, and
- (e) the proposed change of name from "8Telecom International Holdings Co. Ltd." to "Asia E-Supermarket Holdings Co. Ltd." (the "**Proposed Name Change**") and the proposed amendments to the Company's Memorandum of Association and Bye-Laws to replace the name "8Telecom International Holdings Co. Ltd." wherever it appears therein with the proposed new name of the Company, "Asia E-Supermarket Holdings Co. Ltd." (the "**Proposed Amendments**"),

(the "**Proposed Resolutions**").

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## LETTER TO SHAREHOLDERS

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- 1.2. The purpose of this Circular is to provide Shareholders with relevant information pertaining to, and to explain the rationale for the Proposed Resolutions, as well as to seek Shareholders' approval for the Proposed Resolutions relating to the same to be tabled at the forthcoming SGM. The Notice of SGM is set out on pages N-1 to N-3 of this Circular.
- 1.3. The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Circular.
- 1.4. Shareholders should note that Ordinary Resolutions 1 and 2 are inter-conditional in relation to each other, and Special Resolution 1 is conditional on the passing of Ordinary Resolutions 1 and 2. In the event that Shareholders do not approve of Ordinary Resolution 1, Ordinary Resolution 2 will not be duly passed and vice versa. In the event that Shareholders do not approve of Ordinary Resolution 1 and/or Ordinary Resolution 2, Special Resolution 1 will not be duly passed.

## **2. THE PROPOSED ACQUISITION**

### **2.1. The Agreement and Supplemental Agreement**

- 2.1.1. On 8 March 2018, the Company announced that it had entered into the Agreement with the Vendors, pursuant to which the Company had agreed to acquire the Sale Shares from the Vendors. Subsequent thereto, the Company announced that it had entered into the Supplemental Agreement on 10 September 2018 to extend the long-stop date for the fulfilment and waiver of the conditions precedent relating to the Proposed Acquisition.
- 2.1.2. In connection therewith, the Company also announced its intention to diversify into the retail business, details of which are further set out in Section 4.3 (*The Proposed New Business*) of this Circular.

### **2.2. Information on the Vendors and the Target Companies**

*The information presented herein and in other sections of this Circular relating to information on the Vendors, the Target Companies and the Supermarkets is based on information provided by the Vendor. In respect of such information and pending the results of the due diligence exercise carried out by the Company, the Company has not independently verified the accuracy and correctness of such information. As such, the Company's responsibility is limited to ensuring that such information has been accurately and correctly extracted and reproduced in this Circular in its proper form and context.*

#### **2.2.1. Information on the Vendors**

The Vendors are collectively the existing legal and beneficial owners of 100% of the total issued and paid-up share capital of the Target Companies.

Letu is a company incorporated in Singapore with a total issued and paid-up capital of S\$100,000, engaged in the business of investment holding. The sole director of Letu is Mr Ma Le. Letu holds 50,000 shares out of 100,000 shares, being the total number of issued shares of CCSC and 50,000 shares out of 100,000 shares, being the total number of issued shares of CCM. The shares owned by Letu represents 50% of the total voting rights of the Target Companies. New Pacific is a company incorporated in Singapore with a total issued and paid-up capital of S\$100,000, engaged in the business of general wholesale trade. The sole director of New Pacific is Mr Wang Da. New Pacific holds 50,000 shares out of 100,000 shares, being the total number of issued shares of CCSC and 50,000 shares out of 100,000 shares, being the total number of issued shares of CCM. The shares owned by New Pacific represents 50% of the total voting rights of the Target Companies. The shareholders of Letu and New Pacific are collectively Mr Chen Junxing and Mr Xiang Guanghua holding 50% each in Letu and New Pacific. The business of the Supermarkets was introduced to the Company by Ms Wang Zhejun, the Executive Director of the Company.

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## LETTER TO SHAREHOLDERS

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As at the Latest Practicable Date, none of the Vendors, nor any of their shareholders and/or directors has any shareholding interests (direct or indirect) in the Company. Save as set out below in Section 2.2.2 (*Information on the Target Companies*) and Section 4.5 (*Key management personnel for the Proposed New Business*), the Vendors and their shareholders and directors are independent third parties who are unrelated to the Directors and/or controlling shareholders of the Company and their respective associates.

### 2.2.2. Information on the Target Companies

CCSC is a company incorporated in Singapore in November 2016, having its registered office at 101 Upper Cross Street #04-15 People's Park Centre, Singapore 058357 and carrying on the business of supermarket services and such related services. As at the date of the Agreement, CCSC has a total issued and paid-up share capital of S\$100,000 which is divided into 100,000 shares.

CCM is a company incorporated in Singapore in December 2016, having its registered office at 101 Upper Cross Street #04-15 People's Park Centre, Singapore 058357 and carrying on the business of supermarket services and such related services. As at the date of the Agreement, CCSC has a total issued and paid-up share capital of S\$100,000 which is divided into 100,000 shares.

As at the Latest Practicable Date, the Vendors are the 100% legal and beneficial owners of the Target Companies, which operate the two (2) supermarkets operating under the trade name of "China Commodity Market" (中国商品超市) (the "**Supermarkets**"). The logo of the Supermarkets, as set out below, is currently trade marked in the Republic of Singapore by CCM under the Intellectual Property Office of Singapore and licensed to CCSC for use. The trade mark is valid until March 2027.



The Group intends to, upon completion of the Proposed Acquisition, have the trade name of "China Commodity Market" (中国商品超市) trade marked. This trade name has been established and gained recognition amongst the PRC Community in Singapore and by having the trade name trade marked, the Group will, amongst others, prevent other third parties from potentially riding on the goodwill of the trade name or any other name. CCSC operates a supermarket at Geylang and CCM operates a supermarket at Chinatown. The Vendors have represented to the Company that they are unrelated to the parties from whom the Supermarkets are currently leasing the premises at Geylang and Chinatown from.

Based on the Unaudited 9M2017 Accounts, the NTA value of the Target Companies is approximately S\$1,729,000 and the net profits attributable to the Target Companies is approximately S\$1,529,000, and the NTA value of 51% of the Target Companies is S\$882,000 and the net profit attributable to the 51% of the Target Companies being acquired is S\$779,000. The main source of revenue and profits of the Target Companies is through the sales of products in the Supermarkets. Further information on the financials of the Target Companies is set out in Appendix A to this Circular.

## LETTER TO SHAREHOLDERS

Shareholders are to note that as the Target Companies are exempted from audit requirements under Section 205C of the Companies Act (Cap. 50) of Singapore. The Company has not performed an audit on the Target Companies and has instead engaged Foo Kon Tan to conduct Agreed-Upon Procedures (“AUP”) on the financial statements of the Target Companies for the financial period from their respective dates of incorporation to 30 September 2017. The Audit Committee, with Ms Zhang Yuanyuan abstaining, is of the view that the AUP would be sufficient in providing commercial certainty as to the accuracy of the Unaudited 9M2017 Accounts, as the AUP would have already ascertained, amongst others, how revenue of the Target Companies is recognised, how costs are recorded, including review of the major liabilities of the Target Companies such as trade financials, as well as their inventories.

The shareholdings in the Target Companies shall be as follows:

CCM	Before the Proposed Acquisition		After the Proposed Acquisition	
	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding
Purchaser	0	0%	51,000	51.0%
Letu	50,000	50%	24,500	24.5%
New Pacific	50,000	50%	24,500	24.5%

CCSC	Before the Proposed Acquisition		After the Proposed Acquisition	
	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding
Purchaser	0	0%	51,000	51.0%
Letu	50,000	50%	24,500	24.5%
New Pacific	50,000	50%	24,500	24.5%

The Target Companies had been introduced to the Company by Ms Wang Zhejun, the Executive Director of the Company. Ms Wang came to know of the Target Companies as she knew Mr Chen Junxing, one of the beneficial owners of the Target Companies. Mr Chen Junxing then subsequently introduced Ms Wang to Mr Xiang Guanghua, the other beneficial owner of the Target Companies. Ms Wang was the local resident director and/or nominee shareholder of the Target Companies (as the case may be) from December 2016 to October 2017. She had been requested by Mr Chen to perform such roles as she knew Mr Chen well, and he had entrusted her with such roles due to her familiarity with the Singapore business environment and especially as Mr Xiang had never travelled to Singapore and Mr Chen had other business commitments requiring his constant presence in the PRC. Ms Wang, in her capacity as the named director and shareholder of CCM has also provided several personal guarantees amounting to approximately S\$1.8 million in aggregate in relation to the hire purchase of vehicles by CCM between February 2017 and July 2017. Ms Wang’s personal guarantees are currently subsisting, but it is intended, upon completion of the Proposed Acquisition, for the Company to negotiate with the relevant institutions for the personal guarantees to be discharged. In any event, the Company has received a confirmation from Ms Wang that she would not discharge her personal guarantees if it is not allowed by such institution. Mr Xiang and Mr Chen have also provided an indemnity to Ms Wang for all actions undertaken by her, including such personal guarantees, at their instruction. Should the Proposed Acquisition be completed and such personal guarantees become an interested person transaction within the meaning of Chapter 9 of the SGX-ST Listing Manual, the Company is of the view that the value of such interested person transaction is nil as there is no monetary arrangement between Ms Wang and the Company in relation to the personal guarantees. Ms Wang was never involved in the management of the Target Companies and management of the Target Companies had directly reported to Mr Chen and Mr Xiang. The Audit Committee, having taken into consideration the above, sought written confirmation and clarification from Ms Wang and the Vendors and each of them has confirmed the following:

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- (i) that Ms Wang had at all times as director and/or shareholder of the Target Companies, as the case may be, been a nominee director and/or shareholder as the case may be, and she did not, at any time, have any control or management rights over the Target Companies;
- (ii) that her role as director and/or shareholder of the Target Companies had been only as a personal favour to Mr Chen given her friendship with him;
- (iii) that Ms Wang had taken on such roles due to her familiarity with the Singapore business environment and especially as Mr Xiang had never travelled to Singapore and Mr Chen had other business commitments requiring his constant presence in the People's Republic of China;
- (iv) that Ms Wang has not gained any financial profit from her abovementioned positions in the Target Companies;
- (v) that Ms Wang does not have any interest, direct or indirect, in the shares of the Target Companies; and
- (vi) that Ms Wang had introduced the supermarket business of the Target Companies to the Group as it had come to her attention that it was a potentially viable business with good prospects.

Having taken into consideration the facts at the material time, Ms Wang's explanation and the written confirmation as set out above, the Audit Committee, with Ms Zhang Yuanyuan abstaining, has deliberated and accepted that this is not an interested person transaction within the meaning of Chapter 9 of the SGX-ST Listing Manual.

As at the Latest Practicable Date, Ms Wang is not a director or shareholder of any of the Target Companies.

Ms Zhang Yuanyuan, the Independent Director of the Company, is also an employee of one of the Target Companies. However, she is neither involved in the management of the Target Companies, nor has any control over the sale of the Target Companies by the Vendors. Having taken into consideration the above, the Audit Committee, with Ms Zhang abstaining, has deliberated and accepted that this is also not an interested person transaction within the meaning of Chapter 9 of the SGX-ST Listing Manual.

### 2.2.3. Information on the Supermarkets

The Supermarkets are located at 538 Geylang Road, #01-01 to #01-05, Singapore 386493 (the "**Geylang Supermarket**") and 1 Park Road, #05-01, Singapore 059108 (the "**Chinatown Supermarket**"). Both locations are highly accessible, with the first being an 800m walk from Aljunied MRT and 100m from a bus stop, and the latter being located at one of the exits of Chinatown MRT. The Geylang Supermarket, which commenced operations in April 2017, is approximately 4,900 sq. ft. and the Chinatown Supermarket, which commenced operations in January 2017, is approximately 10,500 sq. ft. The Geylang Supermarket opens 24 hours daily and the Chinatown Supermarket opens from 10am to 10pm daily.

The Supermarkets carry, *amongst others*, popular products from the People's Republic of China ("**PRC Products**") and other well-known food products and general merchandise that are commonly available in Singapore. The food product offerings include fruits and vegetable, meat, beverages (alcoholic and non-alcoholic), dairy products, oils, condiments and snacks. The general merchandise includes toiletries, personal care products, housewares, hardwares and other household products and necessities. The Target Companies have also developed exclusive food products such as frozen dumplings (five varieties including pork and white cabbage, mushroom and fungus and leek and egg) and tang yuan, where they have worked exclusively with a manufacturer to have such food products specially packaged and as designed by the Target Companies.

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The suppliers of the Supermarkets include both local suppliers who supply the Supermarkets with products such as ice cream and locally distributed beverages, as well as distributors in the PRC. The Supermarkets currently depend on a PRC supplier for approximately 49% of the goods that it carries. However, management of the Supermarkets have represented to the Company that they are confident that this distribution from the PRC supplier will not be disrupted as they have entered into a binding long-term distribution agreement with them. Letu and New Pacific have confirmed that none of its directors or substantial shareholders are related to the main suppliers of the Supermarkets.

