

CIRCULAR DATED 27 SEPTEMBER 2017

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

If you have sold or transferred all your issued and fully paid-up ordinary shares in the capital of Asia-Pacific Strategic Investments Limited (the “**Company**”), you should immediately forward this Circular, the enclosed Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee, or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

**This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, Stamford Corporate Services Pte Ltd (the “Sponsor”) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Sponsor has not independently verified the contents of this Circular. SGX-ST and the Sponsor assume no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular. The contact person for the Sponsor is Mr Ng Joo Khin, Tel: 6389 3000 or email: jookhin.ng@morganlewis.com.**



## **ASIA-PACIFIC STRATEGIC INVESTMENTS LIMITED**

(Company Registration No.: 200609901H)  
(Incorporated in the Republic of Singapore)

### **CIRCULAR TO SHAREHOLDERS**

**in relation to the**

- (A) PROPOSED DIVERSIFICATION OF THE GROUP’S BUSINESS; AND**
- (B) PROPOSED ACQUISITION OF 72.0% OF THE ISSUED EQUITY INTEREST OF EACH OF HUZHOU AGRICULTURE CO. (湖州荻溪耕读生态农业发展有限公司) AND HUZHOU CULTURE CO. (湖州苕溪渔隐文化产业有限公司)**

#### **IMPORTANT DATES AND TIMES:**

Last date and time for lodgment of Proxy Form : 10 October 2017 at 11.00 a.m.

Date and time of Extraordinary General Meeting : 12 October 2017 at 11.00 a.m.

Place of Extraordinary General Meeting : Antica II & III, Level 2, Orchard Parade Hotel,  
1 Tanglin Road, Singapore 247905

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## DEFINITIONS

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The following definitions apply throughout in this Circular except where the context otherwise requires:

<b>“2013 Deed Poll”</b>	:	The deed poll dated 14 June 2013 entered into by the Company as amended and supplemented by the supplemental deed poll dated 10 March 2014
<b>“2013 Warrants”</b>	:	The warrants in registered form allotted and issued by the Company pursuant to the terms and conditions of the 2013 Warrants as set out in the 2013 Deed Poll
<b>“2014 Deed Poll”</b>	:	The deed poll dated 3 April 2014 entered into by the Company
<b>“2014 Warrants”</b>	:	The warrants in registered form allotted and issued by the Company pursuant to the terms and conditions of the 2014 Warrants as set out in the 2014 Deed Poll
<b>“2015 Deed Poll”</b>	:	The deed poll dated 20 October 2015 entered into by the Company
<b>“2015 Warrants”</b>	:	The warrants in registered form allotted and issued by the Company pursuant to the terms and conditions of the 2015 Warrants as set out in the 2015 Deed Poll
<b>“Acquisition”</b>	:	The acquisition of the Company of the Sale Interests, details of which are set out under Section 3 of this Circular
<b>“Act” or “Companies Act”</b>	:	The Companies Act, Chapter 50, of Singapore, as amended or modified from time to time
<b>“Announcement”</b>	:	The announcement released by the Company on 10 July 2017 in relation to the Acquisition
<b>“Board of Directors” or “Board”</b>	:	The board of Directors of the Company for the time being
<b>“Business Day”</b>	:	A day (other than a Saturday, Sunday or public holiday) on which banks, the SGX-ST, CDP and the Share Registrar are open for business in Singapore
<b>“Catalist”</b>	:	The sponsor-supervised listing platform of the SGX-ST
<b>“Catalist Rules”</b>	:	The SGX-ST’s Listing Manual – Section B: Rules of Catalist, as may be amended, varied or supplemented from time to time
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Constitution”</b>	:	The constitution of the Company, as amended or modified from time to time
<b>“Circular”</b>	:	This circular to Shareholders dated 27 September 2017
<b>“Company”</b>	:	Asia-Pacific Strategic Investments Limited
<b>“Completion”</b>	:	The completion of the Acquisition in accordance with the S&P Agreement
<b>“Completion Date”</b>	:	The date of completion of the Acquisition in accordance with the S&P Agreement

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## DEFINITIONS

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<b>“Conditions Precedent”</b>	:	Has the meaning ascribed to it in Section 3.5.3
<b>“Consideration”</b>	:	Has the meaning ascribed to it in Section 3.5.2
<b>“Director”</b>	:	A director of the Company for the time being
<b>“EGM”</b>	:	The extraordinary general meeting of the Company, notice of which is set out on pages 41 to 42 of this Circular
<b>“Enlarged Group”</b>	:	The Group and the Target Subsidiaries after the completion of the Acquisition
<b>“EPS”</b>	:	Earnings per Share
<b>“FY”</b>	:	Financial year ended 30 June
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“Latest Practicable Date”</b>	:	21 September 2017, being the latest practicable date prior to the printing of this Circular
<b>“Huzhou Agriculture Co.”</b>	:	Huzhou Dixi Gengdu Ecological Agriculture Development Co., Ltd (湖州荻溪耕读生态农业发展有限公司)
<b>“Huzhou Culture Co.”</b>	:	Huzhou Shaoxi Yuyin Culture Industry Co., Ltd (湖州苕溪渔隐文化产业有限公司)
<b>“Notice of EGM”</b>	:	The notice of EGM set out on pages 41 to 42 of this Circular
<b>“NTA”</b>	:	Net tangible assets
<b>“PRC”</b>	:	People’s Republic of China
<b>“RM” or “RM cents”</b>	:	Malaysian Ringgit and cents, being the lawful currency of Malaysia
<b>“RMB”</b>	:	Chinese renminbi, being the lawful currency of PRC
<b>“Sale Interests”</b>	:	72.0% of the rights and interests of and in each of the Target Companies, being 72.0% of the entire registered and paid-up capital of each of the Target Companies
<b>“Securities Account”</b>	:	A securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
<b>“SFA”</b>	:	Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Shareholders”</b>	:	The registered holders of the Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the persons to whose securities accounts maintained with CDP are credited with the Shares
<b>“Shares”</b>	:	Ordinary shares in the capital of the Company

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## DEFINITIONS

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“Sponsor”	:	Stamford Corporate Services Pte. Ltd.
“Subsidiaries”	:	Has the meaning ascribed to it in Section 5 of the Companies Act and “Subsidiary” shall be construed accordingly
“Substantial Shareholder”	:	A person who has an interest in voting shares of the Company the total votes attached to which is not less than 5.0% of the total votes attached to all the voting shares in the Company
“S&P Agreement”	:	The conditional sale and purchase agreement dated 10 July 2017 entered into between the Company and the Vendor in respect of the Acquisition
“S\$” and “cents”	:	Singapore dollars and cents, being the lawful currency of the Republic of Singapore
“Target Companies”	:	Huzhou Agriculture Co. and Huzhou Culture Co.
“Target Financial Statements”	:	The unaudited management accounts of the Target Companies for the year ended 30 June 2017
“Vendor”	:	China Real Estate Group Union Co., Ltd (中房联合置业集团有限公司)
“%” or “percent”	:	Percentage or per centum

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

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine shall, where applicable, include the feminine and neuter gender and vice versa. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the SFA, the Catalist Rules or any modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Act, the SFA, the Catalist Rules or any modification thereof, as the case may be, unless otherwise provided.

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

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

Unless otherwise stated, the exchange rate of RMB 1.00 : S\$0.205 as at the Latest Practicable Date has been used in this Circular (Source: *The Business Times*).

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## LETTER TO SHAREHOLDERS

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### ASIA-PACIFIC STRATEGIC INVESTMENTS LIMITED

(Company Registration No.: 200609901H)

(Incorporated in the Republic of Singapore)

#### Board of Directors

Dato' Dr Choo Yeow Ming (*Chairman and Chief Executive Officer*)

Lee Keng Mun (*Executive Director and Chief Operating Officer*)

Hano Maeloa (*Non-Executive Director*)

Dr. Lam Lee G. (*Lead Independent Director*)

Chew Soo Lin (*Independent Director*)

Yap Siew Sin (*Independent Director*)

#### Registered Office

8 Robinson Road

#03-00

ASO Building

Singapore 048544

27 September 2017

To: The Shareholders of the Company

Dear Sir/Madam,

#### (A) PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS; AND

#### (B) PROPOSED ACQUISITION OF 72.0% OF THE ISSUED EQUITY INTEREST OF EACH OF HUZHOU AGRICULTURE CO. (湖州荻溪耕读生态农业发展有限公司) AND HUZHOU CULTURE CO. (湖州荻溪渔隐文化产业有限公司)

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### 1. INTRODUCTION

#### 1.1 Diversification of the Group's Business

The Company proposes to diversify the Group's business to include the property development activities and the holding of Property Related Assets (the "**Proposed Diversification**"). Further details on the Proposed Diversification are set out in Section 2 of this Circular.

#### 1.2 Acquisition

On 10 July 2017, the Company announced it had on 10 July 2017 entered into the S&P Agreement with the Vendor pursuant to which it has agreed to acquire 72.0% of the rights and interests of each of the Target Companies, being 72.0% of the entire registered and paid-up capital of each of the Target Companies, for a consideration of RMB 57,600,000 (approximately S\$11,808,000).

The Acquisition requires Shareholders' approval as it will result in the Company entering into a new business sector. Further information on the Acquisition is set out in Section 3 of this Circular.

#### 1.3 Conditionality of the Resolutions

The Acquisition is conditional upon the Proposed Diversification. The attention of Shareholders is specifically drawn to the conditional nature of the Ordinary Resolutions to be passed as set out in the Notice of EGM, in particular that Ordinary Resolution 2 relating to the Acquisition is conditional upon the passing of Ordinary Resolution 1 relating to the Proposed Diversification.

#### 1.4 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with relevant information relating to the above and to seek Shareholders' approval for the resolutions set out in the Notice of EGM.

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## LETTER TO SHAREHOLDERS

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### 2. DETAILS OF THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS

#### 2.1 Current Business

The Group's current business is that of real estate agency providing the following services:

- (a) Provision of franchise service;
- (b) Buying and selling of real estate property;
- (c) Rental of real estate property;
- (d) Property management;
- (e) Property maintenance;
- (f) Mortgage brokerage and financial planning;
- (g) Architecture design;
- (h) Project financial feasibility assessment;
- (i) Engineering expertise and construction management;
- (j) Real estate valuation and appraisal services;
- (k) Marketing and promotion management for real estate developers;
- (l) Property auction and tendering; and
- (m) Operating real estate internet platforms,

(together, the "**Existing Business**").

#### 2.2 Information regarding the Proposed Diversification

Subject to the approval of Shareholders being obtained at the EGM, the Group proposes to diversify into the new business of:

- (a) property development activities including acquisition, development, and/or sale of residential, hospitality, commercial (retail and office), industrial and any other types of properties (including mixed development properties) ("**Property Related Assets**"); and
- (b) holding of Property Related Assets as investment for the collection of rent, capital growth potential and/or provision of property related services and facilities,

in the Asia-Pacific and North America region.

(together, the "**Proposed New Business**").

The Proposed New Business represents a diversification of the existing business scope and risk profile of the Group. As such, the Company is seeking Shareholders' approval for the Proposed Diversification at the EGM. The Group will take such steps as may be appropriate to ensure that it has obtained such licenses and/or regulatory approvals as may be required under applicable laws in the relevant jurisdiction(s), prior to commencing operations pursuant to the Proposed New Business.

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## LETTER TO SHAREHOLDERS

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### 2.3 Rationale for the Proposed Diversification

The Proposed Diversification is intended for the Group to embark on other business activities that could provide additional stream(s) of income for the Group and hence potentially enhance the Group's business performance and sustainability.

The Board proposes for the Group to diversify into the Proposed New Business for the following reasons:

- (a) The Proposed Diversification represents an opportunity to establish a new business segment for the Group which has the potential to provide the Group with a new revenue stream by tapping into the property market value chain as part of its strategic growth initiatives. Through the Proposed Diversification, the Group may also be able to enhance its profitability, shareholder value and returns through the introduction of possible recurring rental income and/or management income, and capital gains from such investments; and
- (b) The Proposed Diversification would help to mitigate geographical and industry risks in the Group's existing geographical markets and industries. The Group intends to explore opportunities in the property development business segment within the Asia-Pacific and North America region. As the Group's Existing Business of real estate agency is exposed to the general economy in Singapore, the Board believes that the Group may mitigate such risks by seeking geographical and industry diversification of its earning base.

In consideration of the above factors, the Board is of the view that the Proposed Diversification is in the best interests of the Group.

### 2.4 The Company's Strategy in the Proposed New Business

The entry into the Proposed New Business is intended to be an expansion of the Group's Existing Business as the Board believes that the Proposed Diversification would allow the Group to have better prospects of profitability and ensure long term growth by enabling the Group to have access to new business opportunities which could in turn potentially enhance the return on the Group's assets and improve Shareholders' value in the long run. Should appropriate opportunities arise, the Group may explore joint ventures and/or strategic alliances to carry out the Proposed New Business in the Asia-Pacific and North America region.

