

**APPENDIX DATED 1 MARCH 2016**

**THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

This Appendix is circulated to the Shareholders (as defined herein) of Qian Hu Corporation Limited (the “**Company**”) together with the Company’s annual report for the year ended 31 December 2015 (the “**Annual Report**”). Its purpose is to explain to the Shareholders the rationale and provide information to the Shareholders for the proposed renewal of the Share Buyback Mandate (as defined herein) to be tabled at the Annual General Meeting of the Company to be held at No. 71 Jalan Lekar, Singapore 698950 on Wednesday, 23 March 2016 at 11.00 a.m.

The Notice of the Annual General Meeting and a proxy form are enclosed with the Annual Report.

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

If you have sold all your Shares (as defined herein), you should immediately forward this Appendix, the Annual Report and proxy form to the purchaser or to the bank, stockbroker or agent through whom the sale was effected for onward transmission to the purchaser.

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



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 199806124N)

**APPENDIX TO SHAREHOLDERS  
IN RELATION TO THE  
PROPOSED RENEWAL OF SHARE BUYBACK MANDATE**

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## **DEFINITIONS**

|                                  |                                                                                                                                                                                                                                                                                     |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“AGM”</b>                     | : The annual general meeting of the Company                                                                                                                                                                                                                                         |
| <b>“Appendix”</b>                | : This Appendix dated 1 March 2016 to Shareholders                                                                                                                                                                                                                                  |
| <b>“Board”</b>                   | : The Board of the Directors of the Company                                                                                                                                                                                                                                         |
| <b>“CDP”</b>                     | : The Central Depository (Pte) Limited                                                                                                                                                                                                                                              |
| <b>“Company”</b>                 | : Qian Hu Corporation Limited                                                                                                                                                                                                                                                       |
| <b>“Companies Act”</b>           | : The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time                                                                                                                                                                                              |
| <b>“Directors”</b>               | : The Directors of the Company for the time being                                                                                                                                                                                                                                   |
| <b>“EPS”</b>                     | : Earnings per Share                                                                                                                                                                                                                                                                |
| <b>“FY”</b>                      | : Financial year ended 31 December                                                                                                                                                                                                                                                  |
| <b>“Income Tax Act”</b>          | : The Income Tax Act, Chapter 134 of Singapore, as amended or modified from time to time                                                                                                                                                                                            |
| <b>“Group”</b>                   | : The Company and its subsidiaries                                                                                                                                                                                                                                                  |
| <b>“Latest Practicable Date”</b> | : 19 February 2016, being the latest practicable date prior to the printing of this Appendix                                                                                                                                                                                        |
| <b>“Listing Manual”</b>          | : The listing manual of the SGX-ST                                                                                                                                                                                                                                                  |
| <b>“Listing Rules”</b>           | The listing rules of the SGX-ST set out in the Listing Manual                                                                                                                                                                                                                       |
| <b>“Market Day”</b>              | : A day on which the SGX-ST is open for trading in securities                                                                                                                                                                                                                       |
| <b>“NTA”</b>                     | : Net tangible assets                                                                                                                                                                                                                                                               |
| <b>“Securities Accounts”</b>     | : Securities accounts maintained by Depositors with CDP but does not include securities sub-accounts maintained with a Depository Agent                                                                                                                                             |
| <b>“SGX-ST”</b>                  | : Singapore Exchange Securities Trading Limited                                                                                                                                                                                                                                     |
| <b>“Shares”</b>                  | : Ordinary shares in the capital of the Company                                                                                                                                                                                                                                     |
| <b>“Share Buyback”</b>           | : The buyback of Shares by the Company pursuant to the terms of the Share Buyback Mandate                                                                                                                                                                                           |
| <b>“Share Buyback Mandate”</b>   | : General and unconditional mandate given by Shareholders to authorise the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Companies Act and the Listing Manual |

|                                   |                                                                                                                                                                                                                            |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Shareholders”</b>             | : Registered holders of Shares, except that where the registered holder is CDP, the term <b>“Shareholders”</b> shall, where the context admits, mean the Depositors whose Securities Accounts are credited with the Shares |
| <b>“Substantial Shareholders”</b> | : A person (including a corporation) who has an interest in not less than 5% of the issued voting shares of the Company                                                                                                    |
| <b>“Take-over Code”</b>           | : The Singapore Code on Take-overs and Mergers                                                                                                                                                                             |
| <b>“\$” and “cents”</b>           | : Singapore dollars and cents respectively, being the lawful currency of the Republic of Singapore                                                                                                                         |
| <b>“%” or “per cent.”</b>         | : Per centum                                                                                                                                                                                                               |

The terms “Depositor” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

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. References to persons shall include corporations.