Although the Supermarkets are slightly less than two (2) years old, as it offers one of the lower price points for many of its PRC Products, such as Mengniu yoghurt drink (蒙牛純甄) and Tsingtao beer (青島啤酒), and many of the customers purchase the PRC Products in bulk, the Supermarkets have achieved a healthy profit.

### 2.3. Principal terms of the Proposed Acquisition

#### 2.3.1. Sale Shares

On the terms and subject to the conditions in the Agreements, each of the Vendors agrees to sell and transfer to the Company, and the Company thereby agrees to acquire from the Vendors, all of the Vendors' rights, title, and interest in the Sale Shares free and clear of all Encumbrances, together with all rights, entitlements and benefits then and thereafter attaching thereto.

#### 2.3.2. Consideration

The total Consideration for the Proposed Acquisition payable to the Vendors by the Company is S\$8,000,000, to be satisfied in the following manner:

To Letu:

- (i) S\$720,000 by way of issuance of new ordinary Shares to Letu (the "**Letu Consideration Shares**"), at S\$0.09 per share, provided always that such price shall not be at a discount of more than 10% to the volume weighted average price per share based on the shares trading on the Official List on the last full market day preceding the date of signing of the Agreement. The Letu Consideration Shares shall be issued and allotted on the Completion Date or such later date as the parties to the Agreements may mutually agree in writing;
- (ii) the remaining consideration of S\$3,280,000 as follows:
  - (a) upon Completion, the sum of S\$175,000 provided to CCM as a loan by the Company, pursuant to the loan agreement dated 1 December 2017 (the "**CCM Loan**"), shall be assigned by CCM to Letu and the Parties shall agree to offset the assigned CCM Loan as part of the Consideration at Completion, and the Parties further agree that they shall execute all such documents or instruments required to effect the abovementioned assignment and set-off, provided always that in the event of termination of the Agreements, Letu shall immediately refund the CCM Loan in full to the Company, and in any event, no later than one (1) week from the date of such termination. For the avoidance of doubt, none of CCM nor Letu shall be obligated to make payment of any interest on the CCM Loan from Completion Date, to the Company;
  - (b) S\$1,600,000 shall be payable in cash one (1) year from the Completion Date;
  - (c) S\$1,000,000 shall be payable in cash two (2) years from the Completion Date; and
  - (d) S\$505,000 shall be payable in cash three (3) years from the Completion Date.

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To New Pacific:

- (iii) S\$720,000 by way of issuance of new ordinary Shares to New Pacific (the “**NP Consideration Shares**”, and together with the Letu Consideration Shares, the “**Consideration Shares**”), at S\$0.09 per share, provided always that such price shall not be at a discount of more than 10% to the volume weighted average price per share based on the shares trading on the Official List on the last full market day preceding the date of signing of the Agreement. The NP Consideration Shares shall be issued and allotted on the Completion Date or such later date as the Parties may mutually agree in writing;
- (iv) the remaining consideration of S\$3,280,000 as follows:
  - (a) the Parties hereby agree that, upon Completion, the sum of S\$175,000 provided to CCSC as a loan by the Company, pursuant to the loan agreement dated 1 December 2017 (the “**CCSC Loan**”), shall be assigned by CCSC to New Pacific and the Parties shall agree to offset the assigned CCSC Loan as part of the Consideration at Completion, and the Parties further agree that they shall execute all such documents or instruments required to effect the abovementioned assignment and set-off, provided always that in the event of termination of the Agreements, New Pacific shall immediately refund the CCSC Loan in full to the Company, and in any event, no later than one (1) week from the date of such termination. For the avoidance of doubt, none of CCSC nor New Pacific shall be obligated to make payment of any interest on the CCSC Loan from Completion Date, to the Company;
  - (b) S\$1,600,000 shall be payable in cash one (1) year from the Completion Date;
  - (c) S\$1,000,000 shall be payable in cash two (2) years from the Completion Date; and
  - (d) S\$505,000 shall be payable in cash three (3) years from the Completion Date.

It was a term of the Vendors that the Company must provide an interest-free loan to the Targets, being the CCM Loan and CCSC Loan (collectively, the “**Loans**”) for the purposes of increasing their stocks of goods in anticipation of greater Chinese New Year sales. Management had agreed to their request as they are of the view that Supermarkets provided a viable and attractive business opportunity with good prospects and the Company therefore wished to invest in the Target Companies. Further an increased revenue received by the Supermarkets for the Chinese New Year would benefit the Company upon acquisition of the Target Companies. As management was of the view that the Proposed Acquisition is in the best interests of the Company and that the Loans are also repayable on demand, management was therefore agreeable to providing the Loans as such. The Loans had been provided on 1 December 2017. It is a term of the Agreements that the Loans shall, upon Completion, be assigned by each of the Target Companies to the Vendors and the parties to the Agreements shall agree to offset the assigned Loans as part of the Consideration at Completion. The Vendors shall be entering into a settlement agreement with the Target Companies at Completion, the terms of which stating that the Target Companies would not be required to repay the Loans to the Vendors.

Whilst the Company is seeking Shareholders’ approval for the Proposed Acquisition pursuant to Rule 1014(2) of the Listing Manual as under Rule 1006 of the Listing Manual, the Proposed Acquisition constitutes a “**major transaction**” under Rule 1014 of the Listing Manual, the Company is also seeking the specific approval of Shareholders for the issue and allotment of the Consideration Shares in accordance with Rule 805(1) of the Listing Manual. Please see Section 2.6 (*Relative Figures under Rule 1006 of the Listing Manual*) and Section 3 (*The Proposed Issue and Allotment of the Consideration Shares*) respectively for further details. The issue price for each Consideration Share is S\$0.09 based on a 0.56% premium to the volume weighted average price for trades done on the SGX-ST on 8 March 2018, being the last full market day preceding the date of signing of the Agreement. The Company intends to issue up to 16,000,000



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Consideration Shares in relation to the Proposed Acquisition. This represents approximately 14.2% of the Company's issued and paid-up share capital as at the Latest Practicable Date and approximately 12.5% of the enlarged issued and paid-up share capital of the Company following completion of the allotment and issuance of the Consideration Shares.

The Consideration Shares shall be issued free from all encumbrances and shall rank *pari passu* in all respects with and carry all rights similar to existing Shares of the Company, save that they will not rank for any dividends, rights, allotments or other distributions, the record date for which falls on or before the relevant date of issue of such Shares. The Vendors will not be holding the Consideration Shares on trust. As ultimate beneficial owners of the Vendors, Mr Chen and Mr Xiang will also be the ultimate beneficial owners of the Consideration Shares.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendors taking into account the profit of the Target Companies and a price-earnings ratio based on publicly available figures of similar businesses and on a willing-buyer, willing-seller basis. The Company, having engaged Foo Kon Tan to conduct the AUP on the management accounts of the Target Companies, is satisfied that the profits of the Target Companies based on the Unaudited 9M2017 Accounts is approximately S\$1.5 million. Taking an extrapolation and assuming all things being equal, both the Company and the Vendors had accepted that the profit of the Target Companies for the full financial year would be approximately S\$2 million. The Parties then agreed on a price-earnings ratio of 8x of such profits. Although the Company subsequently became aware after the signing of the Agreement that the Target Companies' unaudited financial statements for the financial year ended 31 December 2017 shows a profit of approximately S\$1.9 million (before tax) and S\$1.7 million (after tax), the Directors are of the view that there is no requirement to adjust the Consideration as the price-earnings ratio used was 8x, being significantly less than supermarket businesses of a larger size.

In agreeing upon the price-earnings ratio of 8x, the Directors had considered businesses in similar industries as follows:

Company	Place of incorporation	Nature of business	Price-earnings ratio based on profit after tax	
			FY2016	FY2017
Sheng Siong Group Ltd	Incorporated in Singapore and listed on the SGX-ST	Supermarket and grocery stores	Approximately 20x	Approximately 22x
Dairy Farm International Holdings	Incorporated in Bermuda with a standard listing on the London Stock Exchange and secondarily listed in Bermuda and Singapore	Supermarket and hypermarkets, convenience stores, restaurants, home furnishings and health and beauty	Approximately 26x	Approximately 21x

The Board had considered these businesses to be appropriate for purposes of comparison as they have supermarkets located in Singapore. The parties to the Proposed Acquisition had agreed to take a significant discount on the price-earnings ratio due to the significantly larger businesses and higher number of stores owned by these companies located in Singapore and elsewhere.

As the cash portion of the Consideration will only be paid at a later stage, the Company intends to utilise the Supermarkets as an additional revenue stream towards part payment of the Consideration and where required, financial institution borrowings and facilities. The Company is currently in discussion with several investors to secure additional funding and will update Shareholders as and when necessary. The Company may consider tapping onto the capital markets to raise funds to pay the Consideration.

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### 2.3.3. Completion

Pursuant to the Agreement, Completion shall take place no later than six (6) months from the date of the Agreement or such other date as otherwise agreed in writing between the Parties. This was subsequently amended by the Supplemental Agreement to extend such date from 7 September 2018 to 31 December 2018, or such later date as the Parties may agree in writing.

### 2.3.4. Vendors' Undertaking

The Vendors agree with and undertake to the Company that pending Completion, they will procure that the Target Companies comply with, amongst others, the following prior to Completion:

- (i) the business of each of the Target Companies shall be conducted only in the ordinary course and there will be no change, other than changes in the ordinary course of business, in the assets or liabilities of such business;
- (ii) the Target Companies shall preserve the business organisation of such company and the goodwill of customers, suppliers and others having business relations with such company and shall not in any way depart from the ordinary course of its day to day business either as regards the nature, scope or manner of conducting the same;
- (iii) each of the Target Companies shall collect its accounts receivable in accordance with the normal course of business of such company;
- (iv) each of the Target Companies shall settle the trading debts of such company in accordance with the normal course of business of such company;
- (v) each of the Target Companies shall duly and timely observe and comply with all laws, rules, regulations, ordinances, codes, orders, licences, agreements and permits relating to its assets and business;
- (vi) none of the Target Companies shall enter into or agree to, create, extend, grant, issue, permit or assume any obligation for any encumbrance upon any of its assets except in the ordinary course of business;
- (vii) none of the Target Companies shall sell, lease, abandon, assign, transfer, licence or otherwise dispose of any of its assets or any interest therein except in the ordinary course of business or any part of its business nor assign any of its contracts;
- (viii) none of the Target Companies shall do or suffer anything to be done whereby its financial position shall be rendered less favourable than on the date of the Agreement otherwise than in the ordinary course of its present day to day business;
- (ix) save as provided in or required by the Agreements or required under the Companies Act of Singapore or any other laws in force, none of the Target Companies shall pass any resolution by its members in general meeting in relation to making any alteration to the provisions of its constitution or make any alteration to the provisions of its constitution; and
- (x) none of the Target Companies shall increase or agree to increase the remuneration of any of its directors or officers or employees in excess of 10% of the amounts which are currently being paid to them as at the date of the Agreement, or increase or agree to increase other emoluments or benefits whatsoever other than those which are currently being paid to them as at the date of the Agreement or which have been disclosed in writing to the Company.

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### 2.4. Conditions Precedent in relation to the Proposed Acquisition

#### 2.4.1. Completion is conditional upon the following conditions having been fulfilled (or waived):

- (i) the resolution of the board of directors and shareholders, where applicable, of the Company having been obtained for the entry into and completion of the transactions contemplated to be entered into in the Agreements, including in particular the Proposed Acquisition and the allotment of the Consideration Shares;
- (ii) the resolutions of the board of directors and shareholders, where applicable, of the Vendors having been obtained for the completion of the transactions contemplated to be entered into in the Agreements;
- (iii) the resolutions of the board of directors and shareholders, where applicable, of each of the Target Companies having been obtained for the completion of the transactions contemplated to be entered into in the Agreements;
- (iv) the satisfactory outcome of due diligence carried out by the Company into the financial, legal and business of the Target Companies;
- (v) all necessary consents, approvals, and waivers of any government bodies, stock exchange, and other regulatory authority having jurisdiction over the Proposed Acquisition (whether in Singapore and/or any other applicable jurisdiction) and all other transactions in connection therewith and incidental thereto, having been obtained or procured by the Company or the Vendors, as the case may be, including without limitation (if required) the approval in-principle of the SGX-ST being obtained by the Company for the Proposed Acquisition and approval in-principle being granted by the SGX-ST for the listing and quotation of the Consideration Shares on the Official List (on conditions, if any, acceptable to the Company), and such consents, approvals and waivers not having been amended or revoked before the Completion Date, and to the extent that such consents, approvals and waivers are subject to any conditions required to be fulfilled before the Completion Date, all such conditions having been duly so fulfilled;
- (vi) the allotment and issue of the Consideration Shares not being prohibited by any statute, order, rule or regulation promulgated or issued hereafter by any legislative, executive or regulatory body or authority of Singapore;
- (vii) no relevant authority taking, instituting, implementing, or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:
  - (a) make the transactions contemplated in the Agreements and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same;
  - (b) render the Company unable to purchase or acquire the Sale Shares in the manner set out in the Agreements; and/or
  - (c) render the Vendors unable to sell or dispose the Sale Shares in the manner set out in the Agreements;
- (viii) there being no material adverse changes to the financial condition or operations of any of the Target Companies occurring on or before the Completion Date;
- (ix) there being no material adverse changes to the financial condition or operations of any of the Target Companies occurring on or before the Completion Date; and

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- (x) there not having been at any time prior to or on Completion Date the occurrence of any of the following events:
  - (a) liquidation, bankruptcy or insolvency of any party;
  - (b) termination of substantially all or part of the business of any of the Target Companies, the Vendors or the Company by resolution of the general meeting of its shareholders;
  - (c) appointment of any assignee, receiver or liquidator for substantially all or part of the assets or business of any of the Target Companies, the Vendors or the Company; or
  - (d) attachment, sequestration, execution or seizure of substantially all or part of the assets of any of the Target Companies, the Vendors or the Company.

