



SINGAPORE REINSURANCE CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 197300016C)

Directors:

Ramaswamy Athappan (Chairman), *Non-Executive and Non-Independent Director*
David Chan Mun Wai (Deputy Chairman), *Non-Executive and Non-Independent Director*
Hwang Soo Jin, *Non-Executive and Non-Independent Director*
Dileep Nair, *Non-Executive and Independent Director*
Peter Sim Swee Yam, *Non-Executive and Independent Director*
Ong Eng Yaw, *Non-Executive and Independent Director*

Registered Office:

85 Amoy Street
Singapore 069904

28 March 2016

To: **The Shareholders of Singapore Reinsurance Corporation Limited (“Company”)**

Dear Shareholders

We refer to the Ordinary Resolution 11 in item 8 of the Notice of the 43rd Annual General Meeting (“AGM”) of the Company which is to be proposed at the AGM on 25 April 2016 for the renewal of the Company’s Share Buy-Back Mandate (“**Resolution 11**”). The purpose of this letter is to provide Shareholders with information relating to Resolution 11.

1. RENEWAL OF SHARE BUY-BACK MANDATE

1.1 Background

At the 42nd AGM of the Company held on 23 April 2015, Shareholders had approved (inter alia) the grant of a Share Buy-Back Mandate to the Directors to exercise all powers of the Company to purchase or otherwise acquire ordinary shares in the issued capital of the Company (“**Shares**”) upon and subject to the terms of such mandate (“**2015 Mandate**”). The authority contained in the 2015 Mandate was expressed to continue in force until the next AGM and as such would be expiring on 25 April 2016, being the date of the forthcoming AGM. It is proposed that such authority (“**Share Buy-Back Mandate**”) be renewed at the forthcoming AGM.

1.2 Rationale

The renewal of the Share Buy-Back Mandate will give the Company the flexibility to undertake purchases or acquisitions of its issued Shares, at any time and from time to time, subject to market conditions, during the period that the Share Buy-Back Mandate is in force. The Share Buy-Back Mandate will provide the Company with:

- (1) a mechanism to facilitate the return of surplus cash over and above the Company’s requirements in an expedient and cost-efficient manner; and
- (2) the opportunity to exercise control over the Company’s share capital structure with a view to enhance the earnings per Share and/or net asset value per Share.

Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate will only be made when the Directors believe that such purchases or acquisitions would be made in circumstances which would not have a material adverse effect on the financial position of the Company and/or affect the listing status of the Company on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Any purchase or acquisition by the Company of its Shares has to be made in accordance with, and in the manner prescribed by, the Companies Act, Chapter 50 of Singapore (the “**Act**”), the Listing Manual of the SGX-ST (“**Listing Manual**”) and such other laws and regulations as may, for the time being, be applicable.

2. TERMS OF THE SHARE BUY-BACK MANDATE

The authority and limits of the Share Buy-Back Mandate are summarised below:

2.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares that may be purchased or acquired by the Company shall not exceed 10% of the issued Shares of the Company as at the date of the AGM (excluding any Shares held as treasury shares as at that date) at which the Share Buy-Back Mandate is approved (“**Approval Date**”).

For illustrative purposes only, on the basis of 605,219,785 Shares in issue as at 29 February 2016 (the “**Latest Practicable Date**”), and assuming that no further Shares are issued on or prior to the AGM, not more than 60,521,978 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate.

2.2 Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, from the Approval Date up to the earliest of:

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

2.3 Manner of purchase

Purchases or acquisitions of Shares may be made by the Company by way of:

- (a) on-market purchases effected on the SGX-ST through the ready market through one or more duly licensed stockbrokers appointed by the Company for the purpose (“**Market Purchases**”); and/or
- (b) off-market purchases in accordance with an “equal access scheme” as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act and the rules of the Listing Manual (“**Off-Market Purchase**”).

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy-Back Mandate, the Listing Manual and the Act as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Act, an equal access scheme must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of issued Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all offers are the same, except that there shall be disregarded, where applicable,
 - (1) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;
 - (2) differences in consideration attributable to the fact that the offers may relate to Shares with different amounts remaining unpaid; and
 - (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Additionally, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain, *inter alia*:

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;
- (3) the reasons for the proposed share purchases;
- (4) the consequences, if any, of share purchases by the Company that will arise under the Singapore Code on Take-overs and Mergers ("**Take-over Code**") or other applicable takeover rules;
- (5) whether the share purchases or acquisitions, if made, could affect the listing of the Company's Shares on the SGX-ST;
- (6) details of any share purchases made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchase of Shares, where relevant, and the total consideration paid for the purchases; and
- (7) whether the shares purchased by the Company will be cancelled or kept as treasury shares.

