



SHC CAPITAL ASIA LIMITED
(Company Registration No.: 201201631D)
(Incorporated in the Republic of Singapore)

THE PROPOSED CASH DISTRIBUTION TO SHAREHOLDERS BY WAY OF THE PROPOSED CAPITAL REDUCTION

Capitalised terms used herein, unless otherwise defined, shall have the definitions ascribed to them in the announcement dated 24 October 2016, in relation to the Proposed Acquisition (the “SPA Announcement”).

1. INTRODUCTION

The board of directors (the “**Directors**” or the “**Board**”) of SHC Capital Asia Limited (the “**Company**”) wishes to announce that the Company proposes to undertake a capital reduction exercise (the “**Proposed Capital Reduction**”) pursuant to Section 78A, read with Sections 78C to 78F of the Companies Act (Chapter 50) of Singapore (the “**Companies Act**”), to effect a cash distribution (the “**Proposed Cash Distribution**”) to shareholders of the Company (the “**Shareholders**”) of S\$0.095 in cash for each ordinary share (“**Share**”) in the capital of the Company held by a Shareholder as at the books closure date to be determined by the Board (the “**Books Closure Date**”), fractional entitlements of Shares to be disregarded, amounting to an aggregate distribution of approximately S\$29,068,345 (the “**Aggregate Cash Distribution Amount**”).

2. BACKGROUND

Following the completion of the disposal of its general insurance business (the “**Disposal**”), the Company became a cash company under Rule 1017 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) with effect from 1 August 2014.

At the time of completion of the Disposal, the Company had S\$12.5 million cash deposit previously placed as collateral with a bank, as security for two (2) standby letters of credit issued by the bank in favour of the purchaser under the Disposal (“**Purchaser**”). Of these cash deposits, S\$11.2 million was released to the Company on 28 May 2016 (following the expiry of the first standby letter of credit), and the Company is expecting the release of the remaining S\$1.3 million cash deposit (“**Remaining Collateral Deposit Amount**”) which was placed as collateral for

the remaining standby letter of credit (the “**Remaining SBLC**”), following the substitution of the Remaining Collateral Deposit Amount with an equivalent amount to be furnished by SHC Capital Holdings Pte. Ltd. (“**Major Shareholder**”), such substitution having been agreed to by the Purchaser pursuant to a substitution agreement dated 22 July 2016 and entered into between the Company, the Major Shareholder and the Purchaser. As at the date of this announcement, the substitution of the Remaining Collateral Deposit Amount has not taken place and the Company will make the necessary announcement when such substitution has taken place.

As part of the conditions relating to the extension of time granted to the Company on 28 January 2016 to meet the requirements for a new listing, the Company previously undertook to distribute the Remaining Collateral Deposit Amount to Shareholders.

In addition, the Company intends to distribute substantially all of its existing cash balances to Shareholders on a pro-rata basis, save for such amounts which may be required for the Company to meet its obligations under the sale and purchase agreement dated 24 October 2016 and entered into between the Company and Yoma Strategic Investments Ltd. (“**YSIL**”), First Myanmar Investment Company Limited (“**FMI**”) and Exemplary Ventures Limited in relation to the proposed acquisition of the entire issued and paid-up share capital of a company to be incorporated by YSIL and/or FMI in the British Virgin Islands. Please refer to the SPA Announcement for more details.

In view of the foregoing, the Company has proposed the Proposed Cash Distribution, to be effected by way of the Proposed Capital Reduction, further details of which are set out below.

For the avoidance of doubt, the Aggregate Cash Distribution Amount of approximately S\$29,068,345 via the Proposed Cash Distribution includes the distribution of the Remaining Collateral Deposit Amount of S\$1.3 million.

3. THE PROPOSED CAPITAL REDUCTION AND THE PROPOSED CASH DISTRIBUTION

3.1 The Proposed Capital Reduction and the Proposed Cash Distribution

The Company is proposing to return approximately S\$0.095 in cash for each Share held by Shareholders or on their behalf as at the Books Closure Date, fractional entitlements of Shares to be disregarded. Based on the issued and paid-up share capital of the Company of S\$40,143,640.40 comprising 305,982,583 Shares, as at the date of this announcement, an aggregate amount of approximately S\$29,068,345 will be returned to Shareholders pursuant to the Proposed Cash Distribution. The Proposed Cash Distribution will be effected by way of the Proposed Capital Reduction whereby the issued and paid up share capital of the Company of S\$40,143,640.40 will be reduced by the Aggregate Cash Distribution Amount to approximately S\$11,075,295.40.