Any reference to any enactment is a reference to that enactment as for the time being amended or reenacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

## **QIAN HU CORPORATION LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration No. 199806124N)

### **Directors**

Kenny Yap Kim Lee (Executive Chairman and Managing Director)  
Alvin Yap Ah Seng (Executive Director)  
Andy Yap Ah Siong (Executive Director)  
Lai Chin Yee (Executive Director)  
Tan Tow Ee (Lead Independent Non-executive Director)  
Chang Weng Leong (Independent Non-executive Director)  
Sharon Yeoh Kar Choo (Independent Non-executive Director)  
Ling Kai Huat (Independent Non-executive Director)

### **Registered Office**

No. 71 Jalan Lekar  
Singapore 698950

**To: The Shareholders of Qian Hu Corporation Limited**

1 March 2016

Dear Sir/Madam

### **THE PROPOSED RENEWAL OF SHARE BUYBACK MANDATE**

#### **1. INTRODUCTION**

At the annual general meeting of the Company held on 19 March 2015 ("**2015 AGM**"), the Shareholders had approved the renewal of the Share Buyback Mandate to enable the Company to purchase or otherwise acquire the Shares. The rationale for the authority and limitations on, and the financial effects of, the Share Buyback Mandate was set out in the Company's Appendix to Shareholders dated 4 March 2015.

The Share Buyback Mandate, as renewed at the 2015 AGM, will expire on the date of the forthcoming annual general meeting of the Company, scheduled to be held on 23 March 2016 ("**2016 AGM**"). The Directors of the Company propose that the Share Buyback Mandate be renewed by Shareholders at the 2016 AGM, as set out in Ordinary Resolution No. 10 in the Notice of AGM.

The purpose of this Appendix is to explain the rationale for, and to provide Shareholders with information relating to the proposed renewal of the Share Buyback Mandate to be tabled at the 2016 AGM.

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

#### **2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE**

##### **2.1 Rationale**

The Directors constantly seek to increase Shareholders' value and to improve, inter alia, the return on equity of the Group. A Share Buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.

Share Buybacks provide the Company with a mechanism to facilitate the return of surplus cash over and above the Company's ordinary capital requirements in an expedient, effective and cost-efficient manner. Share Buybacks will allow the Directors greater flexibility over the Company's share capital structure with a view to enhancing the EPS and/or NTA per Share of the Company and the Group.

The Directors further believe that Share Buybacks by the Company may help mitigate against short-term market volatility, offset the effects of short term speculation and bolster shareholder confidence.

If and when circumstances permit, the Directors will decide whether to effect the share purchases via market purchases or off-market purchases, after taking into account the amount of surplus cash available, the prevailing market conditions and the most cost-effective and efficient approach. In addition, the Directors do not intend to engage in Share Buybacks to such extent that would, or in circumstances that might, result in a material adverse effect on the liquidity and/or orderly trading of the Shares and/or the financial position of the Group, taking into account the working capital requirements of the Company or the gearing levels, which in the opinion of the Directors, are from time to time appropriate for the Company.

## **2.2 Share Buyback Mandate**

Approval is being sought from the Shareholders at the 2016 AGM for the renewal of the Share Buyback Mandate. If approved by Shareholders at the 2016 AGM, the Share Buyback Mandate will take effect from the date of the 2016 AGM and continue in force up till the date on which the next AGM of the Company is held or such date as the next AGM is required by law to be held, whichever is the earlier (the “**Relevant Period**”), unless prior thereto, Share Buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting.

The Share Buyback Mandate will be put to Shareholders for renewal at each subsequent AGM of the Company.

Any Share Buybacks has to be made in accordance with, and in the manner prescribed by the Companies Act, the Listing Rules and such other laws and regulations as may be applicable from time to time.