### 2.5 Management Team for the Company's Proposed New Business

The Proposed New Business will be spearheaded by Mr Wang Yi (王毅), who will be appointed as the CEO of the Group's property development business in the PRC. Mr Wang will report directly to the Board. He will provide strategic vision and policy on the Proposed New Business, and together with the Board manage the Proposed New Business. In making any decision with regard to the Proposed New Business, the Board will, where necessary and appropriate, seek the advice of reputable external consultants and professional advisers.

Mr Wang has extensive experience in property development in the PRC. He joined China Real Estate Development Union Investments (中房联合集团) ("CRED") in 1984 and held various position within CRED group of companies. He was the engineer of CRED Beijing, deputy manager of Zhongfang Beidaihe Company (中房北戴河公司), manager of CRED sale department and manager of Zhongfang Hainan Company (中房海南公司). Mr Wang graduated with a degree from Beijing Institute of Construction Engineering (北京建筑工程学院).

The Board will continue to evaluate the manpower and expertise required for the Proposed New Business and the Group will hire additional staff or in-house or external consultants and professional advisers as and when required in connection with the Proposed New Business.

The Group may also enter into joint venture or strategic alliances with other parties to tap on the expertise and experience of business partners.



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## LETTER TO SHAREHOLDERS

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### 2.6 Risk Factors

Shareholders should carefully consider and evaluate each of the following considerations and all of the other information set out in this Circular in relation to the Proposed Diversification. Some of the following considerations relate principally to the property development industry. Other considerations relate principally to general economic and political considerations.

If any of the following considerations and uncertainties develops into actual events, the business, financial condition or results of operations of the Company's real estate agency business could be materially and adversely affected.

The following considerations are not exhaustive and not intended to be exhaustive. There may be considerations that are not known to the Company or currently not deemed material.

(a) **The Group has no prior track record and operating experience in the Proposed New Business**

The Group does not have a prior track record in the carrying out or implementation of the Proposed New Business. There is no assurance that the Group's foray into the Proposed New Business will be commercially successful and that the Group will be able to derive sufficient revenue to offset the capital and start-up costs as well as operating costs arising from the Proposed New Business. The Proposed New Business may require high capital commitment and may expose the Group to unforeseen liabilities or risks associated with its entry into new markets and new businesses.

The Proposed New Business involves business risks including the financial costs of setting up new operations, capital investments and maintaining working capital requirements. If the Group does not derive sufficient revenue from or does not manage the costs of the Proposed New Business effectively, the overall financial position and profitability of the Group may be adversely affected.

The Group will also be exposed to the risks associated with a different competitive landscape and a different operating environment. In particular, the Group will be affected by factors affecting the property market in the regions where the Group ventures into, as well as the trends and developments affecting the building and construction industry in general. The building and construction industry is in turn affected by general economic conditions, changes in interest rates and relevant government policies and measures.

The Group's future plans with regard to the Proposed New Business may not be profitable, may not achieve sales levels and profitability that justify the investments made and may take a long period of time before the Group could realise any return. The Proposed New Business' activities may entail financial and operational risks, including diversion of management's attention and difficulty in recruiting suitable personnel, and a possible negative impact on the Group's existing business relationships with its existing clients under its Existing Business who may also be property developers themselves.

Further, such future plans and new initiatives could be capital intensive and could also result in potentially dilutive issuances of equity securities, the incurrence of capital commitments, debts and contingent liabilities as well as increased operating expenses, all of which may materially and adversely affect the financial performance of the Group. The Group may face significant financial risks before it can realise any benefits from its investments in the Proposed New Business.

(b) **The Group may not have the ability or sufficient expertise to execute the Proposed Diversification**

The Group's ability to successfully diversify into the Proposed New Business is dependent upon its ability to adapt its existing knowledge and expertise and to understand and navigate the Proposed New Business. There is no assurance that the Group will be able to hire and

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subsequently retain employees with relevant experience and knowledge. There is no assurance that the actual demand for the Group's property development projects in the future will meet the Group's expectations. Should the Group fail to achieve its business objectives, there may be an adverse effect on the Group's profitability. While the Group has planned the Proposed Diversification based on the outlook and the Group's understanding of the current property market and general economic situation, there is no assurance that such plans will be commercially successful or the actual outcome of the Proposed Diversification will match the Group's expectations. In such event, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

(c) **The Group is dependent on key management staff**

The success of the Group's Proposed New Business is dependent, to a large extent, on the continued efforts, skills and services of Mr Wang Yi who will be appointed CEO of the Group's property development business in the PRC. Mr Wang will be responsible for formulating and implementing the Group's business plans and driving our growth and corporate development. There is no assurance that we will be able to retain his services and the loss of his services without suitable and/or timely replacements and an inability to attract or retain new qualified personnel will have a material adverse impact on the Group's operations and financial performance.

(d) **The Group may face competition from existing competitors and new market entrants in the Proposed New Business**

The Proposed New Business is highly competitive, with strong competition from established industry participants who may have larger financial resources or a stronger track record. The properties which the Group will have an interest in will compete for tenants with other residential, office and commercial properties, including those that may be developed in the future. The Group will also compete with other property companies for property acquisitions and property-related investments, including suitable sites for new developments. The Group may not be able to provide comparable services at lower price or respond more quickly to market trend than potential or existing competitor who may have larger financial resources and stronger track records. Purchasers may opt for property development projects of future and existing competitors over the Group's development projects, thereby resulting in the Group's sales, business, financial position and performance being adversely affected. The income from, and market value of the properties in which the Group will have an interest, will largely depend on the ability of such properties to compete against other residential, office and commercial properties, in attracting prospective purchasers, and attracting and retaining prospective and current tenants. An increase in the number of competing residential, office and commercial properties, particularly in the areas where such properties are located, and a decline in real estate transactions and deterioration of foreign investment may result in lower prices for the Group's properties and developments, and decreased occupancy and rental rates for the Group's rental properties. Further, new competitors may enter the industry resulting in increased competition or saturation. There is no assurance that the Group can compete successfully against its existing or potential competitors now or in the future. To compete effectively, the Group will have to offer more competitive pricing or differentiate itself by adopting more innovative property designs and more creative marketing strategies. In the event that the Group fails to do so, the Group's business, financial condition, results of operations and prospect may be adversely affected.

(e) **The Group is exposed to a range of economic, development and construction risks relating to the Proposed New Business in the countries in which the Group will operate**

The performance of the Proposed New Business depends largely on the economic situation and the performance of the property industry, and is dependent on the continued expansion of the economies of the countries in which the Group will operate. There is no assurance that the property sector in each of the countries in which the Group operates will continue to grow. The property market in each of the countries in which the Group operates may be

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adversely affected by political, economic, regulatory, social or diplomatic developments affecting the respective property sectors generally. Changes in inflation, interest rates, taxation or other regulatory, economic, social or political factors affecting the countries in which the Group operates or any adverse developments in the supply, demand and prices of property in the property sector may have an adverse effect on the Group's business. The Proposed New Business is also subject to the cyclical nature of the property industry. Should the economy or the property market experience a downturn, the performance of the Proposed New Business may be adversely affected. This may also materially and adversely affect the Group's business operations, financial performance and financial condition.

In addition, as the gestation period for a property development project is long, typically between two (2) to three (3) years, depending on the size and complexity of the development, any downturn in the economy or the property market, or changes in government regulations, during the course of a development project may affect the profitability of such development project, thereby adversely affecting the Group's financial performance.

The implementation of a development project or asset enhancement initiative, as well as the time and costs required to complete a development project or asset enhancement initiative may be adversely affected by various factors, including, but not limited to:

- (i) Delays or inability to obtain all necessary zoning, land use, building, development and other required government and regulatory licenses, permits, approvals and authorisations;
- (ii) Construction risks, which include, delays in construction and cost overruns whether from variation to original design plans or any other reasons, a shortage or increase in cost of construction and building materials;
- (iii) Equipment or labour as a result of rising commodity prices or inflation or otherwise, inclement weather conditions, unforeseen engineering, environment or geological problems, defective materials or building methods, default by contractors and other third party service and goods providers of their obligations, or financial difficulties faced by such persons, disputes between counterparties to a construction related contract, work stoppages, strikes, accidents, among others;
- (iv) The need to make significant capital expenditure without receiving revenue from these properties until future periods; and
- (v) Uncertainties as to market demand or a loss of market demand whether resulting from a downturn in the economy, a change in the surrounding environment of the project, including the location or operation of transportation hubs or the population density, or otherwise.

Such delays may result in the Group incurring additional costs, thus affecting the profitability of the Group.

(f) **The Group is subject to various government regulations in the Proposed New Business**

The property development industry is subject to various laws and government regulations. In particular, regulatory approvals may be required for, among other things, land acquisition or divestment, development planning and design, construction, renovation and assets enhancement, and mortgage financing and refinancing. Such approvals may stipulate, among other things, maximum periods for the commencement of development of land. The governments of the countries which the Group intends to operate in may also restrict the level, percentage and manner of foreign ownership and investment in property. Some of

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## LETTER TO SHAREHOLDERS

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these laws and regulations are at times ambiguous, and their interpretations and applications can be inconsistent or uncertain, making compliance with them challenging, which may be potentially detrimental to the Group.

If the Group fails to obtain the relevant approvals or comply with the applicable laws and regulations, the Group may be subject to penalties, have its licenses or approval revoked, or lose its rights to own, develop or manage its properties, and the Group business, among other things, any or all of which could have a material and adverse impact on the Group's business, financial condition, results of operations and prospects.

In addition, in order to develop and complete a property development, a property developer may be required to obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development process ("**Permits**"), including but not limited to, land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Such Permits are dependent on the satisfaction of certain conditions; in some circumstances, the Group may apply or may have applied for Permits in parallel with preliminary construction activities. The Group cannot give assurance it is able to fulfil the conditions required for obtaining the Permits, especially as new laws, regulations or policies may come into effect from time to time with respect to the property industry in general or the particular processes with respect to the granting of Permits. If the Group fails to obtain relevant Permits for the proposed New Business, any proposed investment may not proceed as scheduled, and the Group's business, financial condition, results of operations and prospect may be adversely affected.

Further, any changes in applicable laws and regulations could result in higher compliance costs and adversely affect the operations of the Group. There is no assurance that any changes in the applicable laws and regulations will not have an adverse effect on the financial performance of the Group.

Changes in government regulations may also result in the Group being unable to complete any property development project, or sell any completed property development project or purchased property at a profit, or at all. This may adversely affect the financial position of the Group.

(g) **The Group is exposed to risks associated with acquisitions, joint ventures and strategic alliances**

Depending on available opportunities, feasibility and market conditions, the Group's expansion into the Proposed New Business may involve acquisitions, joint ventures or strategic alliances with third parties in overseas market that the Group intends to focus on. There is no assurance that such acquisitions, joint ventures, strategic alliances or the joint management of such enterprises will be successful.

Participation in joint ventures, strategic alliances, acquisitions or other investment opportunities involves numerous risks, including the possible diversion of management attention and loss of capital or other investments deployed in such ventures, alliances, acquisitions or opportunities.

Furthermore, the Group may rely on its joint venture partners at the initial stage of its foray into the Proposed New Business and there is a risk that any of the joint venture partners may fail to perform by not possessing the adequate experience or skill set expected of them or experience financial or other difficulties which may affect their ability to carry out contractual obligations, thus resulting in additional costs to the Group. In such events, the Group's financial performance may be adversely affected.

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## LETTER TO SHAREHOLDERS

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(h) **The Group's property development projects and property enhancement works projects may be dependent on the services rendered by third party contractors**

The Group may rely on third party contractors and sub-contractors to construct its development projects under the Proposed New Business to provide various services for the property development and property enhancement works projects, including building construction works, piling and foundation works, structural works, architectural works and/or engineering works. The services rendered by the Group's contractors may not be satisfactory to the Group or meet the group's requirements for quality.

Accordingly, it is subject to construction risks such as the failure of third party contractors to carry out their contractual obligations, failure of third party contractors to bear cost overruns, and any other unforeseen circumstances which may have an adverse impact on its financial performance. Furthermore, the contractors engaged may experience financial or other difficulties that may affect their ability to carry out the works, thus delaying the completion of or failing to complete the development projects and resulting in additional costs or exposures to the risk of liquidated damages to the Group. In the event of any loss or damage which arises from the default of such contractors, the Group may have to incur losses to rectify such defects, materially and adversely affecting the Group's financial performance and financial condition.