### 2.5. Rationale for the Proposed Acquisition

- 2.5.1. The Proposed Acquisition is in line with the Group's corporate strategy to realign the Group's business strategies and improve profits, provide shareholders with diversified returns and long-term growth.
- 2.5.2. The Proposed Acquisition will give the Group strategic exposure and entry into the retail supermarket business without having to further invest in set-up costs, given that the Supermarkets are already fully established and operation. It will also enable the Group to leverage on the Target Companies' positive track record, brand name, and established management to enter into the retail supermarket business. Mr Huang Cheng, the General Manager, has been running the Supermarkets since its inception and Mr Liu Lu, the Deputy General Manager, and Ms Hu Wenqi, the Finance Manager, subsequently joined the management team thereafter. Mr Liu was also appointed as the Executive Director of the Company on 4 October 2018 in light of the Proposed Acquisition and Mr Liu's experience in managing supermarkets. Under the management of Mr Huang, Mr Liu and Ms Hu, the management team has generated profit from the Supermarkets since its inception. Further details on the management team of the Supermarkets are set out Section 4.5.2 (*Key management personnel for the Proposed New Business*) of this Circular. The products carried by the Target Companies in the Supermarkets also have a strong following as the Supermarkets target, and had been established with, the People's Republic of China nationals resident in Singapore (the "**PRC Community**") in mind and the trade name of "China Commodity Market" has been established and gained recognition amongst the PRC Community in Singapore. With aggregate net profits of approximately S\$1.5 million based on the Unaudited 9M2017 Accounts, the Board is of the view that the Target Companies are an attractive investment for the Group. The acquisition of the Target Companies will be accretive to the Group, which will allow it to achieve a more consistent and sustainable financial growth.
- 2.5.3. Further, as previously informed to the shareholders of the Group in its announcements on 15 September 2017 and 14 November 2017, the Group's sole subsidiary, Arete M Pte. Ltd. ("**Arete M**"), requires substantial capital to support its future growth in the information-communication services industry as based on the projects that Arete M tenders for, substantial capital expenditure is likely required during the course of work done on the project in order to allow Arete M to build up its network to provide LTE network services for critical communications for its clients in the public transportation, public safety, security, surveillance and specific vertical industry. The Group is currently seeking for investors and has at the same time, been actively searching for new viable businesses to be injected into the Company for additional revenue streams to enhance Shareholders' value in the Company.
- 2.5.4. As a result of the Proposed Acquisition, the Company will be injected with the new businesses undertaken by the Target Companies and the Board is of the opinion that the Company can expect a major additional revenue stream and this will help the Company in continuing as a going concern. In view of the foregoing, the Board believes that the Proposed Acquisition will contribute positively to the future earnings of the Group and enhance Shareholders' value in the long term.

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### 2.6. Relative Figures under Rule 1006 of the Listing Manual

2.6.1. Based on the unaudited financial statements of the Group for financial period ended 30 September 2017 (“9M2017”) and the Target Companies’ Unaudited 9M2017 Accounts, the relative figures in respect of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

BASE OF CALCULATION	RELATIVE FIGURES (%)
(a) The net asset value of the assets to be disposed of, compared with the Group’s net asset value	This basis is not applicable to the Proposed Acquisition
(b) The net profits attributable to the Target Companies, compared with the Group’s net profits	-81.1% <sup>(1)</sup>
(c) The aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	79.5% <sup>(2)</sup>
(d) The number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities of the Company previously in issue	14.2% <sup>(3)</sup>
(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves	This basis is not applicable as it is only applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company

**Notes:**

- (1) The relative figure for Rule 1006(b) in this instance is not meaningful as there was a loss attributable to the Group of approximately S\$961,000 for the unaudited financial statements of the Group for 9M2017 whilst the Target Companies posted a net profit of approximately S\$779,000 attributable to the Sale Shares based on their Unaudited 9M2017 Accounts.
- (2) The market capitalisation of the Company was approximately S\$10,066,714 determined by multiplying the 112,477,249 Shares in issue as at the announcement dated 8 March 2018, by the weighted average price of the Company’s Shares of S\$0.0895 per Share based on trades done on the Mainboard on 7 March 2018 (being the last full market day preceding the date of signing of the Agreement).
- (3) Based on an issue price for each Consideration Share of S\$0.09, the number of Shares to be issued by the Company as consideration for the Proposed Acquisition is 16,000,000.

2.6.2. Based on the relevant figure computed under Rule 1006 of the Listing Manual, as the relative figures computed under Rule 1006(c) exceeds 20%, the Proposed Acquisition constitutes a “**major transaction**” under Rule 1014 of the Listing Manual. As such, Shareholders’ approval will be required for the Proposed Acquisition and the Company will be seeking Shareholders’ approval for the Proposed Acquisition at the SGM.

### 2.7. Pro forma financial effects

2.7.1. The *pro forma* financial effects of the Proposed Acquisition are based on the audited accounts of the Company for FY2016 and the Target Companies’ Unaudited 9M2017 Accounts, taking into account the Subscription. The *pro forma* financial effects are only presented for illustration, and are not intended to reflect the actual future financial situation of the Company after completion of the Proposed Acquisition.

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### 2.7.2. NTA

Assuming that the Proposed Acquisition and the Subscription had been completed on 31 December 2016, the effect on the NTA per Share of the Company as at 31 December 2016 will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA <sup>(1)</sup> attributable to Shareholders (S\$ '000)	(3,257,000)	(1,114,000) <sup>(2)</sup>
Number of shares in the capital of the Company ('000) <sup>(3)</sup>	112,477,249	128,477,249
NTA per Share attributable to Shareholders (S\$ cents)	(0.029)	(0.009)

**Notes:**

- (1) NTA means total assets less the sum of total liabilities, non-controlling interest and intangible assets (net of non-controlling interest).
- (2) The effect of the Proposed Acquisition on the NTA of the Company has been computed based on the Target Companies' Unaudited 9M2017 Accounts.
- (3) As at 7 March 2018, being the last trading day on which shares in the Company were transacted on the SGX-ST prior to the date of signing of the Agreement.

### 2.7.3. Earnings per share ("EPS")

Assuming that the Proposed Acquisition had been completed on 1 January 2016, the effect on the EPS of the Company for FY2016 will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit after tax attributable to Shareholders (S\$ '000)	(25,078,000)	(23,550,000) <sup>(1)</sup>
Weighted average number of shares ( '000) <sup>(2)</sup>	112,477,249	128,477,249
Loss per share (S\$ cents)	(0.22)	(0.18)

**Notes:**

- (1) The effect of the Proposed Acquisition on the net loss of the Company has been computed based on the Target Companies' net profits of approximately S\$1.53 million as per its Unaudited 9M2017 Accounts.
- (2) As at 7 March 2018, being the last trading day on which shares in the Company were transacted on the SGX-ST prior to the date of signing of the Agreement.

## 2.8. SGX-ST Listing Approval

- 2.8.1. The Company is seeking the specific approval of shareholders for the issue and allotment of the Consideration Shares in accordance with Rule 805 of the Listing Manual. The issue price for each Consideration Share is S\$0.09 based on a 0.56% premium to the volume weighted average price for trades done on the SGX-ST on 7 March 2018, being the last full market day preceding the date of signing of the Agreement. The Company intends to issue up to 16,000,000 Consideration Shares in relation to the Proposed Acquisition. This represents approximately 14.2% of the Company's issued and paid-up share capital as at the Latest Practicable Date and approximately 12.5% of the enlarged issued and paid-up share capital of the Company following completion of the allotment and issuance of the Consideration Shares.

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- 2.8.2. The Company had on 20 August 2018 received the approval-in-principle (“AIP”) from the SGX-ST for the listing and quotation of the Consideration Shares. The listing and quotation of the Consideration Shares is subject to, amongst others, the following conditions:
- (i) Compliance with the SGX-ST’s listing requirements;
  - (ii) Independent Shareholders’ approval of the Proposed Acquisition and the Proposed Issue of the Consideration Shares; and
  - (iii) Prominent disclosures of the following to be made in the Circular:
    - (a) that the financial statements of the Target Companies have not been audited;
    - (b) the Audit Committee’s justifications for relying on the results of the AUP on the financial statements of the Target Companies instead of requiring an audit to be performed on the Target Companies’ financial statements; and
    - (c) details of how the Consideration was arrived at including the comparable companies used.
- 2.8.3. The AIP granted by the SGX-ST for the listing and quotation of the Consideration Shares is not to be taken as an indication of the merits of the Proposed Acquisition, the Consideration Shares, the Company and/or its subsidiaries.
- 2.8.4. Subject to compliance with such conditions imposed by the SGX-ST in connection therewith, the Consideration Shares shall, following allotment and issue on the terms and subject to the conditions of the Agreements, be listed and quoted on the Mainboard of the SGX-ST.

### **3. THE PROPOSED ISSUE AND ALLOTMENT OF THE CONSIDERATION SHARES**

- 3.1. On Completion, the Consideration Shares to be issued to the Vendors shall be as follows:

<b>Vendor</b>	<b>Number of Consideration Shares</b>	<b>Percentage of existing share capital</b>	<b>Percentage of enlarged share capital</b>
Letu	8,000,000	7.11%	6.23%
New Pacific	8,000,000	7.11%	6.23%

- 3.2. Rule 805(1) of the Listing Manual provides that an issuer must obtain prior approval of shareholders in general meeting for the issue of shares unless such issuance of shares is covered under a general mandate obtained from shareholders of the Company.
- 3.3. The Company will be seeking approval from Shareholders for the allotment and issuance of the Consideration Shares to the Vendors at the SGM pursuant to Rule 805(1) of the Listing Manual as the allotment and issuance of the Consideration Shares to the Vendors for the Proposed Acquisition is not in reliance of the general mandate obtained from Shareholders at the annual general meeting of the Company held on 29 August 2017. Shareholders’ approval for the Proposed Issue of Consideration Shares is sought in a separate resolution (namely, Ordinary Resolution 2) from the resolution to approve the Proposed Acquisition (namely, Ordinary Resolution 1) at the SGM. Shareholders should note that Ordinary Resolutions 1 and 2 are inter-conditional. In the event that Shareholders do not approve of Ordinary Resolution 1, Ordinary Resolution 2 will not be duly passed.
- 3.4. Further details on the Consideration Shares are set out in Section 2.3.2 (*Consideration Shares*) of this Circular.

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### 4. **THE PROPOSED DIVERSIFICATION**

#### 4.1. **Introduction**

In connection with the Proposed Acquisition, the Company had, on 8 March 2018, also announced that it was intending to diversify into the retail business.

#### 4.2. **Existing Business of the Group**

4.2.1. The Group's is currently in engaged in the telecommunication infrastructure solutions business (the "**Existing Business**"). Together with its subsidiary, Arete M, the Group is engaged in the provision of information communications services via long term evolution networks for critical communications in the public transportation, public safety, security, surveillance and specific vertical industry and is working on the next phase of technology development for privately operated communications systems. As set out in Section 2.5.3 (*Rationale for the Proposed Acquisition*) above, based on the projects that Arete M tenders for, substantial capital expenditure is likely required during the course of work done on the project in order to allow Arete M to build up its network. Whilst the Group remains committed to assist Arete M in securing sufficient capital to support its future growth in the information-communications services industry, in the event that the Company continues to be unable to secure new financing to support Arete M's growth plan so that it becomes profitable, the Board may consider disposing Arete M. If so, the Group will update shareholders on the same in accordance with the requirements of the SGX-ST Listing Rules.