## **3. TERMS OF THE SHARE BUYBACK MANDATE**

The authority and limitations placed on the purchase or acquisition of Shares by the Company under the Share Buyback Mandate, if renewed at the 2016 AGM, are summarised below:

### **(a) 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 is limited to that number of Shares representing approximately but not more than ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of the 2016 AGM at which the proposed renewal of the Share Buyback Mandate is approved, unless the Company has effected a reduction of its issued share capital in accordance with the applicable provisions under the Companies Act, at any time during the Relevant Period, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered by the capital reduction (excluding any treasury shares that may be held by the Company from time to time). Any Shares which are held as treasury shares will be disregarded for the purposes of computing the ten per cent. (10%) limit. At as the Latest Practicable Date, the Company does not hold any treasury shares.

For illustrative purposes only, based on the existing issued and paid-up capital of the Company of \$30,772,788 comprising 113,526,467 Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the forthcoming 2016 AGM, not more than 11,352,646 Shares (representing approximately but not more than 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

(b) Duration of authority

Under the Share Buyback Mandate, Share Buybacks may be made, at any time and from time to time, on and from the date of the 2016 AGM at which the renewal of the Share Buyback Mandate is approved, up to the earliest of:

- (i) the date on which the next AGM of the Company is held or required by law to be held;
- (ii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Company in a general meeting; or
- (iii) the date on which share purchases are carried out to the full extent mandated.

(c) Manner of Share Buybacks

Share Buybacks may be made by way of:

- (i) a market purchase ("**Market Purchase**") transacted through the SGX-ST's ready market or, as the case may be, on another stock exchange on which the Shares are listed, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (ii) an off-market purchase ("**Off-Market Purchase**") effected pursuant to an equal access scheme (as defined in Section 76C of the Companies Act) as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Companies Act and the Listing Rules.

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

- (i) the offers under the scheme for the purchase or acquisition of Shares are to be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons have a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers are the same except that there shall be disregarded:
  - (aa) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements;
  - (bb) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
  - (cc) differences in the offers introduced solely to ensure that each member is left with a whole number of Shares.

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

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed Share Buybacks;
- (iv) the consequences, if any, of Share Buybacks by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (v) whether the Share Buybacks, if made, could affect the listing of the Shares on the SGX-ST;
- (vi) details of any Share Buybacks made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases;
- (vii) whether the Shares purchased by the issuer will be cancelled or kept as treasury shares.

(d) Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for the Shares shall be determined by the Directors. However, the purchase price to be paid for a Share as determined by the Directors shall not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (ii) in the case of an Off-Market Purchase, pursuant to an equal access scheme, 120% of the Average Closing Price (as defined hereinafter),

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

For the above purposes, “**Average Closing Price**” shall mean the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five Market Days period.

#### 4. STATUS OF THE PURCHASED SHARES

Any Share which is purchased or acquired by the Company shall, unless held as treasury shares in accordance with the Companies Act, be deemed to be cancelled immediately on such purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. Accordingly, the total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company in accordance with the Companies Act) will be automatically de-listed by the SGX-ST and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable to do so following the settlement of any such purchase or acquisition.

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

(a) Maximum holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) Voting and other rights

The treasury shares shall be treated as having no voting rights and shall not be entitled to any dividend or other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up). However, an allotment of shares as fully paid bonus shares in respect of the treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller amount is also allowed if the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and cancellation

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

- (i) sell the treasury shares (or any of them) for cash;
- (ii) transfer the treasury shares (or any of them) for the purposes of or pursuant to an employees' share scheme;
- (iii) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares (or any of them); or
- (v) sell, transfer or otherwise use the treasury shares (or any of them) for such other purposes as may be prescribed by the Minister for Finance.

In addition, under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed before and after such sale, transfer, cancellation and/or use and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

## **5. SOURCE OF FUNDS FOR THE SHARE BUYBACK**

The Companies Act permits the Company to purchase or acquire its own Shares out of capital, as well as from its distributable profits, provided that:

- (a) the Company is able to pay its debts in full at the time it purchases the Shares and will be able to pay its debts as they fall due in the normal course of business in the 12 months immediately following the purchase; and
- (b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase of Shares become less than the value of its liabilities (including contingent liabilities).