(i) **The Group may be subject to risks in relation to pre-sale policies for properties under development**

The practice of pre-sales (that is, selling properties under construction prior to the receipt of construction completion and examination certificate) is dependent upon whether local legislation in such jurisdiction in which the Group is developing its property permits such pre-sales. Should pre-sales not permitted under such local legislation, the ability of the Group to earn income prior to the receipt of construction completion and examination certificate may be impeded. This may adversely affect the Group's cash flows, revenue and profitability.

Should pre-sales be permitted under local legislation, the Group may be exposed to certain risks relating to the pre-sale of properties. In the event of a failure or delay in the delivery of pre-sold properties to purchasers, the Group may be liable for potential losses that purchasers may suffer as a result. There is no guarantee that these losses will not exceed the purchase price paid in respect of the pre-sold units. Failure to complete a property development on time may be attributed to factors such as the time taken and costs involved in completing construction, which are in turn adversely affected by factors such as delays in fitting out works, shortages of labour, adverse weather conditions or natural disasters.

If the delay in delivery extends beyond the contractually specified period, the purchasers may also be entitled to terminate the pre-sale agreements and claim refunds of monies paid, damages and/or compensation for late delivery. There is no assurance that there will be no circumstances which will result in liabilities arising from pre-sale arrangements which have experienced significant delays in completion or delivery, resulting in the Group having to compensate purchasers for late delivery, or refund of monies paid in situations where purchasers have terminated the sale and purchase agreements. This will adversely affect the Group's business and financial performance.

(j) **The Group may face potential liability and claims from property development and property enhancement works projects**

The time required for the completion of a property development or a property enhancement works project depends on various factors, including the size of the project, prevailing market conditions and availability of recourses. Delays may arise due to various factors, including adverse weather conditions, natural calamities, power failure, machinery and equipment breakdown, shortage of construction materials, shortage of labour, accidents, cessation of business of the Group's contractors, disputes with contractors and unexpected delay in obtaining required approvals. Such delays may result in cost overruns and increased

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financing costs and accordingly affect the Group's profitability or lead to claims for liquidated damages from purchasers of the properties or clients for property enhancement works projects. Accidents during course of construction may give rise to personal injuries and third party liability. The Group may face claims from purchasers and management corporations relating to delays and defective works under the Proposed New Business.

In addition, the Group may be involved from time to time in disputes with various parties such as contractors, construction companies, consultants and other partners for various reasons, including differences in the interpretation of acceptable quality standards of workmanship, material used, adherence to contract specifications and costs of variation orders. These disputes may lead to legal and other proceedings. If the group is unable to manage such risks, the Group's business and financial position will be affected if any compensation or damages is payable by the Group.

Claims may also be made against the Group by owners or occupiers of neighbouring properties in respect of the use of such properties. As such, the Group's business and financial position will be affected if the Group has to pay significant amounts of compensation or spend significant amounts of resources in legal costs in the event of legal proceedings. The Group's reputation may also be affected as a result of such proceedings.

(k) **The Group's property development and property enhancement works projects may be adversely affected by cost overruns, increases in costs, shortages in the supply of workers, increases in hiring costs and/or increases in operating and other expenses**

Unforeseen circumstances such as adverse soil conditions, unfavourable weather conditions, unanticipated construction constraints at worksites, increase in the costs of labour, construction materials, equipment, rental and sub-contracting services, unanticipated variations in labour and equipment productivity over the term of a development or corrective measures for poor workmanship may arise in the course of the projects which may result in additional unanticipated costs over and above the initial budget. Where these costs overruns cannot be passed onto customers, the Group may have to absorb the cost overruns and may suffer losses on the project. The Group's profitability and financial performance may be materially and adversely affected.

Furthermore, the construction of property development projects, addition and alteration works and building works is highly labour intensive, and is therefore vulnerable to any shortage in the supply of, or increases in costs of workers. Such changes in the supply of workers may result from changes in government policies and union strikes. In the event of any disruption to the supply of workers, or if the costs cannot be controlled, the overall construction costs may increase and the Group's financial performance may be materially and adversely affected.

The Company's ability to pay dividends to shareholders could be adversely affected if operating and other expenses related to the properties in which the Group has an interest increase without a corresponding increase in revenues. Factors which could increase operating and other costs include:

- (i) increases in property tax assessments and other statutory charges;
- (ii) increases in sub-contracted service costs;
- (iii) increases in labour costs;
- (iv) increases in repair and maintenance costs;
- (v) increases in rate of inflation;

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## LETTER TO SHAREHOLDERS

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(vi) increases in insurance premiums; and

(vii) increases in cost of utilities.

(l) **Fluctuation in property prices and the Group's ability to identify suitable land site and property development projects may have an adverse impact on the Proposed New Business and the Group's financial condition**

The performance of the Group may be subject to fluctuations in property prices as well as the availability of suitable land sites. Should property market prices suffer a downward trend, the Group's earnings may be adversely affected as the Group may have to postpone the sale of property development project units to a later date, if and when market condition improves. The Group may also have to sell its property development projects at lower prices, which in turn would adversely affect the Group's sales revenue and profit margin.

The Group can build up its land bank by scouting for and acquiring land sites appropriate for its property development projects via offers from private owners, by participating in property auctions and government land sales programmes as well as through third-party property agents. The Group will face competition for new land sites from other property developers and there is no assurance that suitable land sites will always be available to the group for the purposes of the Proposed New Business or that the Group will be able to secure sites at reasonable prices.

If the Group is not able to procure suitable land sites to carry out its property development projects, property development projects in less favourable locations may not be as marketable, resulting in the Group's sales volume and profitability being adversely affected. There is competition with other property developers for new land sites and there is no assurance that suitable sites will always be available for the purposes of the Proposed New Business of the Group.

The Group's performance is also dependent on its ability to identify profitable property development projects, and following such identification, to successfully complete such projects. The viability and profitability of the Group's property development projects are subject to fluctuation and are dependent on, *inter alia*, the demand for the Group's development projects, the pricing and number of property development projects and the overall schedules of the Group's projects which are in turn, to a large extent, affected by the market sentiment, market competition, general economic and property market conditions, as well as government regulations. Such projects may also be undermined by factors such as unexpected project delays, adverse changes in interest rates construction costs, land costs, property prices and general economic conditions. Accordingly, there is no assurance that the Group will always be successful in identifying new property development projects or completing such property development projects under the best market conditions, as planned. There is also no assurance that a project, which may have been assessed by the Group to be profitable at the initial phases, will not turn out to be a loss-making asset or investment due to adverse changes in circumstances beyond the Group's control.

In the event that the Group is unable to source for and secure suitable land sites for property development or successfully complete the property development projects, the Group's business, financial condition, results of operations and prospects may be adversely affected.

(m) **The Group faces the risk of expropriation of its properties in the countries in which it intends to operate in the future**

The laws of countries in which the Group intends for its properties to be located and regions into which the Group may expand to, may allow their respective governments to various degrees, to compulsorily acquire land and buildings under certain circumstances, including if it is in the public interest to do so, and under circumstances where compensation may be less than the value of the relevant property or building.

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In the event that all or any part of the Group's land or property is compulsory acquired, the compensation paid in respect of the acquired property could be less than its market value or the price the Group has paid for acquiring the property which could adversely affect the Group's business, financial condition, results of operations and prospects.

(n) **The Group faces the risk of material defects, breaches of laws and regulations and other deficiencies**

There is no assurance that the reviews, surveys or inspections (or the relevant review, survey or inspection reports on which the Group would rely on) would have revealed all defects or deficiencies affecting properties that the Group has interests in. In particular, there is no assurance as to the absence of latent or undiscovered defects or deficiencies or inaccuracies in such reviews, surveys or inspections reports, any of which may have a material adverse impact on the business, financial condition and results of operations of the Group in relation to such properties. As such, the Group may be exposed to risks of incurring additional costs to carry out repairs to rectify such deficiencies, or litigations suits from third parties. For example, repair works carried out on tenanted units to rectify such latent defects may obstruct businesses of tenants, who may suffer losses as a result of such obstruction, and seek to claim such losses from the Group.

(o) **Amenities and transportation infrastructure around the Group's properties may be closed or relocated**

There is no assurance that the amenities and transportation infrastructure located around the properties which the Group has interests in will not be closed, relocated or terminated in the future. Such closure, relocation or termination may adversely affect the accessibility of such properties which will reduce the demand for the properties and decrease their market value and ability to attract high rental rates. The adverse effect on the demand, market value and the rental rates for the properties which the Group has interests in may adversely affect the business, financial condition, results of operations and/or prospects of the Group.

(p) **Renovation work, repair and maintenance or physical damage to the Group's properties may disrupt its operations and collection of rental income or otherwise result in an adverse impact on its financial condition**

The quality and design of the Group's properties directly influence the rental rates of and the demand for space in its properties. The group's properties may need to undergo renovation from time to time to retain their attractiveness to tenants and may also require ad hoc maintenance or repairs in respect of faults or problems that may develop or because of new planning laws or regulations. The costs of maintaining the Group's properties and the risk of unforeseen maintenance or repair costs tend to increase over time as the Group's properties age. The business and operations of the Group's properties may suffer disruption as a result of renovation and it may not be possible to collect the full rate of, or, as the case may be, any rental income on the space affected by such renovation works. Such renovation works, coupled with the loss of rental income may adversely affect the Group's business, financial condition, results of operations and/or its prospects.

Physical damage to the Group's properties resulting from earthquakes, fire or other causes may lead to a significant disruption to the business and operations of its properties. Furthermore, tenants generally have the right to terminate their tenancies prematurely in the event that such physical damage (not caused by the tenants' negligence or default) persists for an extended periods of time. The foregoing may impose unbudgeted costs on the Group and may adversely affect its business, financial condition, results of operations and/or prospects.

(q) **The Group may be adversely affected by an outbreak of communicable diseases**

An outbreak of infectious disease in the market where the operations of the Group's Proposed New Business are based may have an adverse impact on the Group's operations and the Group's financial performance. Market sentiment and consumer confidence could



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be affected and may lead to a deterioration of economic conditions. Further, in the event that the Group's employees or those of the Group's contractors or subcontractors are infected or suspected of being infected with any communicable disease, the Group may be required by health authorities to temporarily shut down the affected project sites and quarantine the relevant workers to prevent the spread of the disease. This will result in project delay and have an adverse impact on the Group's business and financial performance.

(r) **Terrorist activities and other acts of violence or war could adversely affect the Group's financial condition, results of operations and prospects**

Terrorist attacks and other acts of violence or war may adversely affect financial markets globally or the Group's operations directly. These acts could also cause a loss of business confidence and ultimately affect its businesses. In addition, the occurrence of any such activities in the countries in which it operates, or neighbouring countries, might raise concern about the stability in the region, which could adversely affect the Group's financial condition, results of operations and prospects.

(s) **The actual performance of the Group may differ materially from the forward looking statements in this Circular**

The actual performance of the Group may differ materially from the forward-looking statements in this Circular. This Circular contains forward-looking statements, which are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside the Group's control. Furthermore, the Group's revenue and financial performance are dependent on a number of external factors such as changes in applicable laws and regulations. The Group cannot assure that these assumptions will be realised and the Group's actual performance will be as projected.

(t) **Potential for involvement in legal or other proceedings arising from the Group's operations in the Proposed New Business**

The Group may be involved from time to time in disputes with various parties involved in the Proposed New Business. These parties include contractors, subcontractors, suppliers, construction companies, purchasers and other partners. These disputes may lead to legal and other proceedings. The Group may also have disagreements with regulatory bodies and these may subject the Group to administrative proceedings.

In the event that unfavourable decrees are determined by the courts or the regulatory bodies, the Group may suffer not only financial losses but also delay in the construction or completion of the Group's property development projects. In addition, as the main developer of residential developments such as condominium development projects and commercial development projects, the Group is exposed to the risk of legal suits, by either the management corporation or the Group's clients in respect of defective works in common areas and common property. In such an event, the Group may be liable for damages and incur legal costs, which will have an adverse effect on the Group's financial performance and financial condition.

(u) **The Proposed New Business is subject to the general risk of doing business overseas**

The Group does not plan to restrict the Proposed New Business to any specific geographical markets but will in its initial foray, focus on opportunities in the Asia Pacific and North America region. As such, the Group is subject to the general risk of doing business overseas. These general risks include unexpected changes in regulatory requirements, difficult in staffing and managing foreign operations and contractors, social and political instability, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainty regarding legal liability or enforcement of legal rights, tariffs and other trade barriers, variable and unexpected changes in local law and barriers to the repatriation of capital or profits, any which could materially affect the overseas operations of the Group. These risks, if materialised, may affect the Group's business and financial condition.

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In addition, if the governments of countries in which the Group operates tighten or otherwise adversely change their laws and regulations relating to the repatriation of their local currencies, it may affect the ability of the Group's overseas operations to repatriate profits to the Group and, accordingly, the cash flow of the Group may be adversely affected.