The Proposed Capital Reduction will not result in a cancellation of Shares, or change in the number of Shares held by any Shareholder. Each Shareholder will hold the same number of Shares before and immediately after the Proposed Capital Reduction.

3.2 Illustration

The following table illustrates the position of a Shareholder who holds 100 Shares as at Books Closure Date.

Shareholding immediately before the Proposed Capital Reduction	100
Shareholding immediately after the Proposed Capital Reduction	100
Cash Received (S\$)	9.50

3.3 Rationale for the Proposed Capital Reduction and the Proposed Cash Distribution

3.3.1 As at 31 October 2016, the Company had available cash and cash equivalents of approximately S\$37,414,880.

3.3.2 In considering the amount of cash to return to Shareholders pursuant to the Proposed Cash Distribution, the Company had taken into account, *inter alia*, the following:-

- (i) pursuant to the SPA, the Company has agreed to retain a cash balance of S\$5 million (the “**Cash Balance**”) as its cash reserves as at Completion (as herein defined) over and above the Remaining Collateral Deposit Amount (assuming such amount still has to be placed as collateral to secure the Remaining SBLC), provided that the Company may use the Cash Balance to pay for the Other Transaction Expenses (as defined below)(and the Company’s obligation to maintain the Cash Balance as at Completion shall still be deemed satisfied and met so long as the Cash Balance as at completion of the Proposed Acquisition (“**Completion**”) is equal to S\$5 million less the aggregate of all such payments made);
- (ii) under the SPA, the Company has agreed to be responsible for the fees and expenses associated with:
 - (a) (1) the appointment of KPMG Corporate Finance Pte Ltd (for services rendered in connection with the Proposed Acquisition), (2) the independent financial adviser and (3) the independent valuer providing the Independent Valuation for purposes of the Proposed Acquisition; and
 - (b) appointment of the internal auditor and the auditors and reporting accountants for the Company and any tax advisors for tax advice in connection with the Restructuring (as defined in the SPA Announcement) all other reasonably incidental fees, costs and expenses (excluding the fees of legal counsel to be appointed by the Company and the Vendors in connection with the negotiation of the SPA, which shall be borne by the respective Parties and, for the avoidance of

doubt, excluding the due diligence costs which are to be borne by the Vendors) incurred or to be incurred for the purpose of the Proposed Acquisition (collectively the “**Other Transaction Expenses**”), provided that the Company may use the Cash Balance to make payment of all or any portion of the Other Transaction Expenses which is due or payable on or prior to Completion.

- (iii) In the event the Proposed Acquisition is not completed as a result of any breach of or non-compliance with any warranty (excluding any breach of Warranties (as defined in the SPA Announcement)), undertaking or covenant by or due to the fault of or otherwise due to factors directly attributable to one or more of the Parties (“**Defaulting Party**”), all costs and expenses incurred in connection with the Proposed Acquisition shall be payable by the Defaulting Party.

In the case of breach of warranties, the Defaulting Party shall bear all costs and expenses incurred in connection with the Proposed Acquisition if such breach of warranties are in respect of matters relating to, *inter alia*, the Vendors’ power and capacity to enter into the SPA, title to the Sale Shares, and inability to procure the completion of the Restructuring due to any breach of default of any of the Registered Shareholders and/or the Asset Holding Companies. For breaches of other warranties, the Company’s recourse will be limited to its ability to recover 50% of the Other Transaction Expenses in the event there is no Completion.

In relation to the above, as announced by the Company on 29 January 2016, the Company has received an undertaking from the Major Shareholder pursuant to which the Major Shareholder has agreed to reimburse the Company for all costs and expenses relating to the Proposed Acquisition in the event the Proposed Acquisition is not successful.

3.4 Funds for the Proposed Capital Distribution

The Proposed Capital Distribution will be funded from existing cash and cash equivalents of the Company of approximately S\$37,414,880 as at 31 October 2016.