4.2.2. The Group is anticipating revenue from Arete M's fire installation contract works and project management work. In the interim, Arete M is currently exploring business opportunities and is still in the process of working closely with its prospective customers to develop and build its network solution business in Singapore as well as in the region. Accordingly, the Group is looking at other avenues to assist in funding of Arete M.

#### 4.3. **The Proposed New Business**

4.3.1. In their continued search for new business opportunities and to bring in more revenue and income streams to improve Shareholder value and return, the Directors have been exploring new and different business opportunities, for the Group, such as the Proposed New Business.

4.3.2. Subject to the approval of Shareholders being obtained at the SGM, the Group intends to diversify into the Proposed New Business, as described below, as and when appropriate opportunities arise:

- (i) the ownership, operation and management of supermarkets and department stores retailing food (including wet and dry foods) and beverages, general merchandise such as household products and toiletries, stationery, electrical appliances, cosmetics, apparel and footwear (the "**Products**"), including physical stores and web-stores on online platforms;
- (ii) the sale, distribution and delivery of the Products to other businesses and consumers;
- (iii) ownership, acquisition, operation and maintenance of factories manufacturing the Products, and warehouses involved in the storage and distribution of the Products; and
- (iv) development, ownership and acquisition of such related technology.

4.3.3. The Group may also, as part of the Proposed New Business, invest in any entity that is in the Proposed New Business. The Group may also either seek to develop its own proprietary technology or acquire such technology so as to develop unique products for the purposes of the Proposed New Business.

4.3.4. The Company does not plan to restrict the Proposed New Business to any specific geographical market as each project and investment will be evaluated and assessed by the Board on its merits. The Group may also explore joint ventures and/or strategic alliances with third parties who have the relevant expertise and resources to carry out the Proposed New Business as and when the opportunity arises.



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4.3.5. The decision on whether an investment should be undertaken by the Group on its own or in collaboration with third parties will be made by the Board after taking into consideration various factors, such as the nature and scale of the respective business, amount of investment required and risks associated with such an investment, nature of expertise required and economic conditions, taking into account the opportunities available.

#### 4.4. **Rationale for the Proposed Diversification**

The Company proposes to diversify its Existing Business to include the Proposed New Business for the following reasons:

##### 4.4.1. Potential in the Proposed New Business to provide additional and recurrent revenue streams with a view to achieving long-term growth

The Company has identified the Proposed New Business as a business activity which will potentially provide the Group with sustainable and long-term prospects of profitability and growth for the Group.

By entering into the Proposed New Business, the Company intends to rely on the Proposed New Business to provide it with an alternative revenue stream. This is part of its ongoing strategic corporate strategy for long-term growth to provide Shareholders with diversified returns.

As such, the Company believes that the Proposed New Business is expected to provide additional and recurrent revenue streams for the Group, with a view to enhancing Shareholders' value over the long term and achieving long-term growth.

##### 4.4.2. The Proposed Diversification may provide a more diversified business and income base, reducing reliance on the Existing Business

The Company is mindful of the need to diversify and create new profitable revenue streams. Given the uncertainties prevailing in the current global economic outlook, the Board believes that it is prudent to take active steps to reduce reliance on the Group's Existing Business. For a start, the Board believes that the Proposed Diversification will allow the Group to have better prospects of profitability and ensure longer-term growth, and the Proposed New Business represents the first step taken by the Company to building up a profitable revenue stream. The Proposed Diversification would provide the Group with diversified returns and would contribute an additional stream of revenue and earnings for the Group. This would enable the Group to extend its revenue base so that it is not dependent entirely on its Existing Business for its revenue.

By diversifying its business to include the Proposed New Business, the Group will also be able to gain access to new business opportunities, and if the Proposed New Business generate profit for the Group, it will likely enhance Shareholders' value.

##### 4.4.3. The Proposed Diversification will give the Group the flexibility to enter into transactions relating to the Proposed New Business in the ordinary course of business

Subject to Section 4.7 (*Requirements under the Listing Manual*) below, once the Shareholders approve the Proposed Diversification, the Group may, in the ordinary course of business, enter into transactions relating to the Proposed New Business without having to seek Shareholders' approval. This can be done as long as such transactions do not change the Group's risk profile, and will eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential transactions relating to the Proposed New Business arise. This will provide the Group with greater flexibility to pursue business opportunities which may be time-sensitive in nature, and is likely to substantially reduce the expenses associated with the convening of general meetings from time to time.

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The Company, in accordance with Rules 1002 and 1014 of the Listing Manual and paragraphs 2 and 3 of Practice Note 10.1 of the Listing Manual, will in its normal course of business, be able to enter into any transactions relating to the Proposed New Business without the need for further Shareholders' approval even if such transactions constitute a "major transaction" within the meaning of the Listing Manual. However, Shareholders' approval will nevertheless be required if these transactions change the risk profile of the Group. Please see Section 4.7 (*Requirements under the Listing Manual*) for further details.

#### 4.4.4. The Proposed New Business is expected to bring the Group additional funds for enhancing of Shareholder value

The Board believes that the revenue generated from the Proposed New Business may provide the Group with additional funds, which can be channelled towards the enhancement of Shareholder value over the long-term.

#### 4.5. **Key management personnel for the Proposed New Business**

4.5.1. Even though the Proposed New Business is different from the Existing Business, the Board recognises that the relevant experience and expertise required in relation to the Proposed New Business can be acquired and developed by the Group over time as it progresses in the Proposed New Business. The Board and senior management of the Group comprise individuals with varied qualifications and experience who will provide the strategic vision and policy on the Proposed New Business.

4.5.2. In making their decisions, they will, where necessary and appropriate, seek the advice of reputable external consultants and experts. As the Group intends to engage in the Proposed New Business incrementally, it will monitor developments and progress in the Proposed New Business and take the necessary steps to identify suitable candidates both from within the Group as well as externally to manage the Proposed New Business to take it forward as and when required. The Group currently does not have any intention to recruit external candidates. In particular, the Supermarkets currently have a management team comprised of Mr Huang Cheng, the General Manager, Mr Liu Lu, the Deputy General Manager, and Ms Hu Wenqi, the Finance Manager. Mr Huang Cheng had been the Senior Operations Manager of the Supermarkets since it commenced operations in January 2017 and became the General Manager in June 2017. He was a teacher at Hubei Communications Technical College (湖北交通职业技术学院) from October 2005 to July 2016. He graduated in June 2005 with a Bachelor's Degree in Computer Science and Technology. Mr Liu was also appointed as the Executive Director of the Company on 4 October 2018 in light of the Proposed Acquisition and Mr Liu's experience in managing supermarkets. Mr Liu was the Chief Technology Officer at Guangzhou Zhongxin Network Co., Ltd (广州中航信网络有限公司) from March 2013 to April 2017 and took a leave of absence in September 2010 to take a degree in Computer Science and Technology and graduated in January 2013. He was the IT manager of Guangzhou Tianhe Electronics Co., Ltd (广州天河电子有限公司) from January 2005 to June 2010. Ms Hu Wenqi was the finance manager at Hubei Meijing Ecological Environment Co., Ltd (湖北美景生态环境有限公司) from January 2014 to December 2017. She graduated in June 2013 with a Bachelor's Degree in Accountancy (CPA). While Mr Chen Junxing and Mr Xiang Guanghua, who are the beneficial owners of the Target Companies and manage the Supermarkets, are not based in Singapore, the management team as set out above is based in Singapore and maintain the day-to-day operations of the Supermarkets. Upon the Proposed Acquisition, such management team shall report to Mr Liu, the Executive Director of the Group. Mr Liu will be relying on the existing management team to continue undertaking the operations of the Supermarkets. The Group has also commenced its search for a Chief Financial Officer in light of the Proposed Acquisition and will update Shareholders on the same as and when necessary. In the interim, the Group had already hired a Finance Manager in October 2017 who is mainly responsible for the Company's finance function and reports to the Board. The Audit Committee is therefore of the view that the Group's finance function is currently adequately staffed.

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4.5.3. The Group may foster partnerships with various third parties to assist in undertaking the Proposed New Business more effectively and efficiently as the Group seeks to build its expertise and capabilities in this field. Such partnerships may be done either on a case by case basis or on a term basis. In selecting its partners, the Group will take into account the specific expertise and competencies required for the project in question and the experience, historical track record and financial standing of the party concerned.

### 4.6. Funding for the Proposed Diversification

4.6.1. The Group may fund the Proposed New Business through a combination of internal resources of funds, project financing, and borrowings from financial institutions. The Board will determine the optimal mix of internal funding and external funding, taking into account the cash flow of the Group and prevailing bank borrowing costs.

4.6.2. In addition, the Company may consider tapping the capital markets in various ways including but not limited to issuance of securities for cash by way of rights issues and placements and issuance of debt instruments as and when necessary and deemed appropriate.

### 4.7. Requirements under the Listing Manual

4.7.1. As the Proposed Diversification will involve a new business area in potentially new geographical markets which are substantially different from the Group's Existing Business, it is envisaged that the Proposed Diversification will change the existing risk profile of the Group. Accordingly, the SGM will be convened by the Company to seek the Shareholders' approval to approve the Proposed Diversification.

4.7.2. Upon the approval by Shareholders of the Proposed Diversification, any acquisition which is in, or in connection with, the Proposed New Business, may be deemed to be in the Group's ordinary course of business and therefore not fall under the definition of a "**transaction**" under Chapter 10 of the Listing Manual.

4.7.3. Accordingly, provided that such transactions do not change the Group's risk profile, the Group may, in its ordinary course of business, enter into transactions relating to the Proposed New Business which will not change the risk profile of the Group, in an efficient and timely manner without the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential transactions relating to the Proposed New Business arise, even where they crossed the threshold of a "**major transaction**", if the acquisition will result in an expansion of the Group's existing core business. As set out in the Listing Manual, the SGX-ST takes the view that it should not in normal circumstances require an issuer to seek shareholders' approval if the expansion is by way of an acquisition of a similar business, when other means to expand its business that are open to the issuer would not require shareholders' approval. This will reduce substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

4.7.4. Pursuant to Rule 1014 of the Listing Manual, a major transaction is a transaction (as defined in Rule 1002(1) of the Listing Manual) where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20% and must be made conditional upon approval by Shareholders at a general meeting.

4.7.5. For the avoidance of doubt, notwithstanding the Proposed Diversification, in respect of transactions:

- (1) which fall within the definition of Rule 1002(1) of the Listing Manual, Rules 1010 and 1014 of the Listing Manual will still apply;

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- (2) where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 100% or results in a change in control of the issuer, Rule 1015 of the Listing Manual will still apply to such transactions and such transactions will be, amongst others, made conditional upon approval by Shareholders at a general meeting;
- (3) which constitute “**interested person transactions**” as defined under the Listing Manual, Chapter 9 of the Listing Manual will apply to such transactions and the Company will comply with the provisions of Chapter 9 of the Listing Manual; and
- (4) Practice Note 10.1 of the Listing Manual will apply to acquisitions or disposals of assets (including options to acquire or dispose assets) which will change the risk profile of the Company. Such transactions must therefore be, *amongst others*, made conditional upon approval by Shareholders at a general meeting.

### 4.8. Risk Factors

4.8.1. To the best of the Directors’ knowledge and belief, all the risk factors that are material to Shareholders in making an informed judgment on the Proposed Diversification are set out below. The Proposed New Business involves a number of risks, some of which, including economic, business, market and political risks, may be material. Some risks are not yet known to the Company and there may be risks which the Company currently believes are not material at present but may subsequently turn out to be. The risk factors set out below should not be construed as a comprehensive list of all risk factors relating to the Proposed New Business. Shareholders should carefully consider and evaluate the following risk factors and all other information contained in this Circular before deciding on whether to vote in favour of the Proposed Diversification.

4.8.2. This Circular may contain projections or other forward-looking statements regarding future events or future financial performance of countries, markets, or companies. Such projections and statements are only predictions and actual events or results may differ materially. Such projections and statements may be subject to various risks and uncertainties. Accordingly, there may be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. These factors should be read in conjunction with other cautionary statements included in this Circular and other filings by the Company. The Company does not undertake any obligation to publicly update or review any projections or forward-looking statements, whether as a result of new information, future developments, or otherwise.

(1) ***Changes in consumer preferences and/or purchasing power may adversely affect the Group’s business and results of operations***

The Group intends to undertake the Proposed New Business which may be subject to changing consumer preferences. The Group believes that any success in sustaining its business growth will depend, in part, on its ability to both maintain the comprehensiveness of its merchandise and at the same time anticipate and respond in a timely manner to changing consumer demands and preferences and provide relevant merchandise and services accordingly. There can be no assurance that the Group’s merchandise and/or food selection, will accurately reflect consumer preferences at any given time, and that consumers will regularly purchase from the Group’s retail business. If the consumers’ purchasing habits change in the future and the Group is unable to anticipate accurately either the market or general trends in consumers’ purchasing habits, demands and preferences, its sales may fall and/or may be required to sell a significant amount of merchandise and/or food at discounted prices, which could have a material adverse effect on the Group’s business, financial condition and results of operation.