(v) **The Group may not be able to provide the capital investments needed to undertake the property development and property investment projects**

Projects undertaken pursuant to the Proposed New Business will require substantial capital investments and cash outlay. While the company will carry out assessment including the availability and cost of financing prior to undertaking any projects, there is no assurance that financing, either on a short term or long term basis, will be made available or, if available, that such financing will be obtained on commercially reasonable terms, in which event the Group's future plans and growth prospects will be adversely affected. Further, any additional debt funding is subject to interest payments and interest rate fluctuations, and may restrict the Group's freedom to operate its business as it may be have conditions that:

- (i) limit the Group's ability to pay dividends or require the Group to seek consents for the payment of dividends;
- (ii) increase the Group's vulnerability to general adverse economic and industry conditions;
- (iii) require the Group to indicate a portion of the Group's cash flow from operations to repayments of its debt, thereby reducing the availability of the Group's cash flow for capital expenditures, working capital and other general corporate purposes; and/or
- (iv) limit the Group's flexibility in planning for, or reacting to, changes in the Group's business and industry.

Further, an issue of Shares or other securities to raise funds will dilute Shareholders' equity interests and may, in the case of a rights issue, require additional investments by Shareholders. An issue of Shares below the then prevailing market price will also affect the value of Shares then held by investors. In any case, a dilution in Shareholders' equity interests will occur even if the issue of Shares is at premium to then prevailing market price.

(w) **The Group may be faced with limited availability of funds and is subject to financing risks**

The Group requires financial resources to fund working capital requirements and support future growth of the Proposed New Business. There can be no assurance that the Group will be able to generate sufficient funds internally from its own operations, or secure adequate external financing, either on a short-term or a long-term basis, or obtain such financing on terms which are favourable to the Group. Factors that could affect the Group's ability to procure financing include market disruption risks which may adversely affect the liquidity, interest rates and the availability of funding sources. In the event that the Group is unable to secure sufficient financial resources for the Proposed New Business, its business, financial performance, financial condition and operating cash flow may be adversely affected.

(x) **The Group's ability to borrow in the bank or capital markets may be adversely affected by a financial crisis**

The Group's ability to borrow from banks or the capital markets to meet its financial requirements is dependent on favourable market conditions. Financial crises in particular geographic regions, industries or economic sectors have, in the recent past, led and could in the future lead to sharp declines in the currencies, stock markets and other asset prices in those geographic regions, industries or economic sectors, in turn threatening affected companies, financial systems and economies. Any market slowdown may adversely impact the Group's ability to borrow from the bank or capital markets and may significantly increase

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the costs of such borrowing. If sufficient sources of financing are not available in future for these or other reasons, the Group's business, financial condition, results of operations and prospects may be adversely affected.

(y) **The Group may not be able to generate adequate returns on its properties held for investment**

Property investment is subject to varying degrees of risks. The investment returns available from investments in property depend primarily on the amount of capital appreciation generated, the income earned from the rental of the relevant properties and expense incurred. The revenue derived from the disposal of such investment properties will depend on market conditions and levels of liquidity, which may be subject to significant fluctuation.

The revenue derived from the rental of the relevant properties may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, the inability to secure renewal of tenancies from tenants, the inability to collect rent due to bankruptcy or insolvency of tenants and the cost from ongoing maintenance, repair and re-letting. In the event that the Group acquires property for investment and if the Group is unable to generate adequate returns from such investment properties that it acquires, its financial condition and results of operations may be adversely affected.

(z) **Unsold property assets are relatively illiquid**

The investment returns available from the property development and property investment business depend, to a large extent, on the amount of capital appreciation generated. The ability to eventually dispose of property at a profit will depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuations. In the event that the Group is unable to sell a significant proportion of the properties it develops under the Proposed New Business, the Group's financial performance will be materially and adversely affected.

Furthermore, the residential properties developed and land sites acquired by the Group, as well as unsold properties which the Group continues to hold for sale post-completion, are relatively illiquid. The illiquidity of the Group's property assets may limit the Group's ability to convert these assets into cash on short notice. Such illiquidity may also have a negative effect in determining the selling prices of the unsold completed property development assets in the future in the event that the Group requires an urgent sale of these assets, and limits the Group's ability to vary its portfolio of property held for sale in response to changes in economic, political, social or regulatory conditions in a timely manner. In such event, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

(aa) **The Group is exposed to foreign exchange transaction risks**

As the Company's functional and presentation currency is denominated in S\$, any fluctuations in currency exchange rates may affect the group's profitability and financial position. For example, any appreciation of the foreign currencies will lead to higher developmental and labour costs which may affect the Group's profitability. Any appreciation of foreign currencies against the S\$ may also affect the price of the Group's property units, which will have a corresponding impact on the demand for such units. Additionally, revenue derived from the sale of property units overseas which is denominated in foreign currencies may have adverse impact on the Group's operating results if there is unfavourable fluctuation of the foreign currencies against the S\$. This may also affect the profitability of the Group.

Pursuant to the Acquisition, the Group will be exposed to RMB as the reporting currency of the Target Companies are in RMB. As the Company's reporting currency is in S\$, it faces translation risk as any significant adverse fluctuation in the exchange rate between RMB against S\$ will have a negative effect on the Group's financial statements.

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**(bb) There may be a decline in property values from time to time**

Valuation of the Group's property conducted by professional valuers are based on certain assumptions and are not intended to be a prediction of, and may not accurately reflect, the actual values of these assets. The inspections of the properties and other works undertaken in connection with a valuation exercise may not identify all material defects, breaches of contracts, laws and regulations, and other deficiencies and factors that could affect the valuation.

In addition, unfavourable changes to the economic or regulatory environment or other relevant factors may negatively affect the premises upon which the valuations are based and hence, the conclusions of such valuations may be adversely or be realised at the valuations or property values which were recorded.

The Group may apply fair value accounting standards in valuing its property. The value of the property of the Group may fluctuate from time to time due to market and other conditions. Such adjustments to the fair value of the properties in the Group's portfolio could have an adverse effect on the net asset value and profitability of the Group.

**(cc) The Group may be exposed to risk of loss and potential liabilities that may not be covered by insurance**

While the Group will, where appropriate, obtain insurance policies to cover losses in respect of its assets and certain eventualities arising from the Group's business operations, the insurance obtained may not be sufficient to cover all potential losses, including losses arising from risks which are generally not insurable. These include losses arising from acts of God, earthquakes, war, civil disorder and acts of terrorism. Losses arising out of damage to the Group's assets covered by the insurance policies in excess of the amount they are insured may affect the Group's profitability. Committing additional costs to the relevant project for its completion in the event there are uninsured damages may also adversely affect the financial performance of the Group.

**(dd) The Group is subject to health, safety and environment standards**

Property developers and/or building contractors are subject to various laws and regulations relating to workplace health and safety and environment pollution control. The Group cannot predict future amendments, new enactments or more stringent administration of these health, safety and environment standards. Any changes in such regulations and/or standards may result in the Group incurring additional time and costs for the purposes of compliance. Further, any failure to comply with these regulatory standards at the Group's future project sites may result in fines, penalties, sanctions or temporary suspension resulting in project delays, which may have a material adverse effect in the Group's business operations and prospects.

**(ee) The Group is subject to risks of late payment or no-payment by its clients or tenants**

The Group faces uncertainties over the timeliness of client's payments and their solvency or creditworthiness in respect of purchases of the Group's property development properties or rental of its property investment properties. There is no assurance that the Group will be able to collect any progress payments or rental payments on a timely basis, or at all.

In the event that there are defaulting purchasers or a significant delay in collecting progress payments from purchasers or rental from tenants, the Group may face stress on its cash flow and a material increase in bad and doubtful debts, which may have an adverse impact on the Group's financial performance.

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(ff) **The Group may face exposure to potential liability arising from damages, injury or death due to accidents**

Due to the nature of the operations of the Proposed New Business, there is a risk of accidents occurring to employees of main contractors or subcontractors on the project sites. These accidents may occur due to various reasons or as a result of non-compliance with safety rules and regulations. Depending on the severity of such accidents, the Group may be subject to inquiries and investigations by the relevant authorities and/or be issued stop work orders. In the event that the Group is found to be liable for such accidents, penalties or damages may be imposed against the Group.

If any accidents are not covered by the Group's insurance policies, claims arising from such accidents are in excess of the Group's insurance coverage or if any of the Group's insurance claims are contested by any insurance company, the Group may be required to pay such compensation, which may have a material and adverse impact on the Group's financial performance. In addition, the payment by the Group's insurers of such insurance claims may result in increases in the premiums payable by the Group for such insurances. This will also increase the costs of the Group's operations and may adversely affect the Group's financial performance.

(gg) **There is no assurance that the Group's future plans for the Proposed New Business will be successful**

As part of the Group's future plans for the Proposed New Business, the Group intends to acquire land sites for development into residential, commercial or industrial property. These expansion plans will involve significant investments as well as additional working capital requirements. Such expansion plans may also divert the management's attention and expose the Group's business to unforeseen risks associated with the entering into new markets. There is no assurance that such expansion plans will be commercially successful or that the Group's profitability will increase or that the Group will not incur losses due to a potential increase in the Group's operating costs incurred to finance the growth and expansion.

The Group may also not be successful in integrating any acquired business and might not achieve the anticipated synergies or cost benefits. If the Group fails to achieve a sufficient level of revenue or if the Group's expansion plans result in performance problems with an acquired company, potential dilutive issuance of equity securities or the incurrence of debts, contingent liabilities, possible impairment charges related to goodwill or other intangible assets or any other unanticipated events or circumstances, the Group's future financial position and performance may be materially and adversely affected.

(hh) **There is no assurance of the potential growth of the Proposed New Business**

Save for the Acquisition, the Group has not identified or formalised any definitive plans in connection with the Proposed New Business. While the Group will actively seek opportunities for new Property Related Assets in the Proposed New Business, there is no assurance that it will be able to identify such suitable Property Related Assets which suit its risk and returns profile. In the event that the Group is not able to identify suitable Property Related Assets, it will not undertake any further Property Related Assets in the Proposed New Business. Further, there is no assurance that such Property related Assets will be profitable or successful.

(ii) **The Group is subject to risks inherent in investing in entities which it does not control and the manner in which it holds its investments and property interests**

The Group may hold property investments through or make investments in entities that are not the Group's subsidiaries and over which the Group does not have majority control. The performance of these entities and the Group's share of their results are subject to the same or similar risks relating to the property investment business that affect the Group as described herein. There is no assurance that the Group will be able to influence the

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management, operation and performance of these entities through its voting rights, in a manner which would be favourable to the Group, or at all. If all or any of these entities were perform poorly, the Group's overall business, financial condition, results of operations and prospects may be adversely affected.

**(jj) The property market in countries in which the Group operates may be volatile**

The Group's Proposed New Business is subject to property market conditions in the countries in which it operates. Many social, economic, political and other factors may affect the development of the property market. The property market in the countries in which the Group intends to operate may be volatile and experience oversupply and property price fluctuations. Changes in government policies in the countries in which the Group intends to operate may result in a change in market conditions, including price instability and imbalance of supply and demand, which may materially and adversely affect the business and financial condition and the results of operations of the Group. There is also no assurance that there will not be any over-development in the property sector in the areas where the Group's properties are located and other parts of the countries in which the Group operates in the future. Any future over-development in the property sector in the areas or countries where such properties are located may result in an over-supply of properties, and a fall in property prices as well as rental rates, which could adversely affect the business, financial condition and results of operations of the Group.

**(kk) The Group's properties are subject to accounting adjustments in accordance with the relevant accounting standards**

The financial information in this Circular has been, and any future financial information the Group releases on the SGXNET will be, prepared in accordance with Singapore Financial Reporting Standards ("FRS"). Under FRS, inventories held for sale are stated at the lower of cost plus, where appropriate, a portion of attributable profit, and estimated net realisable value. As a result, unsold properties held in the Group's inventory may be written down on an annual basis if net realisable value is lower than the cost of acquisition plus where appropriate, a portion of attributable profit, and the loss on difference between the net realisable value and the cost of acquisition after taking into account attributable profit will be reflected in our results. On an annual basis, the net realisable value of the Group's unsold properties may be lower in adverse market and economic conditions may be significant and will be reflected as a loss in the results of the Group. This may adversely affect the Group's business, financial condition, results of operations and/or its prospects.

### **3. DETAILS OF THE ACQUISITION**

#### **3.1 Information on the Vendor**

The Vendor is a company incorporated in the PRC with its registered office at Haidian District, Beijing Zhongguancun South Street, 18th Hospital Building 1-4, Building D, 13-13D (北京市海淀区中关村南大街甲18号院1-4号楼D座13-13D) and whose principal business is that of management and investment consulting and investment holding. The ultimate shareholder of the Vendor is China Real Estate Group Union Investment Co., Ltd (中房集团联合投资股份有限公司) whose principal business is that of investments advisory and portfolio management.