Further, for purposes of determining the value of a contingent liability, the Directors or managers of the Company may take into account the following:

- (i) the likelihood of the contingency occurring; and
- (ii) any claim the Company is entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability.

The Company intends to use its internal sources of funds to finance the purchase or acquisitions of Shares pursuant to the Share Buyback Mandate. The Directors do not intend to exercise the Share Buyback Mandate to such an extent that it would materially and adversely affect the financial position of the Company or the Group.

## **6. FINANCIAL EFFECTS OF THE SHARE BUYBACK**

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Buyback Mandate would depend on factors such as the aggregate number of Shares purchased or acquired, the price paid for such Shares at the relevant time and whether the Shares purchased are held as treasury shares or cancelled.

The financial effects on the Company and the Group, based on audited financial statements of the Company and the Group for FY 2015, are based on the following assumptions:

- (i) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate has taken place on 1 January 2015;
- (ii) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate is financed by internal sources of funds or external borrowings or a combination of both; and
- (iii) the transaction costs incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate are assumed to be insignificant and have been ignored for the purpose of computing the financial effects.

### **6.1 Purchase or acquisition out of capital or profits**

Under the Companies Act, the purchases or acquisitions of Shares by the Company may be made out of the Company's capital or distributable profits so long as the Company is solvent.

Where the consideration paid by the Company for Share Buybacks is made out of distributable profits, such consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) paid by the Company for Share Buybacks is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced but the issued share capital of the Company will be reduced by the value of the Shares purchased.

## 6.2 Illustrative financial effects

For illustrative purposes only and on the basis of the assumptions set out below, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate:

- (1) by way of purchases made out of capital and profits, and held as treasury shares;  
and
- (2) by way of purchases made out of capital and profits, and cancelled,

on the audited financial statements of the Company and the Group for FY 2015 are set out as follows:

### **(i) *Purchases made entirely out of capital and profits, and held as treasury shares***

#### Market Purchase

**For illustrative purposes only**, in a Market Purchase, assuming that the Maximum Price is \$0.13146, which is five per cent. (5%) above the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 11,352,646 Shares (representing approximately but not more than ten per cent. (10%) of the total issued share capital of the Company as at the Latest Practicable Date, which is the maximum number of Shares the Company is allowed to purchase) under and during the duration of the Share Buyback Mandate, is approximately \$1,492,419.

On these assumptions, the financial effects of the purchase of Shares by the Company pursuant to the Share Buyback Mandate on the EPS, NTA per share, gearing and current ratios of the Group and of the Company are as follows:

| <b><u>As at 31 December 2015</u></b>         | <b>Group</b>                         |                                     | <b>Company</b>                       |                                     |
|----------------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|                                              | <b>Before Share Buyback (\$'000)</b> | <b>After Share Buyback (\$'000)</b> | <b>Before Share Buyback (\$'000)</b> | <b>After Share Buyback (\$'000)</b> |
| Shareholders' fund                           | 48,673                               | 47,181                              | 42,127                               | 40,635                              |
| NTA                                          | 49,965                               | 48,473                              | 41,784                               | 40,292                              |
| Current assets                               | 58,725                               | 57,233                              | 45,567                               | 44,075                              |
| Current liabilities                          | 24,939                               | 24,939                              | 19,854                               | 19,854                              |
| Working capital                              | 33,786                               | 32,294                              | 25,713                               | 24,221                              |
| Total borrowings                             | 13,712                               | 13,712                              | 13,500                               | 13,500                              |
| Cash & cash equivalents                      | 7,772                                | 6,280                               | 4,288                                | 2,796                               |
| Profit attributable to owners of the Company | 19                                   | 19                                  | 233                                  | 233                                 |
| Treasury shares ('000)                       | 0                                    | 11,353                              | 0                                    | 11,353                              |
| Number of Shares ('000)                      | 113,526                              | 102,174                             | 113,526                              | 102,174                             |
| <b><u>Financial Ratios</u></b>               |                                      |                                     |                                      |                                     |
| NTA per Share (cents)                        | <b>44.01</b>                         | <b>47.44</b>                        | <b>36.81</b>                         | <b>39.43</b>                        |
| Basic EPS (cents)                            | <b>0.02</b>                          | <b>0.02</b>                         | <b>0.21</b>                          | <b>0.23</b>                         |
| Gearing ratio (times)                        | <b>0.28</b>                          | <b>0.29</b>                         | <b>0.32</b>                          | <b>0.33</b>                         |
| Current ratio (times)                        | <b>2.35</b>                          | <b>2.29</b>                         | <b>2.30</b>                          | <b>2.22</b>                         |