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**(2) *The Group may face rising labour costs or increases in the costs of food products or general merchandise***

The Proposed New Business may be labour-intensive and the Group's ability to meet labour requirements whilst controlling wage and labour-related costs, may be subject to numerous external factors, including the availability of a sufficient number of suitable persons in the relevant work force, prevailing wage rates, demographics and insurance costs. From time to time, the Group may experience a shortage of skilled personnel. The Group may compete against other supermarkets or other retailers for these skilled personnel. The Group may have to increase wages and benefits to attract and retain qualified personnel or risk substantial employee turnover. If the Group is unable to hire, train and retain qualified employees at a reasonable cost, it may be unable to execute its growth strategy and its financial performance may be adversely affected.

In addition, the Proposed New Business involves the sale of food products and general merchandise which the Group may purchase from suppliers and contract manufacturers. The cost and availability of these products are subject to many economic and political factors and events occurring throughout the world which the Group can neither control nor accurately predict. The prices of certain food products have been subject to high volatility. In the event that the Group is unable to pass on any significant increases in the costs of food products or general merchandise to its customers, its financial performance may be affected.

**(3) *The Group may be affected by contaminated food products, complaints and claims from consumers and/or negative publicity***

In the event that consumers lose confidence in the safety or quality of certain food products due to, for example, adverse publicity in newspapers or consumer reports, consumers may be discouraged from buying such products from the Group's supermarkets, which may lead to lower sales and adversely affect the Group's financial performance.

The packaging, marketing and distribution and sale of food products entail an inherent risk that a food product may contain contaminants and be inadvertently redistributed by our stores. Real or perceived sales of contaminated food products by the Group could result in product liability claims, product recalls and a loss of consumer confidence and sales, and may have a material adverse effect on our reputation, sales and operations. Further, depending on the severity of such events, the Group may even be ordered to suspend or cease all or part of its business operations by the relevant authorities and the results of its operations may consequentially be materially affected.

**(4) *The Group may be affected by its leases, including by rental increases, failure to procure renewals of existing leases or new leases at strategic locations or termination of leases prior to expiry***

Under the Proposed Acquisition, the Group intends to acquire two (2) supermarkets and in undertaking the Proposed Diversification, may acquire other supermarkets or retail businesses. The Group would lease or licence premises for such supermarkets. Given the economic growth of Singapore, generally, rental costs in Singapore for new or renewed leases may increase. We may also be unable to obtain or renew leases on terms and conditions favourable to the Group, or at all. In addition, in the event a landlord is of the opinion that the Group's manner of occupation or its operations are not consistent with the landlord's terms or conditions for use of the premises, the Group may be subject to inspections, required to adapt or curtail its operations, and/or its lease of such premises may be terminated.

The termination or non-renewal of the Group's leases or renewal upon less favourable terms may have an adverse effect on its business and financial performance as the Group may have to seek alternative sites for existing supermarkets, and there can be no assurance that alternative sites will be available at comparable locations or leased on comparable terms.

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The success of the Group's Proposed New Business will depend on its ability to secure good locations for its supermarkets. There is no assurance that the Group will be able to continue to secure good locations to expand its business or have the financial resources to do so, and this may affect its growth and financial performance.

**(5) *The Group may be affected by the actions of its employees and/or the professionals it engages***

The Group may be subject to the risk of employee misconduct or fraud, including but not limited to situations where material omissions, or false or misleading statements may be made to clients (inadvertently or otherwise), and/or where there is improper use or disclosure of confidential information by the Group's employees. While the Group intends to ensure a robust system of internal controls, including the appropriate checks and balances to prevent or minimise such risks, these precautions may not be effective in all cases and it may not always be possible to detect such instances of employee misconduct or fraud.

Employee misconduct and/or negligence may result in legal liability, regulatory sanctions and unquantifiable damage to the Group's reputation, and may materially and adversely affect the Group's business operations and financial performance. Furthermore, the laws, rules and regulations applicable to the professionals engaged by the Group may also impose restrictions and/or penalties on the Group in the event such laws, rules or regulations are breached, or alleged to be breached by the professionals, and the Group's competitiveness and financial performance may consequently be materially and adversely affected.

**(6) *The Group may not have the ability or sufficient expertise to execute the Proposed Diversification into Proposed New Business***

The Group's ability to successfully diversify into the Proposed New Business is dependent upon its ability to adapt its existing knowledge and expertise and to understand and navigate the supermarket industry. There is no assurance that the Group's existing experience and expertise will be sufficient for the Proposed New Business, or that the Group will be able to hire employees with the relevant experience and knowledge. The Group may not be able to successfully implement the Proposed New Business and this may adversely affect the Group's financial performance and profitability.

**(7) *The Group has no prior experience in the Proposed New Business***

As the Group does not have a proven track record in carrying out the Proposed New Business, there is no assurance that the Proposed New Business will be commercially successful and that the Group will be able to derive sufficient revenue to offset the capital and start-up costs, if any, as well as operating costs arising from the Proposed New Business. The Proposed New Business may require high capital commitments and may expose the Group to unforeseen liabilities or risks associated with its entry into new markets or new businesses. If the Group does not derive sufficient revenue from or does not manage the costs of the Proposed New Business effectively, the overall financial position and profitability of the Group may be adversely affected.

**(8) *The success of the Proposed New Business may be dependent on the Group's ability to achieve substantial cost savings through various business strategies***

As profit margins in the retail business tend to be narrow, the Group may strive to reduce costs by increasing productivity and efficiency or increase profits by increasing volume of sales, and developing other similar strategies. If the Group is unable to achieve the cost reductions or increased costs as planned, there may be an adverse effect on its financial performance.

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**(9) *The Group may be subject to disruptions in its supply or distribution networks and store operations***

In undertaking the Proposed New Business, the Group may source food products and general merchandise from domestic and international suppliers and contract manufacturers. Some of the products may be stored in warehouses and distribution centres, and subsequently delivered directly to the Supermarkets or any retail business run by the Group by the suppliers.

Various external factors, including political or economic instability and severe weather conditions or natural disasters such as floods, earthquakes or typhoons, in the areas in which the Group has supply or distribution networks or stores, may result in closure of such areas, disruption of the Group's supply or distribution networks and store operations, delivery delays, decreases in the availability or selection of products in its Supermarkets and costs increases. Severe weather conditions and natural disasters may also affect the availability or cost of certain products. Such disruptions to the Group's supply or distribution network or store operations may adversely affect its business operations and financial performance.

**(10) *Terrorist attacks, armed conflicts and/or outbreaks of avian influenza, H1N1 influenza and/or other communicable diseases, may affect the markets in which we operate or obtain our supplies from***

Any outbreak of diseases in livestock or food scares in the region or around the world, for instance, SARS, the avian influenza H5N1 virus, H1N1 influenza, salmonella, porcine respiratory and encephalitis syndrome or the Nipah virus, may lead to a reduction in the consumption of the affected type of meat or food by consumers. In addition, a loss in consumer confidence arising from an outbreak of disease concerning any particular food product may force us to reduce or eliminate the sale of that food product.

Further, sources of supply for the affected type of food products may also be reduced or the relevant authorities may ban the import of the affected type of food products from particular countries as a result of the outbreak of disease. Such reductions in supply may lead to an increase in the prices of affected food products which we may not be able to pass on to our customers. Any increase in prices of food products may adversely affect our financial performance.

The effects of terrorist attacks or armed conflicts may negatively affect our operations and business or those of our suppliers or customers. Such terrorist attacks or armed conflicts could have an adverse impact on our customers' demand for the products we retail, our supply or distribution networks or our stores, which in turn could have an adverse impact on our business operations and financial performance. Political and economic instability resulting from such terrorist attacks and armed conflicts could also negatively impact our business operations and financial performance.

**(11) *The Group may be subject to pilferage or misappropriation of cash or assets or vandalism***

In undertaking the Proposed New Business, the Group may have stores each retailing a wide selection of products and general merchandise. The Group may adopt various cash management systems and security measures for its operations, but there can be no assurance that the Group will not be susceptible to pilferage or misappropriation of cash or assets or vandalism by third parties or the Group's own employees. In the event that such pilferage or misappropriation or vandalism occurs, the Group may be subject to financial losses and its reputation and branding may be adversely affected.

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**(12) *The Group may be subject to applicable laws and regulations including food safety and/or environmental laws***

The Proposed New Business may subject the Group to various applicable laws, regulations, administrative practices and policies governing the grocery retailing industry in the jurisdiction(s) in which the Group operates its supermarkets, including but not limited to, the laws and regulations relating to food safety, handling and storage, hygiene standards, food labelling, and licensing for the sale of food and alcoholic beverages. There is no certainty that the Group will not receive any letters of complaint from landlords and/or authorities regarding allegations relating to noise, obstruction of public areas or walkways, business operations and hygiene. Failure to address and resolve such issues may result in the Group being subject to fines or other penalties, and may affect the Group's ability to renew leases of its supermarkets. Such compliance or liabilities may be costly and may result in disruptions to the business operations and adversely affect the Group's financial performance.

**(13) *The Group may be involved in legal and other proceedings arising from its operations***

The Group may be party to legal proceedings from time to time, including matters involving personal injury and other proceedings arising from its operations in undertaking the Proposed New Business. In addition, in the course of its business, it may sell numerous products which are sourced from a large number of suppliers and contract manufacturers and may consequently be involved in legal or other proceedings initiated in relation to a product, for instance, in the event a customer has an adverse reaction to a product sold by the supermarkets owned by the Group. These proceedings involve risk and any unexpected outcomes may have a material adverse impact on the Group's financial results. There is no assurance that the Group will not be required to cease sales of the relevant product or even ordered to suspend or cease all or part of its business operations by the relevant authorities as a result. Although suppliers and contract manufacturers may provide the Group with contractual indemnities relating to product quality, for example, the Group's business operations and financial performance may nevertheless be materially affected.

**(14) *The Group may face intense competition from other grocery retailers and competitors***

In undertaking the Proposed New Business, the Group may face intense competition from other grocery retailers such as wet markets and hypermarkets, and other competitors such as convenience stores, petrol kiosk convenience stores and restaurants. Increased competition may result in lower sales and greater operating costs and have an adverse effect on the Group's financial performance.

The Group's ability to attract customers will depend largely on a combination of location, quality, price, service, selection and condition of groceries and other retail products. The Group's competitors may successfully attract the Group's customers to their stores by matching or exceeding what the Group's supermarkets offer its customers. The Group may respond by increasing advertising and promotions of its supermarkets, which may increase the Group's costs. Some competitors may be larger than the Group and may have greater supply or distribution networks, brand recognition or financial resources available and may be able to devote greater resources to pricing and promotional programmes. There can be no assurance that the Group will have sufficient resources to respond to competitors' investments in store base, and pricing and promotional programmes.

**(15) *The Group's business may be subject to fluctuation***

The performance of the Group's supermarkets may be affected by household disposable income and consumer spending levels, which are linked to general economic conditions. As a result, the Group's financial performance may be affected due to changes in economic conditions.



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In addition, the Group's sales may be subject to seasonality, as sales of food products and general merchandise typically increase during festive seasons such as Chinese New Year. These sales patterns may not be indicative of future sales performances and may fluctuate substantially in the future, in which case, the Group's financial performance may be adversely affected.

**(16) *The Group may be found to contravene its licences and/or its licences may be revoked and/or not renewed***

The Group's operations in undertaking the Proposed New Business will be subject to and dependent on a wide range of licenses, including food sale, food processing and environmental licences, issued by the relevant Singapore authorities. For example, the Group may be required to obtain a licence to operate a meat or fish processing establishment or cold store from the AVA. There can be no assurance that the Group's existing licences will be extended or renewed by the relevant regulatory authority or authorities on the expiry of such licences. Such licences may also be extended or renewed on conditions which are more stringent or restrictive than those currently imposed on the Group.

If the Group is found to be in breach of any condition of applicable licence(s) or any provision of any code of practice, standard of performance, or other governmental regulation or regulatory requirement, the relevant government or regulatory authority may take action against the Group, including issuing warnings, imposing penalties (including fines and/or terms of imprisonment on the Group's employees, where applicable), suspending the licence (or part thereof), reducing the duration of the licence or imposing additional conditions or restrictions on the licence, or cancelling the licence (in whole or in part).

In the event that the Group is unable to procure or retain licences which are essential to its operations, or where its operations do not meet the requirements necessary to qualify for the relevant statutory exemptions, the Group's business operations and financial performance may be adversely affected.

**(17) *The Group's contract manufacturers may breach their obligations to the Group or fail to meet requisite standards=***

The Group may offer its own products at its supermarkets and stores, produced by selected contract manufacturers approved by the Group and according to its specifications. The Group may adopt quality control measures, but there can be no assurance that all such products produced or manufactured by the contract manufacturers will meet the Group's specifications or other requisite standards imposed by government or regulatory authorities or that there will be no product defects. In such event, the Group's reputation and value of products may diminish, and adversely affect the Group's market share, sales and growth of business.