Neither the Vendor nor any of its direct or indirect shareholders are related to the Company, or the directors or shareholders of the Company.

#### **3.2 Information on the Target Companies**

Huzhou Agriculture Co. is a company incorporated in the PRC with its registered office at Industry Area, Hefu Town, Huzhou City, Zhejiang Province (Yang Dong Mining Area) (湖州市和孚镇工业功能区(漾东矿区)). Huzhou Agriculture Co. has, at the date of the S&P Agreement, a registered capital of RMB 50,000,000 (approximately S\$10,250,000) which has been fully paid up.

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Huzhou Culture Co. is a company incorporated in the PRC with its registered office at Industry Area, Hefu Town, Huzhou City, Zhejiang Province (Yang Dong Mining Area) (湖州市和孚镇工业功能区(漾东矿区)). Huzhou Culture Co. has, at the date of the S&P Agreement, a registered capital of RMB 30,000,000 (approximately S\$6,150,000) which has been fully paid up.

The Target Companies are real estate developers in the PRC and are engaged in the development of waterside villas, island residences and townhouses with a focus on wellbeing and healthy living facilities in Huzhou, PRC.

### 3.3 Information on the Huzhou Project

The Target Companies have obtained management rights over a land parcel located in Digang Town, Nanxun District, Zhejiang Province in Huzhou, PRC with a total site area of 320 hectares of land (the “**Project Land**”). The Project Land is located in the west of Yangtze river, at the interception of 2 tributaries of Jingnan Canal (京杭大运河), HangHuXi Canal (杭湖锡航道) and Shenjiahu Canal (申嘉湖航道). It is located close to Huzhou’s mulberry fish pond (桑基鱼塘), one of the PRC’s most important agriculture cultural heritages, as well as Digangcun (荻港村), a village with more than 1,000 years of history.

On the Project Land, the Target Companies are undertaking the development of waterside villas, island residences and townhouses with a focus on wellbeing and healthy living facilities, as well as hotels, leisure farm resorts and canal sightseeing facilities, with a view to building a community featuring the unique culture of the west of Yangtze river, in Huzhou, PRC (the “**Huzhou Project**”).

The Target Companies have formulated the master urban and development plan of the Huzhou Project which was finalised in October 2016 after several round of consultation and review of the relevant expert panels and government authorities. Based on the master urban and development plan finalised in October 2016 (the “**Project Development Plan**”), the Project Land has a total site area of approximately 320 hectares, of which 66 hectares is land available for construction after taking into account the waterways in the Project Land and the total built up area is approximately 500,000 square metres.

The Huzhou Project consists of 6 difference zones. Please refer to the sections below for a detailed description of each component of the Huzhou Project as described:

- (a) **Yacht themed leisure resort zone.** Properties to be developed include yacht club, yacht repair and maintenance centre and exhibition centre, yacht training and examination centre, resort apartment and yacht related commercial centre;
- (b) **Healthcare zone.** Properties to be developed include healthcare medical management centre, health apartment and healthcare related facilities;
- (c) **Local cultural themed tourist zone.** Properties to be developed include ferry wheel, hotels, local cultural exhibition centre, tourists assemble point such as marina centre and commercial centre;
- (d) **Ecological environment protection themed leisure zone.** Properties to be developed include repair of wetland and mulberry fish ponds, water chalets, scenery viewing walkway and related facilities;
- (e) New township which include small villages and community apartments; and
- (f) **Inner lake lifestyle zone.** Properties to be developed include waterfront bungalows and related facilities.

Following the finalisation of the Project Development Plan, the Target Companies intend to appoint an architect to formulate the detailed design of the Huzhou Project to be approved by the relevant expert panels and government authorities.

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Huzhou Culture Co. has obtained state-owned construction land use rights over a land parcel located next to the Project Land with a total site area of 10,638 square metres (the “**Hotel Land**”). On the Hotel Land, Huzhou Culture Co. intends to construct a hotel with 114 rooms (the “**Hotel Project**”).

On 12 October 2016, Huzhou Culture Co. and People’s Republic of China Huzhou City, Zhejiang Province Land Resources Bureau (中华人民共和国浙江省湖州市国土资源局) entered into a state-owned construction land use transfer agreement (the “**Hotel Land Use Rights Transfer Agreement**”) for the Hotel Land. The salient terms of the said agreement are as follows:

- (a) the Hotel Land shall be used for hotel and food and beverage purposes;
- (b) the land use is subject to a term of 40 years;
- (c) the plot ratio is to be not more than 1.6 times;
- (d) the building density is to be not more than 50.0%;
- (e) the landscaping ratio is to be equal to or more than 30.0%; and
- (f) the commencement date of the Hotel Project shall be 30 May 2017 and shall be completed by 30 May 2019.

On 27 October 2016, Huzhou Culture Co. obtained the land use rights certificates issued by People’s Republic of China Huzhou City, Zhejiang Province Land Resources Bureau (中华人民共和国浙江省湖州市国土资源局) in respect of the legal land use rights of the Hotel Land for 40 years up to 18 October 2056. The land use premium of the Hotel Land, being RMB 4,889,100 (approximately S\$1,002,266), has been fully paid by Huzhou Culture Co.

After obtaining the land use rights, Huzhou Culture Co. proceeded to formulate the design and obtain the various development permits for the Hotel Project after several rounds of consultation and review by the relevant expert panels and government authorities. Based on the finalised design of the Hotel Project, the Hotel Project has a total site area of approximately 10,638 square metres and a total gross floor area of approximately 15,475 square metres.

### 3.4 Prospects of the Huzhou Project

The Project Land is located in Huzhou, Zhejiang Province. Huzhou is an ancient city of more than 2,300 years old. It is one of the four major cities namely Huzhou, Yixing, Suzhou and Wuxi (湖州、宜兴、苏州、无锡) located around Taihu Lake (太湖). With the completion of various high speed rails and expressways, Huzhou is, by way of high speed rail, 30-minute away from Hangzhou (approximately 75 km away from Huzhou), 1-hour away from Nanjing (approximately 220 km away from Nanjing) and 2-hour away from Shanghai (approximately 130 km away from Shanghai). Given its strategic location, Huzhou is being designated as a “satellite city”.

According to the official website ([www.huzhou.gov.cn](http://www.huzhou.gov.cn)) of Huzhou, Huzhou has a population of 2.64 million in 2015. The gross development product of Huzhou was RMB 224.3 billion (approximately S\$46.0 billion) in 2016, an increase of 7.5% from the year before. Further, Huzhou recorded a tourist arrival of approximately 88.5 million in 2016, which represented an increase of 25.1% from 2015. The total income generated from tourism industry was RMB 88.3 billion (approximately S\$18.1 billion), which represented an increase of 26.0% from 2015.

As announced in Zhejiang Province Major Development Projects (13<sup>th</sup> Five) Plan (浙江省重大建设项目“十三五”规划), Zhejiang Provincial Government has identified 599 major development projects with total investment of RMB 8.4 trillion (approximately S\$1.7 trillion). The Huzhou Project is one of the major development projects which focused on tourism related properties.



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Based on the positive prospects of the tourism market and the increasing commercial activities in Huzhou as described above, the Company expects the sales of the commercial and residential units in the Huzhou Project to be brisk, to keep up with the commercial demands of the rapidly developing city. The Directors believe that given the above factors, the urban population growth and rising living standards will be keys drivers in the demand for housing in Huzhou.

In view of the above, the Directors are of the opinion that the timing of the Acquisition is opportune with the buoyant real estate and tourism industry in Huzhou.

### 3.5 Principal Terms of the S&P Agreement

#### 3.5.1 Sale Interests

The Company has, subject to the terms and conditions of the S&P Agreement, agreed to purchase and the Vendor has agreed to sell the Sale Interests, representing 72.0% of the rights and interests of and in each of the Target Companies, and being 72.0% of the entire registered and paid-up capital of each of the Target Companies, together with all rights, benefits and entitlements attaching thereto as at the Completion Date.

The remaining 28.0% of the registered and paid-up capital of the Target Companies will continue to be held by the Vendor after the completion of the Acquisition.

#### 3.5.2 Consideration

The aggregate consideration for the Sale Interests is RMB 57,600,000 (approximately S\$11,808,000) (the “**Consideration**”). The Consideration is at a premium to the net tangible asset value of the Sale Interests of RMB 52,856,000 (approximately S\$10,835,000), based on the latest available accounts of the Target Companies as at 31 March 2017 prior to the signing of the S&P Agreement.

The Consideration was arrived at following arm’s length negotiations on a willing buyer willing seller basis, and taking into account the business prospects and potential growth of the Target Companies, and the net tangible assets value of the Sale Interests. Based on the foregoing, no independent valuation was conducted on the Target Companies.

The Consideration shall be payable in cash on Completion and will be funded using internal cash resources. Any funding required by the Target Companies post-Completion for their real estate development projects will be funded through internal cash resources, external bank borrowings or future capital markets fund raising.

#### 3.5.3 Conditions Precedent

The completion of the Acquisition is conditional upon, *inter alia*, the following conditions precedent having been fulfilled or waived in accordance with the terms of the S&P Agreement (the “**Conditions Precedent**”):

- (a) the satisfactory outcome of the legal, financial and commercial due diligence conducted by the Company in respect of the accounts, assets, personnel and businesses of the Target Companies;
- (b) the resolutions of the board of directors and shareholders of the Company having been obtained for the entry into, implementation and completion of, the transactions contemplated in the S&P Agreement, including, in particular, the Acquisition;
- (c) the resolutions of the board of directors of the Vendor having been obtained for the entry into, implementation and completion of, the transactions contemplated in the S&P Agreement;
- (d) under the bylaws of the Target Companies, the necessary approvals of the Target Companies (including but not limited to the approval of the board of directors and/or the general meeting of the owners of the equity interests) have been obtained in respect of the sale and purchase of the Sale Interests and the revision of the bylaws of the Target Companies to reflect the change in shareholding and the constitution of and members of the Board of Directors;

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- (e) all necessary approvals, consents and waivers of any government bodies, stock exchange and other regulatory authority having jurisdiction over the transactions contemplated in the S&P Agreement (whether in Singapore, PRC and any other applicable jurisdiction) and all other transactions in connection therewith and incidental thereto, having been obtained by the Vendor or the Company, as relevant, including without limitation;
  - (i) the approval of the Ministry of Commerce People's Republic of China in Zhejiang Province being obtained by the Vendor in relation to the sale and purchase of the Sale Interests;
  - (ii) the approval certificate being obtained from the authorities at all levels inside the PRC responsible for examination and approval of changes in equity interests in foreign-invested enterprises in respect of the sale and purchase of the Sale Interests, the S&P Agreement and the bylaws of the Target Companies;

such consents, approvals and waivers not having been amended, withdrawn or revoked before the Completion Date, and to the extent that such consent, approvals and waivers are subject to any conditions required to be fulfilled before the Completion Date, all such conditions having been duly fulfilled;

- (f) no governmental authority taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:
  - (i) make the transactions contemplated in the S&P Agreement and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same;
  - (ii) render the Company unable to purchase all or any of the Sale Interests in the manner set out in the S&P Agreement; and/or
  - (iii) render the Vendor unable to dispose of all or any of its Sale Interests in the manner set out in the S&P Agreement; and
- (g) each of the warranties provided by the Vendor being complied with, true, complete, accurate and correct in all material respects to the best knowledge and belief of the Vendor and the Company as at the date of the S&P Agreement and until the Completion Date.

As announced by the Company on 11 September 2017, in satisfaction of one of the Conditions Precedent, each of the Target Companies has obtained approval from the relevant PRC authority to change their status to Sino-foreign equity joint venture companies (中外合资有限责任公司). Dato' Dr Choo Yeow Ming, the Chairman and Chief Executive Officer, has also been appointed as the legal representative of both Target Companies.

Completion of the Acquisition will take place on the date falling not more than five (5) business days after all the Conditions Precedent are fulfilled or waived by the Company or the Vendor (as the case may be) in accordance with the terms of the S&P Agreement.

If the Conditions Precedent shall not have been fulfilled or waived by the Company or the Vendor (as the case may be) by the date falling three (3) months from the date of the S&P Agreement (or such date as the Company and the Vendor may agree in writing) (the "**Long-Stop Date**"), the S&P Agreement shall terminate.

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### 3.6 Value of the Sale Interests

In this Section 3.6, the exchange rate of RMB1.00 to S\$0.203 as at 30 June 2017 (*Source: The Business Times*) has been used.

#### 3.6.1 Book Value and Net Tangible Assets Value

Based on the Target Financial Statements, the Sale Interests have a book value and net tangible assets value of approximately RMB 53,596,000 which is equivalent to approximately S\$10,880,000.