2.4 Purchase price

The purchase price (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) to be paid for a Share will be determined by the Directors. However, the purchase price to be determined by the

Directors, in the case of both a Market Purchase and an Off-Market Purchase, shall not be more than 5% above the Average Closing Price of the Shares (the “**Maximum Price**”) in either case, excluding related expenses of the purchase or the acquisition.

For the purpose of determining the Maximum Price:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last 5 Market Days (each being a day on which the SGX-ST is open for trading in securities (“**Market Day**”)) on which the Shares were transacted on the SGX-ST immediately preceding the date of the making of the Market Purchase by the Company, or as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with any rules that may be prescribed by the SGX-ST, for any corporate action that occurs after the relevant 5-day period; and

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

3. STATUS OF PURCHASED OR ACQUIRED SHARES

Under the Act, any Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to those Shares expire on cancellation, unless such Shares are held by the Company as treasury shares. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

4. TREASURY SHARES

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions relating to treasury shares under the Act are summarised below:

4.1 Maximum holdings

- (i) The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares; and
- (ii) The Company if having more than one class of shares shall not hold treasury shares of that class exceeding 10% of the total number of issued shares in that class at any time and in the event that the Company holds in its treasury more than 10% of the total number of issued shares in any class of its shares, it shall cancel the excess within six months or such further period as Registrar may allow.

4.2 Voting and other rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of the shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

4.3 Disposal and cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

As at the Latest Practicable Date, the Company does not hold any treasury shares. In accordance with Rule 704(28) of the Listing Manual, in the event the Company purchases any Shares and holds them as treasury shares, the Company will immediately announce the following if there is any sale, transfer, cancellation and/or use of the treasury shares:

- (i) date of the sale, transfer, cancellation and/or use;
- (ii) purpose of such sale, transfer, cancellation and/or use;
- (iii) number of treasury shares sold, transferred, cancelled and/or used;
- (iv) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (v) percentage of the number of treasury shares against the total number of Shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

5. SOURCE OF FUNDS

The Company intends to use internal sources of funds to fund purchases or acquisitions of its Shares pursuant to the Share Buy-Back Mandate. The Company does not intend to obtain or incur borrowings to finance its purchase or acquisition of the Shares. The Directors do not propose to exercise the Share Buy-Back Mandate in a manner and to such an extent that the liquidity and capital adequacy position of the Group would be materially adversely affected.

6. FINANCIAL EFFECTS

The financial effects on the Company and the Group arising from the purchases or acquisitions of Shares which may be made pursuant to the Share Buy-Back Mandate will depend on, inter alia, whether the Shares are purchased or acquired out of profits and/or capital, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2015, are based on the assumptions set out below.

6.1 Purchase or acquisition out of capital or profits

The Act permits the Company to pay for the consideration for purchase or acquisition of its Shares out of capital or profits provided the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced but the amount of the share capital will be reduced.

6.2 Information as at the Latest Practicable Date

As at the Latest Practicable Date, the issued capital of the Company comprised 605,219,785 Shares. No Shares are reserved for issue by the Company as at the Latest Practicable Date.

Purely for illustration purposes, on the basis of 605,219,785 Shares in issue as the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as treasury shares on or prior to the AGM, the purchase by the Company of 10% of its issued Shares will result in the purchase or acquisition of 60,521,978 Shares.

Assuming that the Company purchases or acquires the 60,521,978 Shares at the Maximum Price of \$0.32 for one Share (being the price equivalent to 5% above the average of the closing market prices of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 60,521,978 Shares is \$19,367,033.

6.3 Illustrative financial effects

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Share Buy-Back Mandate will depend on, inter alia, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, and the consideration paid at the relevant time and whether the Shares purchased or acquired are cancelled or held as treasury shares.

For illustrative purposes only and on the basis of the following assumptions:

- (a) that the Company purchases or acquires the 60,521,978 Shares at the Maximum Price of \$0.32 for one Share (being the price equivalent to 5% above the average of the closing market prices of the Shares for the five consecutive Market Days on

which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 60,521,978 Shares is \$19,367,033; and

- (b) the Share Buy-Back Mandate had been in force at the relevant time.