**(18) *The Group is reliant on its relationship with its suppliers***

The success of the Group's business and growth strategy in undertaking the Proposed New Business may depend to a significant extent on its relationship with its suppliers. If it is unable to maintain good relationships with its suppliers, or develop and maintain relationships with new suppliers for new merchandise that would suit its customers, the Group may not be able to secure competitive terms and its cost of sales may increase. There is no assurance that the Group's suppliers will not consolidate their businesses such that they would be in a stronger bargaining position in their contract negotiations with the Group. In the event that the Group cannot maintain a good working relationship with its suppliers on commercially acceptable terms, the Group's costs of sales may increase and its financial condition and results of operations may be adversely affected.

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## LETTER TO SHAREHOLDERS

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**(19) *The Group may be unable to successfully integrate the companies or businesses it acquires into its operations***

The Group may acquire or invest in additional companies or businesses that may complement its business. The success of such acquisitions and investments depends on a number of factors, including:

- (i) the Group's ability to identify suitable opportunities for investment or acquisition;
- (ii) the Group's ability to reach an acquisition or investment agreement on price and other terms that are satisfactory to the Group, or at all;
- (iii) the extent to which the Group is able to exercise control over the acquired company;
- (iv) the economic, business or other strategic objectives and goals of the acquired company compared to those of the Group; and
- (v) the Group's ability to successfully integrate the acquired company or business.

If the Group is unsuccessful in its acquisitions and investments, the Group may not be able to fully implement its business strategy to grow its business, and results of its operations and financial condition may suffer as a result.

### 4.9. Risk Management Measures and Safeguards

4.9.1. The Board recognises the importance of internal control and risk assessment for the smooth running of the Group's business, including the Proposed New Business. In order to better manage the Group's external and internal risks resulting from the Proposed Diversification, the Group will implement a set of operations and compliance procedures.

4.9.2. To address the risks presented by the Proposed New Business to the Group, the Group currently has in place a system of risk management and internal controls as required by the Singapore Code of Corporate Governance 2018. If and/or when the Proposed Diversification is approved, the risks presented by the Proposed New Business to the Group will be managed under the existing system of risk management and internal controls, which will determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

4.9.3. The Group will involve external parties, including its external auditors, after it has gained more experience in the Proposed New Business. Where necessary, the Audit Committee will:

- (1) review with the management, external and internal auditors of the adequacy and effectiveness of the Group's internal control procedures addressing financial, operational, compliance and informational technology risks relating to the Proposed New Business; and
- (2) commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

### 4.10. Financial Reporting

The Proposed New Business will be accounted for as a new business segment in the Group's financial statements in line with the Singapore Financial Reporting Standards and accordingly, the Group will disclose the financial results of the Proposed New Business with the Group's financial statements. The financial results of the Proposed New Business together with the Group's financial statements will be periodically announced pursuant to the requirements as set out in Chapter 7 of the Listing Manual. In these periodic announcements, the Group may provide segmented financial results relating to the Proposed New Business where appropriate or if required under any applicable accounting standards.

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## LETTER TO SHAREHOLDERS

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### 5. **THE PROPOSED CHANGE OF AUDITORS**

#### 5.1. **Background and Rationale**

- 5.1.1. At the last annual general meeting of the Company held on 29 August 2017, PwC was re-appointed as auditors of the Company to hold office until the close of the next annual general meeting of the Company. PwC has been the auditors of the Group since 10 February 2017.
- 5.1.2. As part of the Group's ongoing efforts to manage its overall business costs and expenses amidst the challenging business climate, and due to commercial considerations, as well as in conjunction with the Proposed Acquisition, the Directors are of the view that it would be appropriate and timely to effect a change of the auditors. As Foo Kon Tan are currently the auditors of the Target Companies, and as the Board is of the view that following the Proposed Diversification, this would warrant a change in auditors since the contributions from the retail business would be significant to the Group, the Board therefore hopes to change the Company's auditors to Foo Kon Tan. Foo Kon Tan had been appointed as auditors to audit the first set of financial statements issued by the Target Companies in respect of the financial period from their respective dates of incorporation, being November 2016 for China Commodity Shopping Centre Pte. Ltd. and December 2016 for China Commodity Market Pte. Ltd., to 31 December 2017. In addition, Mr Raymond Kong, who will be assuming the role of audit engagement partner for the Group, also has audit experience in an industry similar to the Company's subsidiary, Arete M. The Directors also believe that a change of auditors will allow the Group to save approximately 70% in audit fees based on the previous audit fees for the financial year ended 31 December 2016. Further details on the Proposed Acquisition and the Proposed Diversification are set out in Sections 2 (*The Proposed Acquisition*) and 4 (*The Proposed Diversification*).
- 5.1.3. The Audit Committee, having considered, *amongst others*, the number of staff in the audit engagement team, the seniority of the audit team members and the involvement of the incoming auditors, as well as that Foo Kon Tan as the auditors of the Target Companies have developed a keen understanding of its retail business, and that the contributions from the retail business would be significant to the Group pursuant to the Proposed Diversification, is of the opinion that Foo Kon Tan is well suited to meet the existing needs and audit requirements of the Group and is likely to enhance the value of the audit.
- 5.1.4. The audit will be performed in accordance with the Singapore Standards on Auditing to form an opinion on whether the consolidated financial statements give a true and fair view or otherwise.
- 5.1.5. In light of the abovementioned rationale, the Group decided to change auditors. PwC has, in their letter dated 14 September 2018, given notice to the Directors of their resignation as auditors of the Company and Foo Kon Tan has expressed their consent to act as auditors of the Company. In this regard, the Company has considered the relevant experience of and profile of the clientele of Foo Kon Tan and the engagement partner. The Proposed Change of Auditors is subject to approval of the Shareholders at the SGM. Following Shareholders' approval of the Proposed Change of Auditors, Foo Kon Tan will be appointed as auditors of the Company and its subsidiaries, in place of PwC. A copy of PwC's notice of resignation is set out in Appendix A of this Circular.

#### 5.2. **Requirements under Rule 712 of the Listing Manual**

The Board, having taken into account the Audit Committee's recommendation, and various factors, including, *amongst others*, the following:

- (a) the fee structure, the adequacy of the resources and experience of Foo Kon Tan;
- (b) the audit engagement partner assigned to the audit;
- (c) Foo Kon Tan's other audit engagements;
- (d) the size and complexity of the Group's operations; and

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## LETTER TO SHAREHOLDERS

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- (e) the number and experience of supervisory and professional staff assigned to the audit of the Company and the Group,

are of the opinion that Foo Kon Tan will be able to meet the audit requirements of the Group and that Rule 712 of the Listing Manual has been complied with.

### 5.3. Requirements under Rule 715 of the Listing Manual

The Board confirms that pursuant to the Shareholders' approval of the Proposed Change of Auditors, Foo Kon Tan will become the auditors of the Company and of its Singapore-incorporated subsidiaries and significant associated companies. The Company does not have any significant foreign subsidiaries and significant foreign associated companies. The Target Companies, which the Group proposes to acquire as announced on 8 March 2018, are also incorporated in Singapore.

### 5.4. Requirements under Rule 1203(5) of the Listing Manual

In accordance with the requirements of Rule 1203(5) of the Listing Manual:

- (a) the Company has received a copy of PwC's professional clearance letter dated 14 September 2018 to Foo Kon Tan, confirming that they are not aware of any professional reasons why Foo Kon Tan should not accept appointment as the new auditors of the Company;
- (b) the Directors confirm that there were no disagreements with PwC on accounting treatments within the last 12 months from the date of this Circular;
- (c) the Directors confirm that the Company is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders which has not been disclosed in this Circular;
- (d) the reasons for the Proposed Change of Auditors are disclosed in Section 2.1 (*Background and Rationale*) of this Circular; and
- (e) the Directors confirm that the Group is in compliance with Rules 712 and 715 of the Listing Manual in relation to the proposed appointment of Foo Kon Tan as its new auditors, after taking into account the various factors in Sections 2.2 (*Requirements under Rule 712 of the Listing Manual*) and 2.3 (*Requirements under Rule 715 of the Listing Manual*).

### 5.5. Requirements under Bermuda law

- 5.5.1. Section 89(3) of the Companies Act provides that a person, other than an incumbent auditor, shall not be capable of being appointed auditor at a general meeting of a company unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the general meeting; and the company shall send a copy of any such notice to the incumbent auditor, and shall give notice thereof to the members of the company, either by advertisement in an appointed newspaper in Bermuda or in any other mode provided by the by-laws of the company, not less than 7 days before the general meeting. However, the foregoing requirements may be waived by a written notice from the incumbent auditor to the secretary of the company.
- 5.5.2. The Company has received from the incumbent auditor, PwC, a letter dated 14 September 2018 waiving compliance with the aforesaid requirements of Section 89(3) of the Companies Act.
- 5.5.3. Further, Section 89(3A) of the Companies Act provides that no person shall accept appointment or consent to be appointed as auditor of a Bermuda company if he/it is replacing an auditor who/which has resigned, been removed or whose term of office has expired or is about to expire, or who/which has vacated office, until he/it has requested and received from that incumbent auditor a written statement of the circumstances and the reasons why, in that auditor's opinion, he/it is to be replaced.

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## LETTER TO SHAREHOLDERS

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5.5.4. The proposed new auditors, Foo Kon Tan, had issued a letter dated 10 September 2018 to the incumbent auditors, PwC, in accordance with Section 89(3A) of the Companies Act, and had on 14 September 2018, received from PwC the written statement as requested.

### 5.6. Information on Foo Kon Tan LLP

*The information on Foo Kon Tan provided below was provided to the Company by Foo Kon Tan and their representatives. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.*

5.6.1. Established in 1968, Foo Kon Tan has advanced from a traditional public accounting firm to one delivering a full range of services tailored to the needs of privately held businesses and public interest entities. Foo Kon Tan is currently registered with ACRA (Registration Number: T10LL0002B) and is one of Singapore's top audit firms. Foo Kon Tan has helped its clients to seize growth opportunities and succeed in the changing business and regulatory environments. Many of its clients are listed on the SGX-ST as well as in other international capital markets. Others have become leading brand names. With experience in both the private and public sectors across a variety of industries, Foo Kon Tan's professionals are intent on serving its clients as independent auditors, advising on funding businesses, on tax issues, and on restructuring of business, meeting clients' objectives through practical solutions based on its practice values of integrity, reliability and personal attention. In August 2015, Foo Kon Tan became a member of HLB International, one of the leading global accountancy networks with presence in more than 130 countries. Foo Kon Tan has 20 partners and directors, with about 300 staff who are professionals providing audit, tax and business advisory services. For more information about Foo Kon Tan, please visit <http://www.fookontan.com>.

5.6.2. For the audit of the Group, the audit engagement team will comprise the following professionals: two (2) audit associates, one (1) senior audit associate, one (1) audit manager and one (1) audit engagement partner. In addition, the audit of the Group will also be reviewed by a concurring partner and an independent quality control reviewer.

5.6.3. The Audit Committee had also considered the Audit Quality Indicators listed in the ACRA's Audit Quality Indicators Disclosure Framework in its selection of Foo Kon Tan as the Group's new auditors.

### 5.7. Information on the Audit Partner

*The information on the audit engagement partner provided below was provided to the Company by Foo Kon Tan and their representatives. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below*

5.7.1. Mr Kong Chih Hsiang Raymond ("**Mr Raymond Kong**"), will assume the role as the audit engagement partner for the Group. Mr Raymond Kong has more than 15 years of audit experience. Mr Raymond Kong is a practising member of the Institute of Singapore Chartered Accountants and is a public accountant registered with ACRA. Mr Raymond Kong joined Foo Kon Tan in January 2013. Prior to this, Mr Raymond Kong was a senior audit manager in KPMG LLP. Mr Raymond Kong graduated with a Bachelor of Accountancy (Hons) from Nanyang Technological University of Singapore. Mr Raymond Kong was recently appointed to serve as a member of the Financial Reporting Committee of the Institute of Singapore Chartered Accountants and has recently completed the Chartered Valuer and Appraiser Program conducted by Nanyang Business School, Nanyang Technological University. Besides auditing major listed public companies and other public interest entities, Mr Raymond Kong has assisted clients with initial public offerings on the SGX-ST. In addition, Mr Raymond Kong has carried out due diligence reviews and special purpose audits, and specialises in the audit of statutory boards, manufacturing, shipping, property development, healthcare, telecommunications, energy, investment holding and trading industries.

