

**CIRCULAR DATED 7 APRIL 2022**

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

**If you are in any doubt as to the contents herein or as to the course of action you should take, you should consult your legal, financial, tax or other independent adviser immediately.**

If you have sold or transferred all your shares in the capital of Hosen Group Ltd. ("Company") ("Shares") held through the Central Depository (Pte) Limited ("CDP"), you need not forward this Circular with the Notice of Extraordinary General Meeting ("EGM") and the attached Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of EGM and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your Shares represented by physical share certificate(s), you should immediately forward this Circular, the enclosed Notice of Extraordinary General Meeting and the Proxy Form to the purchaser or to the bank, stockbroker or other agent through whom you effected the sale for onward transmission to the purchaser.

This Circular has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Ms Jennifer Tan, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg



(Company Registration Number 200403029E)  
(Incorporated in the Republic of Singapore)

## **CIRCULAR TO SHAREHOLDERS**

in relation to

### **THE PROPOSED DIVERSIFICATION OF THE GROUP'S EXISTING BUSINESS TO INCLUDE THE PROPERTY BUSINESS**

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

- |  |   |  |
|--|---|--|
| Date and time of Virtual Information Session   | : | 20 April 2022 at 12.10 p.m. (please refer to the accompanying document entitled "Instructions to Shareholders for EGM 2022" for further details)   |
| Last date and time for lodgement of Proxy Form | : | 26 April 2022 at 12.10 p.m.  |
| Date and time of Extraordinary General Meeting | : | 29 April 2022 at 12.10 p.m. (or immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 12.00 p.m. on the same day), via electronic means |
| Place of Extraordinary General Meeting         | : | By way of electronic means   |

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## TABLE OF CONTENTS

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1.	INTRODUCTION .....	4
1.1.	EGM.....	4
1.2.	Circular to Shareholders.....	4
2.	THE PROPOSED DIVERSIFICATION .....	5
2.1.	Existing Business of the Group .....	5
2.2.	Information regarding the Proposed Diversification .....	5
2.3.	Rationale for the Proposed Diversification .....	6
2.4.	Approvals, Licences and Government Regulations .....	6
2.5.	Management of the Property Business .....	7
2.6.	Risk Management Procedures .....	7
2.7.	Funding for the Property Business .....	8
2.8.	Financial Effects .....	8
2.9.	Financial Reporting.....	8
2.10.	Conflicts of Interests .....	9
3.	APPLICATION OF CHAPTER 10 OF THE CATALIST RULES.....	9
4.	RISK FACTORS .....	10
4.1.	Introduction to Risk Factors.....	10
4.2.	Risk Factors associated with the Proposed Diversification and the Property Business .....	11
5.	CHANGES TO THE BOARD ARISING FROM THE PROPOSED DIVERSIFICATION .....	21
6.	INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS.....	21
7.	DIRECTORS' RECOMMENDATIONS .....	21
8.	EXTRAORDINARY GENERAL MEETING.....	22
9.	ACTION TO BE TAKEN BY SHAREHOLDERS .....	22
10.	LEGAL ADVISOR.....	22
11.	DIRECTORS' RESPONSIBILITY STATEMENT .....	22
12.	DOCUMENTS AVAILABLE FOR INSPECTION.....	23
	NOTICE OF EXTRAORDINARY GENERAL MEETING.....	24
	PROXY FORM.....	26