The financial effects of the:

- (a) acquisition of 60,521,978 Shares by the Company pursuant to the Share Buy-Back Mandate by way of purchases made entirely out of capital and held as treasury shares;
- (b) acquisition of 60,521,978 Shares by the Company pursuant to the Share Buy-Back Mandate by way of purchases made entirely out of profits and cancelled; and
- (c) acquisition of 60,521,978 Shares by the Company pursuant to the Share Buy-Back Mandate by way of purchases made entirely out of capital and cancelled,

on the audited financial statements of the Group and the Company for the financial year ended 31 December 2015 would be as follows:

(A) Purchases made entirely out of capital and held as treasury shares

As at 31 December 2015	Group		Company	
	Before Share Buy-Back \$'000	After Share Buy-Back \$'000	Before Share Buy-Back \$'000	After Share Buy-Back \$'000
Share Capital	123,300	123,300	123,300	123,300
Reserves	23,580	23,580	23,648	23,648
Accumulated Profits	85,038	85,038	84,337	84,337
	231,918	231,918	231,285	231,285
Treasury Shares	–	(19,367)	–	(19,367)
Total Shareholders' Equity	231,918	212,551	231,285	211,918
Net Tangible Assets	231,918	212,551	231,285	211,918
Current Assets	467,705	448,338	463,731	444,364
Current Liabilities	173,278	173,278	171,237	171,237
Cash and Cash Equivalents	75,821	56,454	73,028	53,661
Number of Shares ('000) (net of treasury shares)	605,220	544,698	605,220	544,698
<u>Financial Ratios</u>				
Net Tangible Assets per share (cents)	38.32	39.02	38.22	38.91
Basic and Diluted Earnings per share (cents)	1.90	2.11	1.91	2.13
Return on Equity (%)	4.96	5.42	5.01	5.47
Current Ratio (times)	2.70	2.59	2.71	2.60

(B) Purchases made entirely out of profits and cancelled

As at 31 December 2015	Group		Company	
	Before Share Buy-Back \$'000	After Share Buy-Back \$'000	Before Share Buy-Back \$'000	After Share Buy-Back \$'000
Share Capital	123,300	123,300	123,300	123,300
Reserves	23,580	23,580	23,648	23,648
Accumulated Profits	85,038	65,671	84,337	64,970
Total Shareholders' Equity	231,918	212,551	231,285	211,918
Net Tangible Assets	231,918	212,551	231,285	211,918
Current Assets	467,705	448,338	463,731	444,364
Current Liabilities	173,278	173,278	171,237	171,237
Cash and Cash Equivalents	75,821	56,454	73,028	53,661
Number of Shares ('000)	605,220	544,698	605,220	544,698
<u>Financial Ratios</u>				
Net Tangible Assets per share (cents)	38.32	39.02	38.22	38.91
Basic and Diluted Earnings per share (cents)	1.90	2.11	1.91	2.13
Return on Equity (%)	4.96	5.42	5.01	5.47
Current Ratio (times)	2.70	2.59	2.71	2.60

(C) Purchases made entirely out of capital and cancelled

As at 31 December 2015	Group		Company	
	Before Share Buy-Back \$'000	After Share Buy-Back \$'000	Before Share Buy-Back \$'000	After Share Buy-Back \$'000
Share Capital	123,300	103,933	123,300	103,933
Reserves	23,580	23,580	23,648	23,648
Accumulated Profits	85,038	85,038	84,337	84,337
Total Shareholders' Equity	231,918	212,551	231,285	211,918
Net Tangible Assets	231,918	212,551	231,285	211,918
Current Assets	467,705	448,338	463,731	444,364
Current Liabilities	173,278	173,278	171,237	171,237
Cash and Cash Equivalents	75,821	56,454	73,028	53,661
Number of Shares ('000)	605,220	544,698	605,220	544,698
<u>Financial Ratios</u>				
Net Tangible Assets per share (cents)	38.32	39.02	38.22	38.91
Basic and Diluted Earnings per share (cents)	1.90	2.11	1.91	2.13
Return on Equity (%)	4.96	5.42	5.01	5.47
Current Ratio (times)	2.70	2.59	2.71	2.60

The financial effects set out above are for illustrative purposes only. In particular, it is important to note that the above illustration is based on historical numbers in respect of the financial year ended 31 December 2015 and is not necessarily representative of future financial performance. Although the Share Buy-Back Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

7. TAXATION

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

8. LISTING MANUAL

Any purchase or acquisition by the Company of its issued Shares pursuant to the Share Buy-Back Mandate will be reported by the Company in accordance with prevailing reporting requirements of the SGX-ST.