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## LETTER TO SHAREHOLDERS

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5.7.2. The Audit Committee has enquired on whether Mr Raymond Kong, who will be the audit engagement partner assigned to the audit of the Group, has been subject to the Practice Monitoring Programme review by ACRA. In this regard, the Audit Committee has noted that Mr Kong passed the Practice Monitoring Programme review by ACRA on his previous audit engagements.

### 5.8. **Opinion of the Audit Committee**

The Audit Committee has reviewed and deliberated on the Proposed Change of Auditors and recommend the same for approval by the Board after taking into consideration the suitability of Foo Kon Tan and the requirements of the Listing Manual.

## 6. **THE PROPOSED NAME CHANGE AND THE PROPOSED AMENDMENTS**

### 6.1. **Introduction**

6.1.1. The Company proposes that its name be changed to “Asia E-Supermarket Holdings Co. Ltd.” and that its Memorandum of Association and Bye-Laws be updated by replacing all references made therein to “8Telecom International Holdings Co. Ltd.” with “Asia E-Supermarket Holdings Co. Ltd.” to reflect the said new name.

6.1.2. Following the receipt of Shareholders’ approval, the Company shall adopt “Asia E-Supermarket Holdings Co. Ltd.” as its new name with effect from the date of entry of the new name on the Register of Companies maintained by the Registrar of Companies in Bermuda.

6.1.3. Accordingly, the Board wishes to seek Shareholders’ approval at the SGM for the Proposed Name Change and the Proposed Amendments.

6.1.4. The Company will make an announcement when the Proposed Name Change takes effect.

### 6.2. **Approval**

6.2.1. Pursuant to Bye-law 2 of the Bye-Laws, a special resolution shall be required to change the name of the Company or to alter the provisions of the Memorandum of Association and the Bye-Laws. The resolution to approve the Proposed Name Change and the Proposed Amendments is therefore required under the Bye-Laws to be passed by way of a special resolution, for which not less than 21 days’ notice has been given and the said resolution is approved by a majority of not less than three-fourths of votes cast by Shareholders, being entitled to do so, voting in person or by proxy at the SGM. The Companies Act requires that the same notice of general meeting shall also be given to holders of the Company’s debentures who are entitled to object to any alterations to the Company’s memorandum of association as it is required to give to the Shareholders. The Company has not issued any debentures to date.

6.2.2. The proposed new name “Asia E-Supermarket Holdings Co. Ltd.” has been approved by the Registrar of Companies in Bermuda and the said name has been reserved up to 31 January 2018.

6.2.3. Subject to the approval of the Registrar of Companies in Bermuda of the proposed new name, and upon receipt of the requisite filing fee and a certified copy of the Shareholders’ resolution approving the Proposed Name Change, the Registrar of Companies will enter on the Register of Companies the new name of the Company in place of its former name. The effective date of the change of name shall be the date of entry of the new name on the Register of Companies. The Registrar will then issue a certificate of change of name.

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## LETTER TO SHAREHOLDERS

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- 6.2.4. Under the Companies Act, an application to the Supreme Court of Bermuda (the “**Court**”) may be made within 21 days after the date on which the resolution altering the memorandum of association of a company limited by shares was passed for the alteration to be annulled. Such application may be made by: (a) by the holders of not less in the aggregate than 20% in par value of the company’s issued share capital or any class thereof, or (b) by the holders of not less in the aggregate than 20% of the company’s debentures entitled to object to any alterations to its memorandum of association, provided that the application shall not be made by any person who has voted in favour of the alteration or has given to the company a statement in writing duly signed that he, having had notice, consents to the alteration. Where an application is made to the Court, the alteration to the memorandum of association shall not have effect except insofar as it is confirmed by the Court.
- 6.2.5. With respect to the consequential amendments to be made to the Memorandum of Association and the Bye-Laws to replace the name “8Telecom International Holdings Co. Ltd.” wherever it appears in the Memorandum of Association and the Bye-Laws with the new name of the Company “Asia E-Supermarket Holdings Co. Ltd.”, a copy of the amended Memorandum of Association is to be filed with the Registrar of Companies in Bermuda. Upon receipt of the copy of the amended Memorandum of Association, the Registrar of Companies will register it and the amendments shall be effective from the date of such registration. There is no requirement under Bermuda law to make any filings with the Registrar of Companies in relation to amendments to the bye-laws of a Bermuda company.
- 6.2.6. The Companies Act provides that the change of name of a company shall not affect any rights or obligations of the company, or render defective any legal proceedings by or against it, and any legal proceedings that might have been continued or commenced against it in its former name may be continued or commenced against it in its new name.

### 6.3. **Rationale**

Subject to the approval of Shareholders at the SGM, with the injection of the Target Companies and the expansion of the existing business of the Group to include the Proposed New Business, the Group will have two (2) business segments. As the Existing Business, undertaken by Arete M, has capital expenditure requirements which the Group is currently in the midst of sourcing sufficient capital for, the Group has also been seeking to increase its revenue streams. In the event that the Group continues to be unable to secure new financing to support its Existing Business, it may consider disposing of Arete M. The Board anticipates that with the acquisition of the Proposed New Business, the retail business segment of the Group will immediately become the single largest segment attributing to the revenue and profits of the Group, and further anticipates that the Proposed New Business will continue to grow such that the Group will continue to derive the majority of its revenue and profits from the Proposed New Business as compared to its Existing Business. In light of this, the Board is of the view that the Proposed Name Change will more accurately reflect the Group’s business, especially as the Group hopes to expand its business to the rest of Asia and also plans to have an e-commerce platform, and provide the Group with a fresh and appropriate corporate identity and image which will not be primarily associated to its Existing Business.

### 6.4. **Existing Share Certificates**

The Proposed Name Change will not affect any of the rights of any Shareholders. Shareholders should note that notwithstanding the change of the Company’s name to “Asia E-Supermarket Holdings Co. Ltd.”, the existing share certificates of the Company will continue to be valid and the Company will not recall share certificates bearing the current name of the Company which will continue to be *prima facie* evidence of legal title. No further action is required on the part of Shareholders.

## LETTER TO SHAREHOLDERS

### 7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

7.1. The direct and deemed interests of the Directors and the Substantial Shareholders in the Shares as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	Shareholding (%) <sup>(1)</sup>	Number of Shares	Shareholding (%) <sup>(1)</sup>
<b>Directors</b>				
Tiffany Gong Qian	626,100	0.56	–	–
Xiang Ying	–	–	3,325,500 <sup>(2)</sup>	2.96
<b>Substantial Shareholders (other than Directors)</b>				
Lan Zhihua	–	–	24,372,516 <sup>(3)</sup>	21.67
VOK Investment Holdings Pte. Ltd.	24,372,516	21.67	–	–
Manfaith Investments Ltd.	–	–	19,200,720 <sup>(4)</sup>	17.07
Ye Tianyun	3,895,800	3.46	19,200,720 <sup>(5)</sup>	17.07
Signa Air Limited	17,552,115	15.61	–	–
Chung Fui Leng Shirley @ Tan Fui Leng Shirley	167,807	0.15	17,552,115 <sup>(6)</sup>	15.61
PTL Technology Pte. Ltd.	7,500,000	6.67	–	–

**Notes:**

- (1) Calculated based on 112,477,249 Shares and excluding treasury shares.
- (2) Deemed to have an interest in the 3,325,000 Shares held by Xin Wen Pte. Ltd. Xiang Ying has 100% equity interest in Xin Wen Pte. Ltd.
- (3) Deemed to have an interest in the 24,372,516 Shares held by VOK Investment Holdings Pte. Ltd. Lan Zhihua has 100% equity interest in VOK Investment Holdings Pte. Ltd.
- (4) Deemed to have an interest in 19,200,720 Shares held by its nominee, KGI Fraser Securities Pte. Ltd.
- (5) Deemed to have an interest in 19,200,720 Shares held by Manfaith Investments Ltd. Ye Tianyun has 100% equity interest in Manfaith Investments Ltd.
- (6) Deemed to have an interest in 17,552,115 Shares held by Signa Air Limited. Chung Fui Leng Shirley @ Tan Fui Leng Shirley has an 100% equity interest in Signa Air Limited.

7.2. Save as disclosed above and as set out in Section 2.2.2 (*Information on the Target Companies*) regarding Ms Wang's and Ms Zhang's connection with the Target Companies and in Section 4.5 (*Key management personnel for the Proposed New Business*) regarding Mr Liu's connection with the Target Companies, none of the Directors or Controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Resolutions other than through their respective shareholdings in the Company.

### 8. DIRECTORS' RECOMMENDATION

#### 8.1. The Proposed Acquisition

While the Audit Committee, with Ms Zhang Yuanyuan abstaining, is of the view that this is not an interested person transaction within the meaning of Chapter 9 of the SGX-ST Listing Manual, Mr Liu Lu, Ms Wang Zhejun and Ms Zhang Yuanyuan have, at the advice of the Audit Committee, abstained from recommending this transaction. Accordingly, the Directors, save for Mr Liu, Ms Wang and Ms Zhang, having considered, amongst others, the terms and rationale for the Proposed Acquisition, are of the opinion that the Proposed Acquisition is in the best interests of the Group and is not prejudicial to the interests of the Shareholders. Accordingly, the Directors save for Mr Liu, Ms Wang and Ms Zhang, recommend the Shareholders to vote in favour of the Proposed Acquisition at the SGM to be convened.



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## LETTER TO SHAREHOLDERS

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### 8.2. The Proposed Issue of Consideration Shares

While the Audit Committee, with Ms Zhang Yuanyuan abstaining, is of the view that this is not an interested person transaction within the meaning of Chapter 9 of the SGX-ST Listing Manual, Mr Liu Lu, Ms Wang Zhejun and Ms Zhang Yuanyuan have, at the advice of the Audit Committee, abstained from recommending this transaction. Accordingly, the Directors, save for Mr Liu, Ms Wang and Ms Zhang, having considered, amongst others, the terms and rationale for the Proposed Issue of Consideration Shares, are of the opinion that the Proposed Issue of Consideration Shares is in the best interests of the Group and is not prejudicial to the interests of the Shareholders. Accordingly, the Directors save for Mr Liu, Ms Wang and Ms Zhang, recommend the Shareholders to vote in favour of the Proposed Issue of Consideration Shares at the SGM to be convened.

### 8.3. The Proposed Diversification

The Directors, having considered, amongst others, the rationale for and the risk factors relating to the Proposed Diversification, are of the opinion that the Proposed Diversification is in the best interests of the Group and is not prejudicial to the interests of the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the Proposed Diversification at the SGM to be convened.

### 8.4. The Proposed Change of Auditors

The Directors, having considered, amongst others, the terms and rationale for the Proposed Change of Auditors, are of the opinion that the Proposed Change of Auditors is in the best interests of the Group and is not prejudicial to the interests of the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the Proposed Change of Auditors at the SGM to be convened.

### 8.5. The Proposed Name Change and the Proposed Amendments

The Directors, having considered, amongst others, the rationale for the Proposed Name Change and the Proposed Amendments, are of the opinion that the Proposed Name Change and the Proposed Amendments are in the best interest of the Group and is not prejudicial to the interests of the Shareholders. Accordingly, the Directors recommend that the Shareholders vote in favour of the Proposed Name Change and the Proposed Amendments at the SGM.

## 9. ABSTENTION FROM VOTING

9.1. The Audit Committee has, having taken into consideration the facts at the material time, Ms Wang's explanation and written confirmation as set out in Section 2.2.2 (*Information on the Target Companies*), and having deliberated, accepted that this is not an interested person transaction within the meaning of Chapter 9 of the SGX-ST Listing Manual. Ms Wang's shareholdings in VOK Investment Pte. Ltd. had been transferred to Lan Zhihua and therefore whilst Ms Wang remains an Executive Director of the Company, she no longer has any interest, direct or deemed, in the Shares. Notwithstanding that Ms Wang is no longer an indirect shareholder, the Company has requested for and obtained a confirmation from VOK Investment Holdings Pte. Ltd. that it shall, and its associates shall, abstain from voting at the SGM in respect of the Shares held by them on the ordinary resolutions relating to the Proposed Acquisition (Ordinary Resolution 1) and the Proposed Issue of Consideration Shares (Ordinary Resolution 2).

9.2. Whilst Ms Wang, Mr Liu and Ms Zhang do not have any interest in the Company save for their directorships as at the Latest Practicable Date, in any event, the Company has requested for Ms Wang, Mr Liu, Ms Zhang and each of their associates to abstain from voting at the SGM in respect of the Shares held by them (if any) on the ordinary resolutions relating to the Proposed Acquisition (Ordinary Resolution 1) and the Proposed Issue of Consideration Shares (Ordinary Resolution 2). Ms Wang, Mr Liu and Ms Zhang will also refrain from accepting appointment as proxy for voting on Ordinary Resolutions 1 and 2 unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for Ordinary Resolutions 1 and 2.