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## DEFINITIONS

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

<b>"Aggregated Transactions"</b>	: Has the meaning ascribed to it at paragraph 3.1.5(a).
<b>"AGM"</b>	: The annual general meeting of the Company to be held on 29 April 2022 at 12.00 p.m.
<b>"Board" or "Board of Directors"</b>	: The board of directors of the Company as at the Latest Practicable Date.
<b>"Catalist"</b>	: The Catalist Board of the SGX-ST.
<b>"Catalist Rules"</b>	: The Catalist Rules issued by the SGX-ST, as may be amended, supplemented or modified from time to time.
<b>"CDP"</b>	: The Central Depository (Pte) Limited.
<b>"Circular"</b>	: This circular to Shareholders dated 7 April 2022.
<b>"Companies Act"</b>	: The Companies Act 1967 of Singapore, as amended, supplemented or modified from time to time, or re-enactment thereof for the time being in force.
<b>"Company"</b>	: Hosen Group Ltd.
<b>"Director"</b>	: A director of the Company for the time being.
<b>"EGM"</b>	: The extraordinary general meeting of the Company, to be held by way of electronic means on 29 April 2022 at 12.10 p.m. or immediately following the conclusion or adjournment of the AGM to be held at 12.00 p.m. on the same day, via electronic means.
<b>"EPS"</b>	: Earnings per Share.
<b>"Existing Business"</b>	: Has the meaning ascribed to it at paragraph 2.1.1.
<b>"FY"</b>	: Financial year ended or ending, as the case may be, 31 December.
<b>"Group"</b>	: The Company and its Subsidiaries.
<b>"Latest Practicable Date"</b>	: 31 March 2022, being the latest practicable date prior to the date of this Circular.
<b>"Major Transaction"</b>	: Has the meaning ascribed to it at paragraph 3.1.2.
<b>"Notice of EGM"</b>	: The Notice of Extraordinary General Meeting which is on pages 24 to 25 of this Circular.
<b>"NTA"</b>	: Net tangible assets.
<b>"Property Business"</b>	: The Group's proposed property business which, subject to Shareholders' approval at the EGM, shall include property investment, property development and management of property-related assets, that may be carried out both within and outside Singapore, as more particularly described at paragraph 2.2.2 of this Circular.

<b>"Proposed Diversification"</b>	: The proposed diversification of the Group's Existing Business to include the Property Business.
<b>"SFA" or "Securities and Futures Act"</b>	: The Securities and Futures Act 2001, as amended, supplemented or modified from time to time, or re-enactment thereof for the time being in force.
<b>"SGX-ST"</b>	: Singapore Exchange Securities Trading Limited.
<b>"Shareholders"</b>	: The registered holders of Shares in the Register of Members of the Company, except where the registered holder is CDP, the term <b>"Shareholders"</b> shall, in relation to such Shares and where the context so admits, mean the depositors whose securities accounts maintained with the Depository are credited with those Shares.
<b>"Shares"</b>	: Ordinary shares in the capital of the Company.
<b>"Sponsor"</b>	: PrimePartners Corporate Finance Pte. Ltd., the sponsor to the Company.
<b>"Subsidiary"</b>	: A company which is for the time being a subsidiary of the Company, as defined under Section 5 of the Companies Act.
<b>"Substantial Shareholders"</b>	: A person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the Company.
<b>"Territories"</b>	: The countries in which the Group has business operations, which may be expanded or reduced from time to time. As at the Latest Practicable Date, such countries comprise Singapore, Malaysia and China.
<b>"%" or "percent"</b>	: 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. The term **"treasury share"** and **"subsidiary"** shall have the meanings ascribed to them under Section 4 and Section 5 of the Companies Act respectively.

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

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

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 Companies Act, SFA and the Catalist Rules or any modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, SFA and the Catalist Rules or modification as the case may be, unless otherwise provided.

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

### **Cautionary Note on Forward-Looking Statements**

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "expect", "anticipate", "believe", "estimate", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "if", "will", "would", "should", "could", "may" and "might". These statements

reflect the Company's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information.

Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements. Further, the Company disclaims any responsibility to update or revise any forward-looking statements for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and regulations and/or the rules of the SGXST and/or any other regulatory or supervisory body or agency.

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## LETTER TO SHAREHOLDERS

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### HOSEN GROUP LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration Number 200403029E)

#### Directors

Mr Wee Piew (Non-Executive Independent Chairman)  
Mr Lim Hai Cheok (Executive Director and Chief Executive Officer)  
Ms Lim Kim Eng (Executive Director)  
Mr Lim Hock Chye Daniel (Executive Director)  
Mr Lim Heng Seng (Non-Executive Independent Director)  
Mr Leong Ka Yew (Non-Executive Independent Director)

#### Registered Office

267 Pandan Loop  
Singapore 128439

7 April 2022

To: The Shareholders of Hosen Group Ltd.