The Listing Manual restricts a listed company from purchasing shares by way of Market Purchases at a price per share which is more than 5% above the “average closing market price”, being the average of the closing market prices of the shares over the last 5 Market Days on which transactions in the share were recorded, before the day on which the purchases were made, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period. The Maximum Price for a Share in relation to Market Purchases referred to in Paragraph 2.4 above conforms to this requirement.

Although the Listing Manual does not prescribe a maximum price in relation to purchases of shares by way of Off-Market Purchases, the Company has set a cap of not more than 5% above the Average Closing Price of a Share as the Maximum Price for purchases of Shares by way of Off-Market Purchases.

The Listing Manual does not expressly prohibit any purchase by a listed company of its shares during any particular time or times. However, as a listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Buy-Back Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced.

The Company will also observe its internal guidelines on dealings in securities and will not deal in its securities during the period commencing two weeks before the announcement of its financial statements for each of the first three quarters of its financial year and one month before the announcement of its financial statements for the financial year and ending on the date of announcement of the relevant results.

The Listing Manual provides that a listed company shall ensure that at least 10% of any class of its listed securities is at all times held by public shareholders. As the percentage of issued Shares held in public hands as at the Latest Practicable Date is approximately 52.55%, the Company is of the view that there is, at the present, a sufficient number of the Shares in public hands that would permit the Company to potentially undertake purchases or acquisitions of its Shares up to the full 10% limit pursuant to the Share Buy-Back Mandate without affecting adversely the listing status of the Shares on the SGX-ST. Additionally, the Company will

consider investor interests when maintaining a liquid market in its securities, and will ensure that there is a sufficient float for an orderly market in its securities when purchasing its issued Shares.

The share buy-back will not be carried out during the period commencing two weeks before the announcement of the financial statements for each of the first three quarters of the Company's financial year and one month before the announcement of the Company's full year financial statements.

9. TAKE-OVER IMPLICATIONS

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

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively could incur an obligation to make a take-over offer under the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Rule 14 read together with Appendix 2 of the Take-over Code.

In relation to Directors and persons acting in concert with them, Rule 14 provides that unless exempted (or if exempted, such exemption is subsequently invalidated), Directors and persons acting in concert with them will incur an obligation to make a take-over offer if, as a result of a purchase or acquisition of Shares by the Company:

- (a) the percentage of voting rights held by such Directors and their concert parties in the Company increases to 30% or more; or
- (b) if they together hold between 30% and 50% of the Company's voting rights, the percentage of their voting rights increases by more than 1% in any period of 6 months.

Under Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy-Back Mandate unless required by the Act.

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

- (i) a company with any of its Directors (together with their close relatives, related trusts as well as companies controlled by any of the Directors, their close relatives and related trusts); and

- (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

As at the Latest Practicable Date, the Company's issued share capital comprises 605,219,785 Shares. Fairfax Financial Holdings Limited has a deemed interest in 168,035,957 Shares, representing 27.76% of the total voting rights of the Company. Fairfax Financial Holdings Limited is deemed to have an interest in shares held by First Capital Insurance Limited and Odyssey America Reinsurance Corporation, Singapore Branch. Mr Ramaswamy Athappan, the Chairman of the Board and non-executive Director of the Company, is a director of First Capital Insurance Limited. (collectively, Mr Ramaswamy Athappan, Fairfax Financial Holdings Limited, First Capital Insurance Limited and Odyssey America Reinsurance Corporation, Singapore Branch shall hereinafter be referred to as the "**Fairfax Concert Parties**".)

For illustrative purposes only, as at the Latest Practicable Date, the Company's issued share capital would comprise 605,219,785 Shares, of which, 168,214,689 Shares representing approximately 27.79% of the total voting rights of the Company would be held by the Fairfax Concert Parties. Therefore, in the event that the Company undertakes share purchases up to a maximum of the 10% limit, the Fairfax Concert Parties would have an aggregate interest of approximately 30.88% of the total voting rights of the Company.