- (1) NTA per Share equals NTA divided by the number of Shares (excluding treasury shares, if any) outstanding as at 31 December 2015.
- (2) Gearing ratio equals total borrowings divided by Shareholders' funds.
- (3) Current ratio equals the ratio of current assets to current liabilities.

#### Off-Market Purchase

**For illustrative purposes only**, in an Off-Market Purchase, assuming that the Maximum Price is \$0.15024 which is twenty per cent. (20%) above the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 11,352,646 Shares (representing approximately but not more than ten per cent. (10%) of the total issued share capital of the Company as at the Latest Practicable Date, which is the maximum number of Shares the Company is allowed to purchase) under and during the duration of the Share Buyback Mandate, is approximately \$1,705,621.

On these assumptions, the financial effects of the purchase of Shares by the Company pursuant to the Share Buyback Mandate on the EPS, NTA per share, gearing and current ratios of the Group and of the Company are as follows:

| <b><u>As at 31 December 2015</u></b>         | <b>Group</b>                         |                                     | <b>Company</b>                       |                                     |
|----------------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|                                              | <b>Before Share Buyback (\$'000)</b> | <b>After Share Buyback (\$'000)</b> | <b>Before Share Buyback (\$'000)</b> | <b>After Share Buyback (\$'000)</b> |
| Shareholders' fund                           | 48,673                               | 46,967                              | 42,127                               | 40,421                              |
| NTA                                          | 49,965                               | 48,259                              | 41,784                               | 40,078                              |
| Current assets                               | 58,725                               | 57,019                              | 45,567                               | 43,861                              |
| Current liabilities                          | 24,939                               | 24,939                              | 19,854                               | 19,854                              |
| Working capital                              | 33,786                               | 32,080                              | 25,713                               | 24,007                              |
| Total borrowings                             | 13,712                               | 13,712                              | 13,500                               | 13,500                              |
| Cash & cash equivalents                      | 7,772                                | 6,066                               | 4,288                                | 2,582                               |
| Profit attributable to owners of the Company | 19                                   | 19                                  | 233                                  | 233                                 |
| Treasury shares ('000)                       | 0                                    | 11,353                              | 0                                    | 11,353                              |
| Number of Shares ('000)                      | 113,526                              | 102,174                             | 113,526                              | 102,174                             |
| <b><u>Financial Ratios</u></b>               |                                      |                                     |                                      |                                     |
| NTA per Share (cents)                        | <b>44.01</b>                         | <b>47.23</b>                        | <b>36.81</b>                         | <b>39.23</b>                        |
| Basic EPS (cents)                            | <b>0.02</b>                          | <b>0.02</b>                         | <b>0.21</b>                          | <b>0.23</b>                         |
| Gearing ratio (times)                        | <b>0.28</b>                          | <b>0.29</b>                         | <b>0.32</b>                          | <b>0.33</b>                         |
| Current ratio (times)                        | <b>2.35</b>                          | <b>2.29</b>                         | <b>2.30</b>                          | <b>2.21</b>                         |

- (1) NTA per Share equals NTA divided by the number of Shares (excluding treasury shares, if any) outstanding as at 31 December 2015.
- (2) Gearing ratio equals total borrowings divided by Shareholders' funds.
- (3) Current ratio equals the ratio of current assets to current liabilities.

**(ii) Purchases made entirely out of capital and profits, and cancelled**

**Market Purchase**

**For illustrative purposes only**, in a Market Purchase, assuming that the Maximum Price is \$0.13146, which is five per cent. (5%) above the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 11,352,646 Shares (representing approximately but not more than ten per cent. (10%) of the total issued share capital of the Company as at the Latest Practicable Date, which is the maximum number of Shares the Company is allowed to purchase) under and during the duration of the Share Buyback Mandate, is approximately \$1,492,419.