#### 3.6.2 Net Profit

Based on the Target Financial Statements, the loss before income tax, minority interests and extraordinary items attributable to the Sale Interests is approximately RMB 845,000 which is equivalent to approximately S\$171,000.

### 3.7 Restrictive Covenants

The Vendor has undertaken to the Company that it shall not, and has undertaken to procure that its related companies shall not, in the Huzhou city of the PRC during the twenty-four (24) months commencing on the Completion Date or such shorter period of time recognised by applicable law as being binding on the Vendor, carry on, be engaged in or be economically interested in any business which is of the same or similar type to the business of the Target Companies as carried on as at the Completion Date (namely, that of the real estate development business) and which is or is likely to be in competition with any part of the business of the Target Companies as carried on as at the Completion Date.

### 3.8 Rationale for the Acquisition

The Board is of the view that the Acquisition is in the best interests of the Company and the shareholders of the Company for the following reasons:

- (a) it will enable the Company to enter the real estate development business in the Huzhou city of the PRC and capitalise on the expertise of the Target Companies' management which will in turn be overseen by the Board (of which Mr Yap Siew Sin, an independent director of the Company, has extensive experience as a consultant architect and a town planner, as well as in business management of numerous construction and property development projects in the PRC); and
- (b) notwithstanding that the Target Companies are currently loss-making as its projects are currently in the planning and/or design stage, the Acquisition will allow the Group to have better prospects of profitability and ensure long term growth as and when the Target Companies' projects commence sales and are eventually completed.

### 3.9 Directors' Service Contracts

No person is proposed to be appointed as a director of the Company in connection with the Acquisition and accordingly, no service contract is proposed to be entered into between the Company and any such person.

### 3.10 Risk Factors

Shareholders should carefully consider and evaluate each of the following considerations and all of the other information set out in this Circular in relation to the Acquisition. Some of the following considerations relate principally to conducting business in the PRC. Other considerations relate principally to the Target Companies.

If any of the following considerations and uncertainties develops into actual events, the business, financial condition or results of operations of the Group could be materially and adversely affected.

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The following considerations are not exhaustive and not intended to be exhaustive. There may be considerations that are not known to the Company or currently not deemed material.

### 3.10.1 Risks relating to conducting business in the PRC

- (a) **The Target Companies' business operations, financial condition, results of operations and prospect could be materially and adversely affected by changes in the economic, political and legal environment in the PRC**

The Target Companies' business operations are conducted, and its revenue is generated, in Huzhou, PRC. Investors should be aware that their operations will thus subject to greater risks than operations in more developed markets, including significant legal, economic and political risks. Moreover, emerging economies like the PRC are subject to rapid change. Investments in emerging markets or in companies that operate in emerging markets are generally exposed to additional risks and are generally only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

While the PRC economy has been transitioning from a centrally planned economy (the PRC government has, for three (3) decades, implemented measures to utilise market forces in the development of the PRC economy) to a more market-oriented economy, the PRC government continues to play a significant role in regulating industries and the economy through its policies, and many of these are unprecedented or experimental and are expected to be refined and improved over time. While the PRC economy had grown significantly on the past three (3) decades, the growth has been uneven geographically and across the various sectors of the economy, and during different periods. There can be no assurance that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on the Group's business.

Although the Company believes that the actions and policies of the PRC government and the continuing economic reforms will have a positive effect on the overall and long-term development of the PRC, it cannot exclude any changes on the political, economic and social conditions in the PRC which will materially and adversely affect the Enlarged Group's net assets, business operations, financial condition and results of operations.

- (b) **Fluctuations in the global economy could materially and adversely affect the economy of the PRC**

The economy of the PRC is vulnerable to market downturns and to economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in the PRC or in emerging economies in general could dampen foreign investment in the PRC and businesses could face severe liquidity constraints, further materially adversely affecting these economies. As a result, disruptions in the development of the global economy could materially and adversely affect the Enlarged Group's net assets, business operations, financial condition and results of operations.

- (c) **The Target Companies may be subject to fluctuations in interest rates due to, amongst others, any change of the macroeconomic policies of the PRC government.**

The Target Companies' ability to continue to expand its business is dependent on a number of factors, including the general economic and capital market conditions and credit availability from banks or other lenders (if applicable).

The PRC government exercises significant control over the PRC's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC government has implemented a number of measures, such as increasing the PBOC's statutory reserve ratio and imposing commercial bank lending guidelines, which have had effect of slowing the growth of credit

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availability. Since 2008, however, in response to the global financial crisis, the PRC government has loosened such requirements and adopted various measures aimed at expanding credit and stimulating economic growth, such as decreasing the PBOC's statutory deposit reserve ratio and lowering benchmark interest rates. Particularly, any changes in the policies implemented by the PRC government which result in currency and interest rate fluctuations, capital restrictions, and changes in taxes detrimental to the Enlarged Group's business may materially and adversely affect the Enlarged Group's business operations, financial condition and results of operations.

(d) **The Target Companies may not be able to offset increased staff costs arising from enhanced labour protection in the PRC**

All of the Target Companies' employees are located in the PRC. The average wages paid for employees in the PRC have increased recently and may continue to increase as a result of macroeconomic and other policies of the PRC government. If the Target Companies are unable to offset the increase in staff costs or pass along these increased staff costs to its customers, the Target Companies' business operations, financial condition and results of operations may be materially and adversely affected.

On 29 June 2007, the PRC government promulgated a new labour law, namely the Labour Contract Law of the PRC (中华人民共和国劳动合同法) (the "**Labour Contract Law**"), which became effective on 1 January 2008 as amended on 28 December 2012. The Labour Contract Law imposes stricter requirements in terms of signing labour contracts. These enacted labour laws and regulations impose greater liabilities on employees and may significantly increase the costs to an employer if it decides to reduce its workforce. In the event the Target Companies decide to significantly change or decrease its workforce, the Labour Contract Law could adversely affect the Target Companies' ability to enact such changes in a manner that is most advantageous to our business or in a timely and cost-effective manner, which may materially and adversely affect the Enlarged Group's business operations, financial condition and results of operations.

(e) **The Target Companies may be subject to exchange control risks in the PRC**

The principal regulation governing foreign currency exchange in China are the Regulations on the Control of Foreign Exchange (外汇管理条例) which were issued by the State Council in January 1997 and August 2008. Under these rules, RMB is freely convertible for payments of current account items, but not for capital account expenses, including direct investment, loan or investment in securities outside China. RMB may only be converted for capital account expenses once the prior approval of the State Administration of Foreign Exchange ("**SAFE**") has been obtained. Under the Foreign Exchange Administration Rules, foreign invested enterprises ("**FIES**") in China may purchase foreign exchange without the approval of the SAFE for trade and service-related foreign exchange transactions by providing commercial documents evidencing such transactions to commercial banks which are allowed to engage in foreign exchange business.

According to the regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange as issued on 20 June 1996, the Rule for Implementation of Guideline of regulations on Service Trade as issued on 18 July 2013, and the Announcement of Tax Filing of Payment Outside of the PRC Relating to Service Trade and Other Items issued on 9 July 2013, a FIE may convert RMB-denominated profits into foreign exchange and remit the same offshore by presenting certain documents to commercial banks which are allowed to engage in foreign exchange business, without the prior approval of, or registration with, the SAFE. Such documents include the (i) audited financial report on relevant year issued by certified accounting firms, (ii) resolution(s) of the board of directors on profit distribution, (iii) the latest capital verification report, and (iv) the Tax filing Form for Payment Outside of the PRC for Service trade and Other items required for a single payment equivalent to or over US\$50,000.

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Such exchange controls restrict the ability of the Target Companies to transfer funds to the Group in the form of cash dividends, loans or advances. There can be no assurance that the relevant regulations will not be amended to the detriment of the Group and that the ability of the Target Companies to distribute dividends to shareholders will not be adversely affected, and materially and adversely affect the Enlarged Group's net assets, business operations, financial condition and results of operations.

(f) **Upon completion of the Acquisition, PRC regulations pertaining to loans and direct investments by offshore parent companies to PRC entities may delay or prevent the Group from making loans or additional capital contributions to the Target Companies**

The Group may make loans or additional capital contribution to the Target Companies as offshore holding companies of the Target Companies. Loans made will be subjected to PRC regulations and approvals, and cannot exceed statutory limits and must be registered with SAFE or its local counterpart while capital contribution must be approved by Ministry of Commerce of the People's Republic of China (MOFCOM) or its local counterpart. FIEs may settle foreign currency loans borrowed by them abroad. Unless otherwise provided, PRC enterprises may not settle foreign currency loans borrowed by them abroad. In addition, short-term loans may only be used as working capital in principle, but not for any medium-to-long term purpose, such as investment in fixed assets.

There can be no assurance that the Group will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans and capital contribution from the Group to the Target Companies. If the Group fails to obtain such registrations or approvals, its ability to fund and expand the Target Companies' business in the PRC could be adversely affected, which could have material and adverse effects on the Target Companies' business operations, financial condition and results of operations.

(g) **The PRC legal system contains inherent uncertainties and inconsistencies**

The PRC's legal system is based on written statutes. Prior legal decisions and judgements have limited precedential value. The PRC is still in the process of developing a comprehensive statutory frameworks and its legal system is still considered to be underdeveloped in comparison with the legal system in some western countries. Since 1979, the PRC legislative bodies have promulgated laws and governance, commerce, taxation and trade. Since then, there has been a tendency on legislation towards giving increasing protection to foreign investors and significant progress has been made in the legal system of the PRC.

Despite significant improvement in its developing legal system, however, the PRC does not have a comprehensive system of law. The enforcement of existing laws and regulations may be uncertain or inconsistent, and the interpretation of these laws and regulations may change from time to time. Any such change could have a material and adverse effect on the Enlarged Group's business, financial condition and results of operations.

Furthermore, many laws, regulations and legal requirements have only recently been adopted by the central or local governments, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. Depending on the government agency or how an application or a case is presented to such agency, the Enlarged Group may receive less favourable interpretations of law than our competitors. In addition, any litigation in the PRC may be protracted and result in substantial legal costs and diversion of resources and management attention. Similarly, legal uncertainty in the PRC may limit the legal protection available to potential litigants. In addition, the PRC government may introduce new laws and regulations or change existing laws and regulations or the interpretation of the same. The occurrence of one or several of these risks could materially and adversely affect the Enlarged Group's net assets, business operations, financial condition and results of operations.

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(h) **Greater scrutiny over acquisition and disposition transactions by the PRC tax authorities may have a negative impact on the Enlarged Group, or the Enlarged Group's investors' disposition of our shares**

The operations and transactions of the Target Companies are subject to review by the PRC tax authorities pursuant to relevant PRC laws, rules and regulations. However, these laws, regulations and legal requirements change frequently, and their interpretation and enforcement involve uncertainties. For example, on 10 December 2009, SAT issued the Notice Concerning the Strengthening of Enterprise Income Tax Administration with Respect to Equity Transfers by Non-resident Enterprises (“**Notice No. 698**”), which became effective retroactively as of 1 January 2008. Under Notice No. 698, where a non-PRC resident enterprise transfers the equity interest of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company (excluding buying and selling shares of a PRC resident enterprise) on a public stock exchange (“**Indirect Transfer**”), and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5%; or (ii) does not tax foreign income of its residents, the non-resident enterprise, being the transferor, shall report this Indirect Transfer to the competent tax authorities for the PRC resident enterprise. Using a “substance over form” principle, the PRC tax regulatory authorities may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring any PRC tax. As a result, gains derived from such Indirect Transfer may be subject to the PRC withholding tax at a rate of up to 10.0%. In addition, Notice No. 698 provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant PRC tax authorities can at their discretion, make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of Notice No. 698. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with the PRC. It is not clear to what extent the shareholders of the Company may be subject to these requirements. Moreover, although several issues related to Notice No. 698 were clarified through the Notice regarding Several Issues on the Administration of Non-Resident Enterprise Income Tax dated 28 March 2011 by SAT (“**Notice No. 24**”), which became effective on 1 April 2011, there is little guidance or precedent regarding the application of Notice No. 24 and the process and format for reporting the Indirect Transfer to the competent PRC tax authorities remain unclear. On 3 February 2015, SAT further promulgated the Announcement on Several Issues Concerning Enterprise Income Tax on Income derived from Indirect Transfer of Assets by Non-Resident Enterprises, to prescribe more detailed operational guidance. The PRC tax authorities may, at their discretion, impose or adjust the capital gains of any acquisitions and dispositions or request the Enlarged Group to submit additional documentation for their review in connection with any relevant acquisition or disposition, and thus cause the Enlarged Group to incur additional costs.