The total shareholding interest and voting rights of the Fairfax Concert Parties in the Company would be increased to 30% or more as a result of the aforesaid share purchases undertaken by the Company and Fairfax Concert Parties would as a consequence be required to make a general offer to the other Shareholders under Rule 14 of the Take-over Code.

However, under Appendix 2 of the Share Buy-back Guidance Note of the Take-over Code, the Fairfax Concert Parties and any other persons presumed to be parties acting in concert with them are exempted from having to make an offer under Rule 14 of the Take-over Code for the Shares by reason only of an increase in their voting rights as a result of the Company purchasing or acquiring up to the maximum of 10% of the issued share capital of the Company pursuant to the Share Buy-Back Mandate, subject to the following conditions:

- (a) this Letter contains advice to the effect that by voting for the approval of the Share Buy-Back Mandate, the Shareholders are waiving their rights to a general offer at the required price from the Fairfax Concert Parties and any other such persons presumed to be parties acting in concert with it. This Letter should also contain (i) the name of the Fairfax Concert Parties and any other persons presumed to be parties acting in concert with them; and (ii) their voting rights as at the time of the resolutions and after the share purchases;
- (b) the resolution to approve the Share Buy-Back Mandate is approved by a majority of the Shareholders present and voting at the AGM on a poll who would not become obliged to make an offer as a result of the share purchases;
- (c) the Fairfax Concert Parties and any such other persons presumed to be parties acting in concert with it, abstain from voting for, and/or recommending Shareholders to vote in favour of, the resolution on the approval of the Share Buy-Back Mandate;
- (d) within 7 days of the passing of the resolution approving the Share Buy-Back Mandate, Mr Ramaswamy Athappan to submit to the Securities Industry Council a duly signed form as prescribed by the Securities Industry Council;

- (e) the Fairfax Concert Parties and any other such persons presumed to be parties acting in concert with them, have not acquired and will not acquire any Shares between the date on which they know that the announcement of the approval of the Share Buy-Back Mandate is imminent and the earlier of:
 - (i) the date on which the authority of the Share Buy-Back Mandate expires; and
 - (ii) the date the Company announces it has bought back such number of Shares as authorised by the Share Buy-Back Mandate or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the share purchases, would cause their aggregate voting rights in the Company to increase to 30% or more.

If the Company ceases to buy back its Shares and the aggregate voting rights of the Fairfax Concert Parties is less than 30%, the Fairfax Concert Parties may acquire further voting rights in the Company. However, any increase in its percentage of voting rights in the Company as a result of the share purchases will be taken into account together with any voting rights of the Fairfax Concert Parties (by whatever means), in determining whether they have increased their aggregate voting rights in the Company by more than 30%.

Save for Fairfax Financial Holdings Limited, Odyssey America Reinsurance Corporation, Singapore Branch, First Capital Insurance Limited and Mr Ramaswamy Athappan (being a director of First Capital Insurance Limited), none of the Directors or substantial shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase by the Company of the maximum number of Shares which can be purchased pursuant to the Share Buy-Back Mandate as at the Latest Practicable Date.

In view of the foregoing, it should be noted that approving the Share Buy-Back Mandate will constitute a waiver by the Shareholders in respect to their right to a general offer by the Fairfax Concert Parties at the required price, if a share buyback by the Company results in the aggregate shareholding of the Fairfax Concert Parties to increase to 30% or more. The voting rights of Fairfax Concert Parties as at the Latest Practicable Date and in the event if share purchases up to the maximum of 10% of the issued share capital of the Company as permitted by the Share Buy-Back Mandate are set out above in this Letter.

Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases by the Company.

Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer as a result of any purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity.

10. INSURANCE ACT, CHAPTER 142

Under the Insurance Act, Chapter 142 (the “**Insurance Act**”):

- (a) no person shall:
 - (i) obtain effective control of; or
 - (ii) become a substantial shareholder of; or

- (iii) enter into any agreement or arrangement, whether oral or in writing and whether express or implied, to act together with any person with respect to the acquisition or holding of, or the exercise of rights in relation to, their interests in voting shares of an aggregate of 5% or more of the total votes attached to all voting shares in;

a licensed insurer which is incorporated in Singapore, without the prior written approval of the Monetary Authority of Singapore (the “**Authority**”).