On these assumptions, the financial effects of the purchase of Shares by the Company pursuant to the Share Buyback Mandate on the EPS, NTA per share, gearing and current ratios of the Group and of the Company are as follows:

| <b><u>As at 31 December 2015</u></b>         | <b>Group</b>                         |                                     | <b>Company</b>                       |                                     |
|----------------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|                                              | <b>Before Share Buyback (\$'000)</b> | <b>After Share Buyback (\$'000)</b> | <b>Before Share Buyback (\$'000)</b> | <b>After Share Buyback (\$'000)</b> |
| Shareholders' fund                           | 48,673                               | 47,181                              | 42,127                               | 40,635                              |
| NTA                                          | 49,965                               | 48,473                              | 41,784                               | 40,292                              |
| Current assets                               | 58,725                               | 57,233                              | 45,567                               | 44,075                              |
| Current liabilities                          | 24,939                               | 24,939                              | 19,854                               | 19,854                              |
| Working capital                              | 33,786                               | 32,294                              | 25,713                               | 24,221                              |
| Total borrowings                             | 13,712                               | 13,712                              | 13,500                               | 13,500                              |
| Cash & cash equivalents                      | 7,772                                | 6,280                               | 4,288                                | 2,796                               |
| Profit attributable to owners of the Company | 19                                   | 19                                  | 233                                  | 233                                 |
| Number of Shares ('000)                      | 113,526                              | 102,174                             | 113,526                              | 102,174                             |
| <b><u>Financial Ratios</u></b>               |                                      |                                     |                                      |                                     |
| NTA per Share (cents)                        | <b>44.01</b>                         | <b>47.44</b>                        | <b>36.81</b>                         | <b>39.43</b>                        |
| Basic EPS (cents)                            | <b>0.02</b>                          | <b>0.02</b>                         | <b>0.21</b>                          | <b>0.23</b>                         |
| Gearing ratio (times)                        | <b>0.28</b>                          | <b>0.29</b>                         | <b>0.32</b>                          | <b>0.33</b>                         |
| Current ratio (times)                        | <b>2.35</b>                          | <b>2.29</b>                         | <b>2.30</b>                          | <b>2.22</b>                         |

- (1) NTA per Share equals NTA divided by the number of Shares (excluding treasury shares, if any) outstanding as at 31 December 2015.
- (2) Gearing ratio equals total borrowings divided by Shareholders' funds.
- (3) Current ratio equals the ratio of current assets to current liabilities.

#### **Off-Market Purchase**

**For illustrative purposes only**, in an Off-Market Purchase, assuming that the Maximum Price is \$0.15024, which is twenty per cent. (20%) above the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 11,352,646 Shares (representing approximately but not more than ten per cent. (10%) of the total issued share capital of the Company as at the Latest Practicable Date, which is the maximum number of Shares the Company is allowed to purchase) under and during the duration of the Share Buyback Mandate, is approximately \$1,705,621.

On these assumptions, the financial effects of the purchase of Shares by the Company pursuant to the Share Buyback Mandate on the EPS, NTA per share, gearing and current ratios of the Group and of the Company are as follows:

| <b><u>As at 31 December 2015</u></b>         | <b>Group</b>                         |                                     | <b>Company</b>                       |                                     |
|----------------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|                                              | <b>Before Share Buyback (\$'000)</b> | <b>After Share Buyback (\$'000)</b> | <b>Before Share Buyback (\$'000)</b> | <b>After Share Buyback (\$'000)</b> |
| Shareholders' fund                           | 48,673                               | 46,967                              | 42,127                               | 40,421                              |
| NTA                                          | 49,965                               | 48,259                              | 41,784                               | 40,078                              |
| Current assets                               | 58,725                               | 57,019                              | 45,567                               | 43,861                              |
| Current liabilities                          | 24,939                               | 24,939                              | 19,854                               | 19,854                              |
| Working capital                              | 33,786                               | 32,080                              | 25,713                               | 24,007                              |
| Total borrowings                             | 13,712                               | 13,712                              | 13,500                               | 13,500                              |
| Cash & cash equivalents                      | 7,772                                | 6,066                               | 4,288                                | 2,582                               |
| Profit attributable to owners of the Company | 19                                   | 19                                  | 233                                  | 233                                 |
| Number of Shares ('000)                      | 113,526                              | 102,174                             | 113,526                              | 102,174                             |
| <b><u>Financial Ratios</u></b>               |                                      |                                     |                                      |                                     |
| NTA per Share (cents)                        | <b>44.01</b>                         | <b>47.23</b>                        | <b>36.81</b>                         | <b>39.23</b>                        |
| Basic EPS (cents)                            | <b>0.02</b>                          | <b>0.02</b>                         | <b>0.21</b>                          | <b>0.23</b>                         |
| Gearing ratio (times)                        | <b>0.28</b>                          | <b>0.29</b>                         | <b>0.32</b>                          | <b>0.33</b>                         |
| Current ratio (times)                        | <b>2.35</b>                          | <b>2.29</b>                         | <b>2.30</b>                          | <b>2.21</b>                         |