(i) **A destabilisation of the political system could threaten the PRC's economic liberalisation**

While the PRC economy has changed fundamentally from a centrally planned system to a more market-oriented economy over the last three decades, the political system in the PRC still operates under communist control. Although political conditions in the PRC seem to be generally stable, changes may occur in its political system which might affect the ownership or operation of our interests, including, amongst others, changes in government as well as in legislative and regulatory regimes.

A material change in the PRC's economic liberalisation triggered by political disruptions or by other means could impact the country's economic growth in general and the Enlarged Group's business in particular. Social instability could lead to a tougher stance by the PRC

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government on foreign investors operating in the PRC or on foreign investment in general. Any such developments could materially and adversely affect the Enlarged Group's net assets, business operations, financial condition and results of operations.

(j) **The PRC's judiciary's lack of independence and limited experience and the difficulty of enforcing court decisions and governmental discretion in enforcing court orders could prevent us from obtaining effective remedies in a court proceeding**

The PRC's judicial system may not be as independent or immune to economic, political and nationalistic influences as judicial system in European jurisdictions. The court system in the PRC is largely understated and underfunded. Since court in the PRC are financially dependent on the respective local governments, judges tend to favour the economic interests of the municipalities or provinces and the enterprises located there. The independence of judges is further undermined by the fact that PRC judges are only appointed for a limited period of time and may be dismissed during their term of office. Many older judges have not has any prior legal education. Courts in the PRC are often inexperienced in the area of business law. Not all PRC legislation and court decisions are readily available to the public or organised in a manner that facilitates understanding. Enforcement of court orders can, in practice, be very difficult in the PRC. Additionally, court decisions are often used in furtherance of political and commercial aims. The Enlarged Group might be subject to such claims by competitors or other parties and may not be able to receive a fair hearing in the course of the relevant trial or legal procedure. Judicial decisions in the PRC can also be unpredictable and may not provide effective remedies. These uncertainties also extend to property rights. Exploration or nationalisation of any of the Target Companies, their assets or portions thereof, potentially without adequate compensation, could materially and adversely affect the Enlarged Group's net assets, business operations, financial condition and results of operations.

(k) **As the Target Companies are located in the PRC, Shareholders may not be accorded the same rights and protection that would be accorded under the Companies Act and seeking recognition and enforcement in the PRC of judgements by Singapore courts against the Target Companies, assets or management personnel might be difficult or impossible for investors**

The Target Companies are subject to the applicable laws and regulations in the PRC which may not correspond to provisions in the Companies Act for the protection of Shareholders. As such, Shareholders may or may not be accorded with the same level of rights and protections that would have be accorded by the Companies Act in relation to a Singapore incorporated company.

The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgements made by the courts of Singapore or most other jurisdictions. As a result, it will be difficult or impossible for investors to effect service of process or enforce judgements from Singapore courts against the Target Companies, assets or management personnel in the PRC.

(l) **The Target Companies may incur liability pursuant to unauthorised actions by its legal representatives**

The Target Companies are required by law to appoint legal representatives to be the responsible persons to perform the duties and powers on behalf of the Target Companies. The legal representatives are authorised to perform all acts regarding the general administration of the Target Companies and they can also execute powers of attorney and execute any legal transaction that is within the nature and the scope of business of these companies.

In the event that the legal representatives of any of the Target Companies perform any unauthorised actions in contravention of the law and/or its contractual obligations purportedly on behalf of the companies, there is a risk that the Enlarged Group may be held liable for



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such acts. While measures and control procedures have been implemented in order to mitigate such risk, there is no assurance that the legal representatives will adhere to such measures and control procedures. In the event that any of the legal representatives incurs liability without authorisation on behalf of the Enlarged Group, the Enlarged Group's business operations, financial condition, results of operations, prospects, profitability and financial performance may be materially and adversely affected.

### 3.10.2 Risk Factors relating to the Target Companies on completion of the Acquisition

(a) **The Target Companies has a limited track record**

The Target Companies have a limited history upon which it may be evaluated. The Target Companies were only incorporated in August 2013 and as a result, the evaluation of the Target Companies and its prospect will be based on a limited history. The Target Companies also has limited historical financial data from which to predict its future revenue and expenses. The limited history and financial data of the Target Companies may not be appropriate basis to evaluate its future prospect and performance. There is no assurance that the Target Companies can sustain profitability or avoid losses in the future and its limited history may not be indicative of its future financial performance. Notwithstanding the above, as disclosed by the Company in the announcement dated 10 July 2017 and in Section 3.8 of this Circular, the merits of the Acquisition and the business plans and strategies of the Target Companies represents a good opportunity for the Group to expose and develop future business opportunities and ventures that will create value for the stakeholders and shareholders of each of the counter parties.

(b) **The success of the operations of the Target Companies depends on the continued support of the Vendor**

Upon completion of the Acquisition, the Vendor will hold 28.0% of the Target Companies. The Vendor will provide the network that the Group requires for successful operations in the PRC. Accordingly, there is the possibility of disputes arising between the Company and the Vendor and/or the withdrawal of such support from the Vendor. Although the Company believes that the interests of the Vendor is aligned with that of the Group, if any of the above occurs, the Group's business operations, financial condition, results of operations, prospects, profitability and financial performance may be materially and adversely affected.

(c) **The Target Companies is subject to financing risks and may not have adequate capital resources to finance existing and future developments**

Property development is capital intensive. The Target Companies will be funding their property developments through a combination of internal and external sources of funds. Internal sources of funds comprise mainly cash generated from their operation activities (which include cash inflows arising from sales of the property developments) and cash and bank balances while external sources comprise mainly banks and other loans and capital contribution from shareholders. The mismatching cash flows nature of property development may result in periods where the property developer may experience net negative operating cash flows that have to be financed through existing cash and bank balances and external sources of funds, which represent greater reliance on such external sources of funds during these periods.

Property developers may not have adequate capital resources available to finance their business activities such as land acquisitions or property developments. This may arise from inadequacy of (i) external sources of fund and/or (ii) internal funds such as low cash levels and/or that the property developers are unable to achieve sufficient sales in order to fund these property developments.

Although the Target Companies have managed to obtain financing in the past to fund their business activities, there is no assurance that it will be able to continue to obtain such financing support on commercially acceptable terms, or any financing support at all. In such event, and where the Target Companies require but is unable to (i) to rely on its existing cash

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## LETTER TO SHAREHOLDERS

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and bank balance due to insufficiency; and (ii) to obtain external sources of funds, it will not be able to finance its existing and future developments, the Target Companies may not be able to finance its business activities and their cash flow, financial performance and financial position will be adversely affected.

The Target Companies may also require additional borrowings to fund its future development projects. The incurrence of additional debt will increase its interest payments required to service its debt obligations and could result in operating and financial covenants that restrict its operations and its ability to pay dividends to its shareholders. In addition, in line with typical financing facilities, the terms of the Target Companies' loans, borrowings and trust financing arrangements may allow the banks, financial institutions and/or trust financing companies to suspend or withdraw its financing in an event of default. In the event of the Target Companies' loans, borrowings and trust financing arrangements are suspended or withdrawn, the Target Companies may not have sufficient capital resources to finance its business operations and/or repay the withdrawn financing facilities. If any of the above occurs, the Group's business operations, financial condition, results of operations, prospects, profitability and financial performance may be materially and adversely affected.

(d) **The Target Companies are subject to risks in relation to the increases in interest rate**

The Target Companies face risks in relation to the interest rate movements as the Target Companies' financing costs are affected by changes in interest rate. The Target Companies expect that the increases in interest rates will increase its financing costs in general.

Changes in interest rates will affect the Target Companies' interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. This includes in turn have a material and adverse effect on the Group's business operations, financial condition, results of operations, prospects, profitability and financial performance.

(e) **The Target Companies is exposed to risks in the property sector in the PRC in which it operates**

The Target Companies' Huzhou Project is based in Zhejiang, PRC. As the revenue of the Target Companies would be primarily derived from the Huzhou Project, its performance may be adversely affected as a result of exposure to the risks inherent in the PRC property market. Relevant risks in relation to the property sector in the PRC include, shortage of labour supply, competition from other property developers, property downturns resulting from changes in the state of the economy, increase in labour costs, construction costs, energy costs and prices of raw materials, changes in government policies or changes in bank interest rates. If any of the above occurs, the Enlarged Group's business operations, financial condition, results of operations, prospects, profitability and financial performance may be materially and adversely affected.

(f) **There is no assurance that the Huzhou Project will be commercially successful**

The Company believes that the Huzhou Project will allow the Group to have better prospects of profitability and ensure long term growth as and when the Target Companies' projects commence sales and are eventually completed. However, there is no assurance that Huzhou Project will be commercially successful and improve the financial performance of the Group. The amount earmarked for the development of Huzhou Project may also be insufficient and may require additional expenditure. An increase in these expenses without a corresponding increase in revenue would adversely affect the Group's business operations, financial condition, results of operations, prospects, profitability and financial performance.

(g) **The Group may not be able to identify suitable joint venture partners to develop the Huzhou Project**

The successful development of the Huzhou Project may depend on the Enlarged Group identifying suitable joint venture partners to jointly develop the property. Development of the Huzhou Project involves numerous risks, including but not limited to difficulties in the

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## LETTER TO SHAREHOLDERS

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assimilation of the management by joint venture partners, operations, services and personnel and the possible diversion of management attention from other business concerns. The successful development of the Huzhou Project depends on its ability to identify suitable joint venture partners and the successful integration of their operations with the Enlarged Group. There can be no assurance that the Enlarged Group will be able to execute such development strategies successfully and if so, the performance of any strategic alliances could fail short of expectations.

(h) **The Target Companies' business is particularly sensitive to reduction in disposable income due to economic downturns**

As with most other businesses, the Target Companies' business is inherently subject to general economic conditions. The global financial crisis, including a slowing down of the PRC economy, has a profound impact of the global economy and may have engendered reductions in consumers' disposable income. This may affect demand for the Target Companies' spending on its amenities.

Changes in discretionary consumer spending or consumer preferences could be driven by factors such as:

- perceived or actual general economic conditions;
- high energy' fuel and food costs;
- the increased cost of travel;
- the potential for bank failures;
- the weakening job market; or
- perceived or actual disposal consumer income and wealth.

### 3.11 Financial Effects of the Acquisition

#### 3.11.1 NTA per Share

For illustrative purposes only and assuming that the Acquisition had been completed on 30 June 2017, being the end of the most recently concluded financial year, being the financial year ended 30 June 2017 ("FY2017"), the proforma financial effects on the consolidated NTA of the Group for FY2017 will be as follows:

	Before the Acquisition	After the Acquisition
Consolidated NTA attributable to the shareholders of the Company (S\$'000)	26,792	25,864
Number of Shares (excluding treasury shares) ('000)	3,892,650	3,892,650
Consolidated NTA per Share attributable to the shareholders of the Company (S\$)	0.007	0.007

## LETTER TO SHAREHOLDERS

### 3.11.2 Earnings per Share

For illustrative purposes only and assuming that the Acquisition had been completed on 1 July 2016, being the start of FY2017, the proforma financial effects on the consolidated EPS of the Group for FY2017 will be as follows:

	Before the Acquisition	After the Acquisition
Loss attributable to the shareholders of the Company (S\$'000)	(6,588)	(6,759)
Weighted average number of Shares (excluding treasury shares) ('000)	3,891,487	3,891,487
Consolidated EPS (S\$)	(0.002)	(0.002)

### 3.12 Chapter 10 of the Catalyst Rules

Based on the latest unaudited financial statements of the Group for FY2017 and the Target Financial Statements, the relative figures for the Acquisition computed on the bases set out in Rule 1006 of the Catalyst Rules are as follows:

Rule 1006	Bases	Acquisition	Group	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable		
(b)	Net loss attributable to the Sale Interests to be acquired <sup>(1)</sup> , compared with the Group's net loss before tax	(S\$171,000)	(S\$6,588,000)	2.6
(c)	The aggregate value of the Consideration, compared with the Company's market capitalisation <sup>(2)</sup> based on the total number of issued shares excluding treasury shares	S\$11,808,000	S\$15,570,599	75.8
(d)	The number of equity securities issued by the Company as consideration for a acquisition, compared with the number of equity securities previously in issue	Not applicable		
(e)	Aggregate volume or amount of proven and probable reserves to be disposed of compared with the aggregate of the Group's proven and probable reserves	Not applicable		

**Notes:**

- (1) Based on the Target Financial Statements, the net loss attributable to the Sale Interests was RMB 845,000. The net loss attributable to the Sale Interests was converted to S\$ using an exchange rate of RMB1.00 to S\$0.203.