3.5 Conditions of the Proposed Capital Reduction

The Proposed Capital Reduction is subject to, *inter alia*, the following:-

- (i) all the Directors making a solvency statement in relation to the Proposed Capital Reduction and compliance with other relevant solvency requirements as prescribed by the Companies Act;
- (ii) the approval of Shareholders by way of a special resolution for the Proposed Capital Reduction (the “**Capital Reduction Resolution**”) by a majority of not less than three-fourths of the Shareholders present and voting at an extraordinary general meeting (“**EGM**”) to be convened;
- (iii) compliance with the applicable publicity requirements as prescribed in the Companies Act;

- (iv) no application having been made for the cancellation of the Capital Reduction Resolution by any creditor of the Company within the period of six (6) weeks beginning with the date of the Capital Reduction Resolution, or if such application was made, the withdrawal of such application or dismissal thereof by the judicial authorities;
- (v) lodgment of the relevant documents with the Accounting and Corporate Regulatory Authority of Singapore after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date of the Capital Reduction Resolution; and
- (vi) the approval of all other relevant regulatory authorities (if any and if necessary).

In relation to paragraph 3.5(i) above, all of the Directors will be making a solvency statement in relation to the Proposed Capital Reduction no earlier than 30 days prior to the date of the EGM which would be available for inspection by the Shareholders at the EGM.

3.6 Illustrative Financial Effects of the Proposed Capital Reduction and the Proposed Cash Distribution

For illustrative purposes only and based on the latest audited financial statement of the Company for the financial year ended 31 December 2015 (“FY 2015”), the financial effects of the Proposed Capital Reduction and the Proposed Cash Distribution on, *inter alia*, the share capital and the net tangible asset (“NTA”) value per Share of the Company are set out below.

The financial effects of the Proposed Capital Reduction and the Proposed Cash Distribution do not purport to be indicative or a projection of the actual financial position of the Company immediately after completion of the Proposed Capital Reduction and the Proposed Cash Distribution, and have been prepared based on the following key assumptions:

- (i) for the purposes of computing the share capital and NTA per Share, assuming that the Proposed Capital Reduction and the Proposed Cash Distribution had been completed on 31 December 2015, being the end of FY 2015;
- (ii) the computation takes into account the issued share capital of the Company being S\$40,143,640.40 comprising 305,982,583 Shares as at 31 December 2015; and
- (iii) the computation does not take into account any expenses that may be incurred in relation to the Proposed Capital Reduction and the Proposed Cash Distribution.

The financial effects on the following had not been provided:

- a) the EPS of the Company, as the Proposed Capital Reduction and the Proposed Cash Distribution will have no impact on the EPS of the Company; and

- b) the gearing of the Company, as net debt of the Company as at 31 December 2015 is negative due to the cash and cash equivalents of S\$38,895,645 being greater than the total liabilities of S\$483,854 and as such the financial effects illustration on the Company's gearing is not meaningful. Gearing is determined based on net debt divided by total capital. Net debt is calculated as total liabilities less cash and cash equivalents; and total capital is calculated as equity.

(A) Share Capital

The Proposed Capital Reduction and the Proposed Cash Distribution will not have any impact on the number of Shares held by the Shareholders. The illustrative financial effects of the Proposed Capital Reduction and the Proposed Cash Distribution on the issued and paid-up share capital of the Company as at 31 December 2015 is as follows:-

	Before the Proposed Capital Reduction and the Proposed Cash Distribution	After the Proposed Capital Reduction and the Proposed Cash Distribution
Number of issued Shares	305,982,583	305,982,583
Amount of share capital (S\$)	40,143,640.40	11,075,295.40

(B) NTA per Share

The illustrative financial effects of the Proposed Capital Reduction and the Proposed Cash Distribution on the NTA value per Share of the Company as at 31 December 2015 are as follows:-

	Before the Proposed Capital Reduction and the Proposed Cash Distribution	After the Proposed Capital Reduction and the Proposed Cash Distribution
NTA (S\$)	38,859,683	9,791,338
Number of issued Shares	305,982,583	305,982,583
NTA per Share (S\$)	0.127	0.032

4. EGM AND DESPATCH OF CIRCULAR TO SHAREHOLDERS

The Company will convene the EGM to seek the approval of Shareholders for the Proposed Capital Reduction and the circular containing details thereof and enclosing the notice of EGM, will be despatched to Shareholders in due course.

Meanwhile, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the actions they should take.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or to the best of the Company's knowledge, the controlling Shareholders of the Company, as well as their respective associates, has any interest, direct or indirect in the Proposed Capital Reduction and the Proposed Cash Distribution, other than through their respective directorships and/or shareholdings in the Company.

By Order of the Board

Teo Yiam Beng Steven
Interim Chief Financial Officer
31 October 2016

This announcement has been prepared by the Company and its contents have been reviewed by the sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.