- (1) NTA per Share equals NTA divided by the number of Shares (excluding treasury shares, if any) outstanding as at 31 December 2015.
- (2) Gearing ratio equals total borrowings divided by Shareholders' funds.
- (3) Current ratio equals the ratio of current assets to current liabilities.

**Shareholders should note that the financial effects set out above are based on certain assumptions and are purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on historical audited FY 2015 numbers and is not necessarily representative of the future financial performance of the Company or of the Group.**

**Although the proposed Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the Company's 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 particular, the Directors do not intend to exercise the Share Buyback Mandate up to the maximum limit and to such an extent if such exercise would materially and adversely affect the financial position of the Company or the Group. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.**

## 7. TAX IMPLICATIONS

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional advisers.

## 8. LISTING RULES

### (a) Reporting requirements

The Listing Rules specifies that a listed company shall report all purchases or acquisitions of its Shares to the SGX-ST:

- (i) in the case of a Market Purchase, not later than 9.00 a.m. on the Market Day following the day of purchase or acquisition of any of its Shares; and
- (ii) in the case of an Off-Market Purchase under an equal access scheme, not later than 9.00 a.m. on the second Market Day after the close of acceptances of the offer.

The notification of such Share Buybacks to the SGX-ST shall be in such form and shall include such details as the SGX-ST may prescribe. Such details shall include (but are not limited to) the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Shares, as applicable.

### (b) Insider trading

While the Listing Rules do not expressly prohibit any purchase or acquisition of Shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its Shares, the Company will not undertake any proposed purchase or acquisition of its Shares pursuant to the proposed Share Buyback Mandate at any time after a price sensitive matter or development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company will not purchase or acquire any of its Shares through Market Purchases during the period of two weeks and one month immediately preceding the announcement of the Company’s quarterly and annual (full-year) results respectively.

### (c) Listing status

The Listing Rules require a listed company to ensure that at least 10% of its Shares (excluding treasury shares) are at all times held by the public.

As at the Latest Practicable Date, approximately 44.2% of the Company’s Shares are held by the public. As at the Latest Practicable Date and assuming that the Company purchases or acquires its Shares up to the maximum 10% of its issued and fully paid-up Shares permitted under the Share Buyback Mandate, the resultant percentage of the issued Shares held by the public would be reduced to approximately 38.0%. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by the public which would permit the Company to undertake purchases or acquisitions of its Shares up to the maximum 10% limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or affect orderly trading.

## 9. TAKE-OVER IMPLICATIONS

Appendix 2 of the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

### (a) Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital 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 change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

### (b) Persons Acting in Concert

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 will, *inter alia*, 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);
- (ii) A company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, and any company whose associated companies include any of the above companies. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;
- (iii) A company with any of its pension funds and employee share schemes;
- (iv) A person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;
- (v) A financial or other professional adviser, with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (vi) Directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer where they have reason to believe a bona fide offer for their company may be imminent;
- (vii) Partners; and
- (viii) An individual, his close relatives, his related trusts, and any person who is accustomed to act according to the instructions and companies controlled by any of the above.

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

(c) Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights held by such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, their voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

Under Appendix 2, a Shareholder not acting in concert with the Directors of the Company 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 six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the proposed Share Buyback Mandate.

Shareholders are advised to consult their professional advisers and/or the Securities Industry Council and/or the relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any Share Buybacks made by the Company pursuant to the Share Buyback Mandate.