## LETTER TO SHAREHOLDERS

- (2) The market capitalisation of S\$15,570,599 is derived from the volume weighted average market price of S\$0.004 per Share as at 7 July 2017, being the last traded market day immediately preceding the date of the S&P Agreement (*Source: Bloomberg*) and the issued share capital of 3,892,649,864 Shares as at 7 July 2017

As the relative figure under Rule 1006(c) of the Catalist Rules exceeds 75.0% but is less than 100.0%, the Acquisition constitutes a “Major Transaction” as defined under Chapter 10 of the Catalist Rules and requires the approval of the Shareholders. Also, as the Acquisition will result in the Company entering into a new business sector, the Board would like to seek the approval of the Shareholders for the Acquisition.

### 3.13 Conditionality

Ordinary Resolution 2 relating to the Acquisition is conditional upon Ordinary Resolution 1 relating to the Proposed Diversification being passed.

## 4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this Circular, none of the Directors or Substantial Shareholders of the Company (other than in their capacity as directors or shareholders of the Company) has any interest, direct or indirect, in the Acquisition.

### 4.1 Interests in Shares

As at the Latest Practicable Date, the interests of the Directors in the issued and paid-up share capital as recorded in the Register of Directors’ Shareholdings maintained pursuant to Section 164 of the Companies Act and the interests of the Substantial Shareholders in the issued and paid-up capital of the Company as recorded in the Register of Substantial Shareholder(s) maintained pursuant to Section 88 of the Companies Act are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
<b>Directors</b>				
Dato’ Dr Choo Yeow Ming <sup>(2)</sup>	605,645,532	15.56	352,479,500	9.06
Lee Keng Mun	–	–	–	–
Hano Maeloa	307,118,154	7.89	–	–
Dr. Lam Lee G	–	–	–	–
Chew Soo Lin	3,600,036	0.09	–	–
Yap Siew Sin	–	–	–	–
<b>Substantial Shareholder(s) other than Directors</b>				
Goh Yeo Hwa <sup>(3)</sup>	221,341,000	5.69	–	–

#### Notes:

- (1) The percentage of Shares is computed based on 3,892,649,864 Shares, being the total number of issued voting shares of the Company (excluding treasury shares) as at the Latest Practicable Date.
- (2) By virtue of section 7 of the Companies Act, Dato’ Dr. Choo Yeow Ming is deemed to have an interest in Shares held by Summers Overseas Limited (1.59%), Seymour Pacific Limited (3.10%) and Orient Achieve Limited (4.37%). These deemed interests are held through nominees.
- (3) Goh Yeo Hwa’s direct interest of 154,407,000 Shares are registered under nominees. The remaining 66,934,000 Shares are registered under the name of Goh Yeo Hwa.

## LETTER TO SHAREHOLDERS

### 4.2 Interests in Warrants

As at the Latest Practicable Date, based on the information in the warrant registers and the depository registers maintained by the warrant agent and by the CDP respectively pursuant to the terms and conditions of the existing warrants of the Company, the interests of the Directors and holders of more than 5.0% of the existing warrants of the Company are as follows:

#### 2013 Warrants

	Direct Interest		Deemed Interest	
	Number of 2013 Warrants	%( <sup>1</sup> )	Number of 2013 Warrants	%( <sup>1</sup> )
<b>Directors</b>				
Dato' Dr Choo Yeow Ming	–	–	–	–
Lee Keng Mun	–	–	–	–
Hano Maeloa	–	–	–	–
Dr. Lam Lee G	–	–	–	–
Chew Soo Lin	–	–	–	–
Yap Siean Sin	–	–	–	–
<b>Holders of 2013 Warrants</b>				
Philip Securities Pte Ltd	5,197,614	49.22	–	–
Raffles Nominees (Pte) Ltd	1,260,030	11.93	–	–
Kam Keng Seng	539,175	5.11	–	–

**Note:**

(1) The percentage interest is based on the existing 10,559,328 2013 Warrants as at the Latest Practicable Date.

#### 2014 Warrants

	Direct Interest		Deemed Interest	
	Number of 2014 Warrants	%( <sup>1</sup> )	Number of 2014 Warrants	%( <sup>1</sup> )
<b>Directors</b>				
Dato' Dr Choo Yeow Ming	–	–	–	–
Lee Keng Mun	–	–	–	–
Hano Maeloa	187,632,083	24.26	–	–
Dr. Lam Lee G	–	–	–	–
Chew Soo Lin	5,362,573	0.69	–	–
Yap Siean Sin	–	–	–	–
<b>Holders of 2014 Warrants</b>				
Philip Securities Pte Ltd	93,025,933	12.03	–	–
Citibank Nominees Singapore Pte Ltd	75,611,250	9.78	–	–
Leong Fook Weng	49,290,418	6.37	–	–
UOB Kay Hian Pte Ltd	39,049,749	5.05	–	–

**Note:**

(1) The percentage interest is based on the existing 773,282,530 2014 Warrants as at the Latest Practicable Date.

## LETTER TO SHAREHOLDERS

### 2015 Warrants

	Direct Interest		Deemed Interest	
	Number of 2015 Warrants	%( <sup>1</sup> )	Number of 2015 Warrants	%( <sup>1</sup> )
<b>Directors</b>				
Dato' Dr Choo Yeow Ming	403,763,688	15.58	121,653,000	4.69
Lee Keng Mun	–	–	–	–
Hano Maeloa	204,745,436	7.9	–	–
Dr. Lam Lee G	–	–	–	–
Chew Soo Lin	2,400,000	0.09	–	–
Yap Siean Sin	–	–	–	–
<b>Holder of 2015 Warrants</b>				
Citibank Nominees Singapore Pte Ltd	359,451,000	13.87	–	–
Raffles Nominees (Pte) Ltd	317,573,552	12.25	–	–
Goh Yeo Hwa	168,894,100	6.51	–	–

**Note:**

(1) The percentage interest is based on the existing 2,592,009,576 2015 Warrants as at the Latest Practicable Date.

## 5. DIRECTORS' RECOMMENDATION

### 5.1 Proposed Diversification

Having considered the rationale for the Proposed Diversification, the Directors are of the opinion that the change in core business is in the best interests of the Company.

Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 1 relating to the Proposed Diversification, as set out in the Notice of EGM.

### 5.2 Acquisition

Having considered the terms and conditions of and rationale for the Acquisition, the Directors are of the opinion that the Acquisition is in the best interests of the Company.

Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 2 relating to the Acquisition, as set out in the Notice of EGM.

## 6. EXTRAORDINARY GENERAL MEETING

The EGM will be held at 11.00 a.m. on 12 October 2017 at Antica II & III, Level 2, Orchard Parade Hotel, 1 Tanglin Road, Singapore 247905 for the purpose of considering and, if thought fit, passing with or without modification(s), the resolutions as set out in the Notice of EGM.

## 7. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company not less than 48 hours before the time fixed for the EGM. The completion and lodgment of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes.

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## LETTER TO SHAREHOLDERS

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A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register as at 72 hours before the EGM.

### 8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who have delegated detailed supervision of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Diversification, the Acquisition and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information has been reproduced 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 is accurately and correctly extracted from these sources and/or reproduced in this Circular (in its proper form and context).

### 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company during normal business hours from the date of this Circular to the time and date of the EGM:

- (a) the constitution of the Company; and
- (b) the S&P Agreement.

Yours faithfully

For and on behalf of  
the Board of Directors of  
**ASIA-PACIFIC STRATEGIC INVESTMENTS LIMITED**  
Dato' Dr Choo Yeow Ming  
Chairman and Chief Executive Officer



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### ASIA-PACIFIC STRATEGIC INVESTMENTS LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200609901H)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

All capitalized terms in this Notice which are not defined herein shall have the same meaning ascribed to them in the Circular to Shareholders dated 27 September 2017.

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (the “EGM”) of the shareholders (the “Shareholders”) of Asia-Pacific Strategic Investments Limited (the “Company”) will be held at 11.00 a.m. on 12 October 2017 at Antica II & III, Level 2, Orchard Parade Hotel, 1 Tanglin Road, Singapore 247905 for the purposes of considering and, if thought fit, passing (with or without modifications) the following ordinary resolutions.

#### ORDINARY RESOLUTION 1: THE PROPOSED DIVERSIFICATION OF THE GROUP’S BUSINESS

That:

- (a) approval be and is hereby given for the diversification of the Group’s business to include the Proposed New Business; and
- (b) the Board of Directors of the Company and each of them be and are hereby authorised to enter into all such transactions, arrangements and agreements and approve, execute and deliver all documents and do all deeds and things as may be necessary, expedient, incidental or in the interests of the Company to give effect to the approvals given in this Ordinary Resolution.

#### ORDINARY RESOLUTION 2: THE ACQUISITION

**PROPOSED ACQUISITION OF 72.0% OF THE ISSUED EQUITY INTEREST OF EACH OF HUZHOU AGRICULTURE CO. (湖州获溪耕读生态农业发展有限公司) AND HUZHOU CULTURE CO. (湖州苕溪渔隐文化产业有限公司)**

That, subject to and contingent upon the passing of Ordinary Resolution 1:

- (a) approval be and is hereby given for the Acquisition by the Company (or its subsidiaries), of 72.0% of the issued equity interest of each of Huzhou Agriculture Co. (湖州获溪耕读生态农业发展有限公司) and Huzhou Culture Co. (湖州苕溪渔隐文化产业有限公司) pursuant to the terms and subject to the conditions of the S&P Agreement; and
- (b) the Board of Directors of the Company and each of them be and are hereby authorised to enter into all such transactions, arrangements and agreements and approve, execute and deliver all documents and do all deeds and things as may be necessary, expedient, incidental or in the interests of the Company to give effect to the approvals given in this Ordinary Resolution or the transactions contemplated by the Acquisition.

By Order of the Board  
**ASIA-PACIFIC STRATEGIC INVESTMENTS LIMITED**

Yap Wai Ming  
Company Secretary

Singapore, 27 September 2017

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### NOTES:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint not more than two proxies to attend in his stead. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.
2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting. A Relevant Intermediary is either:
  - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
  - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
  - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy must be deposited at the office of the Share Registrar of the Company, B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building Singapore 048544 not less than 48 hours before the time appointed for holding of the EGM. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the EGM as certified by The Central Depository (Pte) Limited to the Company.

### PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

## PROXY FORM

### ASIA-PACIFIC STRATEGIC INVESTMENTS LIMITED

(Company Registration No. 200609901H)  
(Incorporated in the Republic of Singapore)

### PROXY FORM

(Please see notes overleaf before completing this Form.)

**IMPORTANT:**

1. A Relevant Intermediary may appoint more than two proxies to attend the Extraordinary General Meeting of the Company and vote (please see Note 4 for the definition of "Relevant Intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We, \_\_\_\_\_  
of \_\_\_\_\_

being a member/members of **ASIA-PACIFIC STRATEGIC INVESTMENTS LIMITED** (the "Company")  
hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of shareholdings	
			No. of Shares	%

or failing \*him/her/them, the Chairman of the Extraordinary General Meeting of the Company as \*my/our proxy/proxies to vote for \*me/us on \*my/our behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company to be held at 11.00 a.m. on 12 October 2017 at Antica II & III, Level 2, Orchard Parade Hotel, 1 Tanglin Road, Singapore 247905 and at any adjournment thereof. \*

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Extraordinary General Meeting. In the absence of specific directions, the proxy/proxies may vote or abstain from voting as he/they may think fit on any other matter arising at the Extraordinary General Meeting.)

As Ordinary Resolutions:		For	Against
Resolution 1	To authorise the Proposed Diversification		
Resolution 2	To authorise the Acquisition		

**Note:** Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of Extraordinary General Meeting for the full purpose and intent of the Resolutions to be passed.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

Total number of Shares held in:	No. of Shares
CDP Register	
Register of Members	

\_\_\_\_\_  
Signature(s) of member(s) or Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



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# PROXY FORM

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## Notes:

1. Please insert the total number of Shares you hold. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the register of Shareholders of our Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the register of Shareholders, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the register of Shareholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares in the capital of the Company held by you.
  2. A member of the Company who is not a Relevant Intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the annual general meeting. The proxy need not be a member of the Company.
  3. Where a member appoints more than one proxy, the member must specify the proportions of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry 100 per cent of the shareholdings of his appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.
  4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise rights attached to a different share or shares held by him (which number or class of shares shall be specified).
  5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Extraordinary General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Extraordinary General Meeting.
  6. The instrument appointing a proxy or proxies must be deposited at the office of the Share Registrar of the Company, B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building Singapore 048544, not less than 48 hours before the time appointed for holding of the Extraordinary General Meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
  7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
  8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
  9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Extraordinary General Meeting but would like to vote may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Extraordinary General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Extraordinary General Meeting.
- \* A Relevant Intermediary is:-
- (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
  - (b) a capital markets services licence holder which provides custodial services for securities and holds shares in that capacity; and
  - (c) Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

## General

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

## Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 27 September 2017.