A person shall be regarded as obtaining effective control of a licensed insurer if:

- (a) the person, whether alone or together with his associates (as defined in the Insurance Act):
 - (i) holds (as defined in the Insurance Act) 20% or more of the total number of issued shares in the insurer; or
 - (ii) is in a position to control 20% or more of the voting power in the insurer;
- (b) the Directors of the insurer are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the person (whether acting alone or together with any other person, and whether with or without holding shares or controlling voting power in the insurer); or
- (c) the person (whether acting alone or together with any other person, and whether with or without holding shares or controlling voting power in the insurer) is in a position to determine the policy of the insurer.

The Company is a reinsurer licensed under the Insurance Act. As the number of issued Shares and/or voting Shares will be diminished by the total number of Shares purchased or acquired and cancelled or held in treasury by the Company (as the case may be), the shareholding percentage of Shareholders in the Shares of the Company could increase immediately after each Share purchase or acquisition.

A Share purchase or acquisition by the Company may therefore inadvertently cause the percentage shareholdings of Shareholders, particularly Shareholders whose current holding of Shares in the Company is close to the above limits to reach or exceed the aforementioned shareholding limits prescribed by the Insurance Act.

Shareholders whose current shareholding is close to the above limits and whose percentage shareholding may reach or exceed either of such limits by reason of any purchase or acquisition of Shares by the Company are advised to seek the prior approval of the Authority to continue to hold, on such terms as may be imposed by the Authority, the Shares representing the number of Shares which they may hold in excess of either of such limits, as a consequence of a purchase or acquisition of Shares by the Company. Shareholders who are in doubt as to the action that they should take should consult their professional advisers at the earliest opportunity.

11. CONSTITUTION

The Company's Constitution ("**Constitution**") presently provides that the Directors may refuse to register the transfer of any share if in their opinion such transfer, when registered, will result in foreign persons having an interest in the aggregate in more than 49% of the issued shares (excluding treasury shares) of the Company (the "**Foreign Shareholding Limit**"). For the purpose of the Constitution, "foreign person" means:

- (a) an individual who is not a citizen or permanent resident of Singapore; or
- (b) a corporation, wherever incorporated, in which citizens or permanent residents of Singapore or any body corporate constituted by any statute of Singapore do not have an interest, in the aggregate, in at least 50% of the issued shares or issued share capital (as the case may be) of such corporation; or
- (c) a limited liability partnership, in which less than 50% of the interest in such limited liability partnership is owned or controlled by citizens or permanent residents of Singapore or any body corporate constituted by any statute of Singapore or a corporation, wherever incorporated, in which citizens or permanent residents of Singapore or any body corporate constituted by any statute of Singapore have an interest, in the aggregate, in less than 50% of the issued shares or issued share capital (as the case may be) of such corporation; or
- (d) any legal entity (other than individual or a corporation or limited liability partnership) which is not owned or controlled by the Government of Singapore or any authority thereof and which is considered by the Directors to be a foreign person.

A Share purchase or acquisition by the Company may therefore inadvertently cause the percentage of Shares held by foreign persons to exceed the Foreign Shareholding Limit. Accordingly, the Directors will monitor the percentage of Shares held by foreign persons and will not exercise the proposed Share Buy-Back Mandate if such exercise may result in the Foreign Shareholding Limit being exceeded. As at the Latest Practicable Date, the number of Shares held by foreign persons is 7,371,543 Shares constituting approximately 1.22% of the total number of issued Shares.

12. LISTING MANUAL AND COMPANIES ACT REQUIREMENTS

The Companies Act and the Listing Manual require the Company to make reports in relation to the Share Buy-Back Mandate as follows:

- (a) within 30 days of the passing of a Shareholders' resolution to approve purchases of Shares, the Company must lodge a copy of such resolution with the Accounting & Corporate Regulatory Authority ("**ACRA**");
- (b) the Company must notify the ACRA, within 30 days of a purchase of Shares on the SGX-ST or otherwise. Such notification in the form as may be prescribed by the ACRA shall include details of the date of the repurchase, the total number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before the purchase of Shares, the Company's issued share capital after the purchase of Shares, the amount of consideration paid by the Company for the purchase, whether the Shares were purchased out of profits or the capital of the Company and such other particulars as may be required; and

- (c) in its annual report and accounts, the Company shall make disclosure of details pertaining to purchases of Shares made during the year, including the total number of Shares purchased during the financial year under review, the purchase price per Share or the highest and lowest prices paid for the purchases, and where relevant, the total consideration paid.