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## LETTER TO SHAREHOLDERS

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### 10. **SPECIAL GENERAL MEETING**

The SGM, notice of which is set out on pages N-1 to N-3 of this Circular, will be held on 28 November 2018 at 9.30 a.m. for the purpose of considering and if, thought fit, passing, with or without modifications, the Proposed Resolutions as set out in the Notice of SGM.

### 11. **ACTION TO BE TAKEN BY SHAREHOLDERS**

#### 11.1. **Appointment of proxies**

Shareholders who are unable to attend the SGM and who wish to appoint a proxy to attend and vote at the SGM on their behalf should complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of the Company's Share Transfer Agent in Singapore, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.) either by hand at 80 Robinson Road #11-02 Singapore 068898 or by post at 80 Robinson Road #02-00 Singapore 068898 not less than 48 hours before the time fixed for the holding of the SGM. The completion and return of the Proxy Form by such Shareholder does not preclude him from attending and voting in person at the SGM in place of his proxy should he subsequently wish to do so.

#### 11.2. **Depositors not regarded as Shareholders**

11.2.1. A Depositor is not regarded as a member of the Company entitled to attend the SGM and to speak and vote thereat. A Depositor whose name appears on the Depository Register as at 48 hours before the SGM may attend and vote as CDP's proxy.

11.2.2. A Depositor who is a natural person and whose name appears in the Depository Register as at a time not earlier than 48 hours prior to the time of the SGM, need not complete and submit the Depositor Proxy Form if he is attending the SGM in person. However, if he is unable to attend the SGM in person but wishes to be represented at the SGM, he may nominate a person or persons ("**Nominee**") other than himself as CDP's proxy by completing the Depositor Proxy Form (in accordance with the instructions thereto) and deposit the duly completed Depositor Proxy Form at the registered office of the Company's Share Transfer Agent in Singapore, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.) either by hand at 80 Robinson Road #11-02 Singapore 068898 or by post at 80 Robinson Road #02-00 Singapore 068898 not less than 48 hours before the time fixed for the holding of the SGM. Each Nominee appointed must be a natural person but need not be a member of the Company.

### 12. **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 Proposed Resolutions, 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 this Circular in its proper form and context.

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## LETTER TO SHAREHOLDERS

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### 13. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at the office address of the Company's Secretary at 24 Raffles Place #19-05 Clifford Centre Singapore 048621 during normal business hours for a period of three (3) months from the date of this Circular:

- (1) the Agreements;
- (2) the Memorandum and Bye-Laws of the Company; and
- (3) the Annual Report of the Company for FY2016.

Yours faithfully  
for and on behalf of the Board of Directors of  
**8TELECOM INTERNATIONAL HOLDINGS CO. LTD.**

Tiffany Gong Qian  
Executive Director

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## APPENDIX A – FINANCIALS OF THE TARGET COMPANIES

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### Proforma Unaudited Consolidated Financial Statements of CCM & CCSC

#### Proforma Unaudited Consolidated Statement of Financial Position as at 30 September 2017

30 September 2017

S\$'000

#### ASSETS

##### Non-Current

Plant and equipment	
- Furniture and fittings	188
- Motor vehicles	2,274
- Office equipment	33
- Renovation	654
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Plant and equipment	3,149

##### Current

Refundable rental deposits	342
Input GST receivables	199
Management fees receivables	492
Advance to staff	6
Cash and bank balances	32
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	1,071
<b>Total assets</b>	<b>4,220</b>

#### LIABILITIES & EQUITY

##### Capital and Reserves

Share capital	200
Retained profit	1,529
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<b>Total equity</b>	<b>1,729</b>

##### LIABILITIES

##### Non-Current

Hire purchase payables	1,748
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	1,748

##### Current

Trade payables	39
Hire purchase payables	331
Accruals and other payables	200
Income tax payables	173
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	743
<b>Total liabilities</b>	<b>2,491</b>
<b>Total equity and liabilities</b>	<b>4,220</b>

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## APPENDIX A – FINANCIALS OF THE TARGET COMPANIES

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Proforma Unaudited Consolidated Statement of Comprehensive Income for the financial period ended 30 September 2017

	From the dates of incorporation to 30 September 2017
	S\$'000
Revenue	4,409
Cost of sales	(2,771)
<b>Gross profit</b>	<b>1,638</b>
Other income – Management fees	1,288
Administrative expenses	(1,193)
Finance costs (Hire purchase interest)	(31)
<b>Profit before taxation</b>	<b>1,702</b>
Income tax expense	(173)
<b>Profit after taxation for the year, representing total comprehensive income for the year attributable to equity holders of CCM and CCSC</b>	<b>1,529</b>

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## APPENDIX A – FINANCIALS OF THE TARGET COMPANIES

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### Proforma Unaudited Consolidated Statement of Cash Flows for the financial period ended 30 September 2017

From the dates of  
incorporation to  
30 September 2017

S\$'000

#### Cash Flows from Operating Activities

Profit before taxation	1,702
<i>Adjustments for:</i>	
Depreciation expenses	242
Interest expenses	31
Operating profit before working capital changes	1,975
Changes in other receivables	(1,040)
Changes in trade and other payables	240
Cash flow generating from operations	1,175
Taxation	–
Net cash generating from operating activities	1,175

#### Cash Flows from Investing Activity

Purchase of plant and equipment	(1,177)
Cash used in investing activity	(1,177)

#### Cash Flows from Financing Activities

Proceeds from issuance of shares	200
Repayment of hire purchase liabilities	(166)
Net cash generated from financing activities	34
Net increase in cash and cash equivalents	32
Cash and cash equivalents at beginning of period	–
<b>Cash and cash equivalents at end of period</b>	<b>32</b>

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APPENDIX B – PWC’S LETTER OF RESIGNATION

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The Board of Directors  
8Telecom International Holdings Co. Ltd.  
205A Kallang Bahru  
Singapore 339342

14 September 2018

Our ref: ASR GA4 / 02520179A000 / CCS-JL (10)  
*(When Replying Please Quote Our Reference)*

Dear Sirs

**RESIGNATION AS AUDITORS**

We hereby give notice to resign as auditors of 8Telecom International Holdings Co. Ltd.

We would like to place on record our thanks for the opportunity to have worked with your organisation. Should there be any occasion where we can be of service to you in any other capacity, we look forward to hearing from you.

Yours faithfully

  
PricewaterhouseCoopers LLP

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*PricewaterhouseCoopers LLP, 7 Straits View, Marina One East Tower Level 12, Singapore 018936*  
T: (65) 6236 3388, F: -, [www.pwc.com/sg](http://www.pwc.com/sg) GST No.: M90362193L Reg. No.: T09LL0001D

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## NOTICE OF SPECIAL GENERAL MEETING

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### 8TELECOM INTERNATIONAL HOLDINGS CO. LTD.

(Incorporated in Bermuda)  
(Company Registration Number 34713)

*All capitalised terms in the resolutions below and defined in the Circular dated 2 November 2018 to the shareholders of the Company (the “Circular”) shall, unless otherwise defined herein, have the respective meanings ascribed thereto in the Circular.*

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of 8Telecom International Holdings Co. Ltd. (the “Company”) will be held at Chart Room, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on 28 November 2018 at 9.30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

#### ORDINARY RESOLUTIONS

**1. ORDINARY RESOLUTION 1 – THE PROPOSED ACQUISITION OF 51% THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF THE TARGET COMPANIES**

Subject to and contingent upon the passing of Ordinary Resolution 2, resolved that:

- (1) the Company’s proposed acquisition of the Sale Shares of the Target Companies upon the terms and conditions of the Agreement be and is hereby approved (the “**Proposed Acquisition**”); and
- (2) the Directors of the Company and each of them be and are hereby authorised to do all acts and things as they or each of them deem desirable, necessary or expedient to give effect to the Proposed Acquisition as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Company.

**2. ORDINARY RESOLUTION 2 – THE PROPOSED ISSUE OF CONSIDERATION SHARES**

Subject to and contingent upon the passing of Ordinary Resolution 1, resolved that:

- (1) approval be and is hereby given for the issue and allotment by the Company of new ordinary shares in the Company worth S\$1,440,000 in satisfaction of the Consideration (the “**Consideration Shares**”) whereby such Consideration Shares shall be credited as fully paid and shall rank *pari passu* in all respects with the then existing shares in the Company, save for any dividends, rights, allotments or any distributions the record date of which falls before the Completion Date, pursuant to Rule 805 of the Listing Manual and the Company’s Memorandum of Association and Bye-Laws, on the terms and subject to the conditions of the Agreements; and
- (2) the Directors of the Company and each of them be and are hereby authorised to do all acts and things as they or each of them deem desirable, necessary or expedient to give effect to the Proposed Issue of Consideration Shares as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Company.

**3. ORDINARY RESOLUTION 3 – THE PROPOSED DIVERSIFICATION**

Resolved that:

- (1) approval be and is hereby granted for the Company to diversify the business activities of the Group to include the retail business (including the ownership, operation and management of supermarkets and department stores retailing food (including wet and dry foods) and beverages, general merchandise such as household products and toiletries, stationery, electrical appliances, cosmetics, apparel and footwear (the “**Products**”), including physical stores and web-stores on online platforms, the sale, distribution and delivery of the Products



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## **NOTICE OF SPECIAL GENERAL MEETING**

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to other businesses and consumers, ownership, acquisition, operation and maintenance of factories manufacturing the Products, and warehouses involved in the storage and distribution of the Products and development, ownership and acquisition of such related technology) and any other activities necessary or desirable in connection therewith; and

- (2) the Directors or any of them be and is hereby authorised to do all acts and things as they or each of them deem desirable, necessary or expedient to give effect to the Proposed Diversification as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Company.

#### **4. ORDINARY RESOLUTION 4 – THE PROPOSED CHANGE OF AUDITORS**

Resolved that:

- (1) the resignation of PricewaterhouseCoopers LLP as auditors of the Company be and is hereby noted and accepted and that Foo Kon Tan LLP, having expressed their consent to act, be and are hereby appointed auditors of the Company in place of PricewaterhouseCoopers LLP and to hold office until the conclusion of the next annual general meeting of the Company, at such remuneration and on such terms to be agreed between the Directors and Foo Kon Tan LLP; and
- (2) the Directors or any of them be and is hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to this resolution as they or he may think fit.

#### **SPECIAL RESOLUTION**

#### **5. SPECIAL RESOLUTION 1 – THE PROPOSED CHANGE OF NAME AND THE PROPOSED AMENDMENTS**

Subject to and contingent upon the passing of Ordinary Resolutions 1 and 2, resolved that:

- (1) subject to the approval of the Registrar of Companies in Bermuda, the name of the Company be changed from “8Telecom International Holdings Co. Ltd.” to “Asia E-Supermarket Holdings Co. Ltd.” (the “**Proposed Name Change**”);
- (2) the name “8Telecom International Holdings Co. Ltd.” be substituted with “Asia E-Supermarket Holdings Co. Ltd.”, wherever the name “8Telecom International Holdings Co. Ltd.” appears in the Company’s Memorandum of Association and Bye-Laws (the “**Proposed Amendments**”); and
- (3) the Directors of the Company and each of them be and are hereby authorised to do all acts and things (including to execute such documents and to make such filings with the Registrar of Companies in Bermuda to effect the aforesaid Proposed Name Change and the Proposed Amendments) as they or each of them deem desirable, necessary or expedient to give effect to the Proposed Name Change and the Proposed Amendments as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Company.

#### **BY ORDER OF THE BOARD**

Tiffany Gong Qian  
Executive Director

2 November 2018

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## NOTICE OF SPECIAL GENERAL MEETING

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### **Notes:**

- (1) With the exception of CDP (which may appoint more than two proxies), a member of the Company who is entitled to attend and vote at the SGM is entitled to appoint not more than two proxies to attend and vote in his stead. A member who wishes to appoint a proxy to attend and vote on his behalf thereat, should complete, sign and return the attached Shareholder Proxy Form in accordance with the instructions printed thereon. A proxy need not be a member of the Company.
- (2) A Depositor whose name appears in the Depository Register as maintained by CDP as at 48 hours prior to the time fixed for the holding of the SGM and is unable to attend the SGM personally and wishes to appoint a nominee to attend and vote on his behalf thereat as CDP's proxy, should complete, sign and return the attached Depositor Proxy Form in accordance with the instructions printed thereon. A Depositor that has appointed a nominee to attend and vote at the SGM on his behalf as CDP's proxy may attend and vote in person as CDP's proxy at the SGM if he so wishes.
- (3) All proxy forms must be lodged at the office of the Company's Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.) either by hand at 80 Robinson Road #11-02 Singapore 068898 or by post at 80 Robinson Road #02-00 Singapore 068898 not less than 48 hours before the time fixed for the holding of the SGM.

### **Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the SGM and/or any adjournment thereof, a member of the Company:

- (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis of proxies and representatives appointed for the SGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the SGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, the Listing Manual, regulations and/or guidelines (collectively, the "**Purposes**"),
- (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and
- (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.