## 10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders of the Company in the Shares of the Company are as follows:

| Name                                   | Before Share Buyback |                 |                    | After Share Buyback |                 |                    |
|----------------------------------------|----------------------|-----------------|--------------------|---------------------|-----------------|--------------------|
|                                        | Direct Interest      | Deemed Interest | Total Interest (%) | Direct Interest     | Deemed Interest | Total Interest (%) |
| <b><u>Directors</u></b>                |                      |                 |                    |                     |                 |                    |
| Kenny Yap Kim Lee                      | 3,500,000            | -               | 3.08               | 3,500,000           | -               | 3.43               |
| Alvin Yap Ah Seng                      | 3,951,138            | -               | 3.48               | 3,951,138           | -               | 3.87               |
| Andy Yap Ah Siong                      | 3,925,000            | -               | 3.46               | 3,925,000           | -               | 3.84               |
| Lai Chin Yee                           | 80,350               | -               | 0.07               | 80,350              | -               | 0.08               |
| Tan Tow Ee                             | 50,000               | -               | 0.04               | 50,000              | -               | 0.05               |
| Chang Weng Leong                       | 34,650               | -               | 0.03               | 34,650              | -               | 0.03               |
| Sharon Yeoh Kar Choo                   | -                    | -               | -                  | -                   | -               | -                  |
| Ling Kai Huat                          | -                    | -               | -                  | -                   | -               | -                  |
| <b><u>Substantial Shareholders</u></b> |                      |                 |                    |                     |                 |                    |
| Qian Hu Holdings Pte Ltd               | 27,250,000           | -               | 24.00              | 27,250,000          | -               | 26.67              |
| Kenny Yap Kim Lee*                     | 3,500,000            | -               | 3.08               | 3,500,000           | -               | 3.43               |
| Alvin Yap Ah Seng*                     | 3,951,138            | -               | 3.48               | 3,951,138           | -               | 3.87               |
| Andy Yap Ah Siong*                     | 3,925,000            | -               | 3.46               | 3,925,000           | -               | 3.84               |
| Yap Kim Choon*                         | 3,925,000            | -               | 3.46               | 3,925,000           | -               | 3.84               |
| Yap Hock Huat*                         | 3,000,000            | -               | 2.64               | 3,000,000           | -               | 2.94               |
| Yap Ping Heng*                         | 3,000,000            | -               | 2.64               | 3,000,000           | -               | 2.94               |
| Yap Kim Chuan*                         | 1,505,498            | 2,419,501       | 3.46               | 1,505,498           | 2,419,501       | 3.84               |

\* Each has a shareholding of 14.04% in Qian Hu Holdings Pte Ltd ("QHHPL") save for Kenny Yap Kim Lee whose shareholding in QHHPL is 15.76%.

Based on the shareholdings of the Directors and Substantial Shareholders of the Company as at the Latest Practicable Date, the Share Buyback Mandate is not expected to result in any Director or Substantial Shareholder incurring an obligation to make a general offer for the Shares of the Company under Rule 14 or Appendix 2 of the Take-over Code.

#### **11. SHARES PURCHASED BY THE COMPANY**

The Company has not made any Share Buybacks pursuant to the Share Buyback Mandate approved by the Shareholders at the 2015 AGM in the last 12 months immediately preceding the Latest Practicable Date.

#### **12. LIMITS ON SHAREHOLDINGS**

The Company does not have any limits on the shareholding of any Shareholder.

#### **13. DIRECTORS' RECOMMENDATION**

The Directors are of the opinion that the Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the ordinary resolution relating to the renewal of the Share Buyback Mandate to be proposed at the 2016 AGM as set out in the Notice of AGM dated 1 March 2016.

#### **14. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Share Buyback Mandate. The Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix 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 Appendix in its proper form and context.

#### **15. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents may be inspected at the registered office of the Company at No. 71 Jalan Lekar, Singapore 698950 during normal business hours from the date of this Appendix up to and including the date of the 2016 AGM:

- (a) the Memorandum and Articles of Association of the Company; and
- (b) the annual report of the Company for FY 2015.

Yours faithfully

For and on behalf of the Board of Directors of  
**QIAN HU CORPORATION LIMITED**

**KENNY YAP KIM LEE**

Executive Chairman and Managing Director