Rule 886 of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares, and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement (which must be in the form prescribed by the Listing Manual) must include details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the total consideration (including stamp duties and clearing charges) paid or payable for the shares.

13. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Directors (and their spouses or infant children)	Direct Interest		Deemed Interest	
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)
Ramaswamy Athappan	178,732	0.03	–	–
David Chan Mun Wai	73,205	0.01	–	–
Hwang Soo Jin	1,210,000	0.20	–	–
Dileep Nair	–	–	–	–
Peter Sim Swee Yam	–	–	–	–
Ong Eng Yaw	–	–	–	–
Substantial Shareholders				
Fairfax Financial Holdings Limited ¹	–	–	168,035,957	27.76
First Capital Insurance Limited ¹	115,370,835	19.06	–	–
Oversea-Chinese Banking Corporation Limited ²	–	–	50,948,847	8.42
Great Eastern Holdings Limited ²	–	–	50,948,847	8.42
United Overseas Bank Limited ³	–	–	36,382,885	6.01
United Overseas Insurance Limited	36,382,885	6.01	–	–
The Overseas Assurance Corporation Limited	30,487,330	5.04	–	–
Dalton Investments LLC ⁴	–	–	30,339,700	5.01
James B. Rosenwald III ⁵	–	–	30,339,700	5.01
Steven Persky ⁵	–	–	30,339,700	5.01
Glifford Combs ⁵	–	–	30,339,700	5.01
Belita Ong ⁵	–	–	30,339,700	5.01
Arthur Hebert ⁵	–	–	30,339,700	5.01
Michelle Lynd ⁵	–	–	30,339,700	5.01

Notes:

1. Fairfax Financial Holdings Limited is deemed to have an interest in shares held by First Capital Insurance Limited and Odyssey America Reinsurance Corporation, Singapore Branch.
2. Oversea-Chinese Banking Corporation Limited and Great Eastern Holdings Limited are deemed to have an interest in shares held by The Overseas Assurance Corporation Limited and The Great Eastern Life Assurance Company Limited.
3. United Overseas Bank Limited is deemed to have an interest in shares held by United Overseas Insurance Limited.
4. Dalton Investments LLC and its affiliated entities (together, "**Dalton**") is an investment manager based in California, United States of America. Dalton manages various client portfolios and as investment manager, Dalton has discretion and authority over the sale and purchase of the abovementioned shares. Therefore, Dalton has deemed interests in such shares.
5. James B. Rosenwald III, Steven Persky, Glifford Combs, Belita Ong, Arthur Hebert and Michelle Lynd are members of the management committee of Dalton, and Dalton acts in accordance with the directions and instructions of the abovementioned persons. Accordingly, each of them will be deemed to be interested in the shares which Dalton is deemed interested in.

14. NO PREVIOUS PURCHASES WITHIN THE LAST 12 MONTHS

The Company has not purchased any Shares pursuant to the 2015 Mandate within the 12 months preceding the Latest Practicable Date.

15. DIRECTORS' RECOMMENDATION

The Directors (excluding Mr Ramaswamy Athappan who abstains pursuant to Appendix 2 of the Take-over Code) are of the opinion that the proposed renewal of the Share Buy-Back Mandate is in the best interests of the Company, and they accordingly recommend that Shareholders vote in favour of Resolution 11, being the Ordinary Resolution relating to the proposed renewal of the Share Buy-Back Mandate, at the AGM.

In giving the above recommendation, the Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Directors recommend that any individual Shareholder who may require specific advice in relation to his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

16. ABSTENTION FROM VOTING

Pursuant to Appendix 2 Share Buy-Back Guidance Note of the Take-over Code, the Fairfax Concert Parties and any other persons presumed to be acting in concert with them shall abstain from voting on the Ordinary Resolution relating to the Share Buy-Back Mandate. Mr Ramaswamy Athappan shall also decline to accept any appointment as proxy for any Shareholder to vote in respect of the Ordinary Resolution relating to the Share Buy-Back Mandate unless the Shareholder concerned has given instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the Ordinary Resolution.

17. RESPONSIBILITY STATEMENT

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

18. DISCLAIMER

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed in this letter. Shareholders who are in any doubt as to the action they should take should immediately consult their stockbrokers or other professional advisers.

Yours faithfully
for and on behalf of
the Board of Directors of
SINGAPORE REINSURANCE CORPORATION LIMITED

Ramaswamy Athappan
Chairman

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