Dear Sir/Madam

### THE PROPOSED DIVERSIFICATION OF THE GROUP'S EXISTING BUSINESS TO INCLUDE THE PROPERTY BUSINESS

#### 1. INTRODUCTION

##### 1.1. EGM

- 1.1.1 The Directors are convening the EGM to seek Shareholders' approval for the proposed diversification of the Group's Existing Business to include the Property Business as elaborated in Section 2.2 of this Circular.
- 1.1.2 The Proposed Diversification is set out as an ordinary resolution in the Notice of EGM.

##### 1.2. Circular to Shareholders

- 1.2.1 The purpose of this Circular is to provide Shareholders with information relating to the Proposed Diversification, which will be tabled at the EGM for Shareholders' approval. This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than the Shareholders) or for any other purposes.
- 1.2.2 Shareholders are advised to read the "Risk Factors" set out in Section 4 of this Circular carefully in relation to the risks involved pursuant to the Proposed Diversification.
- 1.2.3 The SGX-ST assumes no responsibility for the contents of this Circular, including the accuracy or correctness of any statements or opinions made, or reports contained in this Circular.

## 2. THE PROPOSED DIVERSIFICATION

### 2.1. Existing Business of the Group

- 2.1.1 Currently, the Group is principally engaged in the core business of importing, exporting, manufacturing and distributing fast moving consumer goods, specialising in packaged foods, with an extensive and robust distribution network that spans Asia, Europe, Middle East, Africa and the Oceanic countries (generally, the "**Existing Business**").
- 2.1.2 As at the Latest Practicable Date, the Existing Business is the sole revenue contributor to the Group. Subsequent to the Proposed Diversification (if approved), it is envisaged that the Group will continue to rely substantially on the Existing Business.
- 2.1.3 The Group remains committed to the Existing Business so long as its continuity is in the best interest of the Group and its Shareholders. The Group's entry into the Property Business is intended to be a diversification from the Existing Business.

### 2.2. Information regarding the Proposed Diversification

- 2.2.1 Subject to the Shareholders' approval of the Proposed Diversification being obtained at the EGM, the Group intends to diversify the Group's Existing Business to include the Property Business as set out below, as and when the appropriate opportunities arise.
- 2.2.2 The Property Business is intended to consist of:
- (a) Property investment. It is intended for the Group to acquire and hold investments in residential, hospitality, commercial, industrial and other suitable types of properties. The intention is to hold such investments as long-term investments for capital growth.
  - (b) Property development. It is intended for the Group to engage in property development activities such as the acquisition, development and/or sale of residential, hospitality, commercial (retail and office), industrial and any other types of properties (including mixed development properties).
  - (c) Management of property-related assets. It is intended for the Group to manage property-related assets, including without limitation leasing out such assets for the collection of rent, as well as the provision of property management services such as facilities management, serviced apartments, student accommodation, dormitories, landscape management and car park management.
- 2.2.3 The Group intends to focus the efforts for the Property Business in the Territories, being the countries in which the Group has business operations from time to time. The Group may subsequently venture into other countries if the Group's business operations expand into such other countries.
- 2.2.4 Based on generally available property market information, the Board is of the view that the property market is currently relatively stable.
- 2.2.5 As at the Latest Practicable Date, the Group is exploring but has not committed to any specific business opportunity or investment under the Property Business.

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

2.3.1 The Board proposes to diversify the Group's business to include the Property Business for the following reasons:

(a) Reduce reliance on its Existing Business and create more revenue streams

The Group is currently only involved in the Existing Business, which is becoming increasingly challenging and competitive. The Proposed Diversification will reduce the Group's reliance on its Existing Business and open up a new business segment and revenue stream for the Group.

The Proposed Diversification is expected to provide additional and recurrent revenue streams for the Group which include management fees, rental fees and gains from capital appreciation.

(b) Enhance Shareholders' value

The Proposed Diversification is part of the corporate strategy of the Group to realign its business strategies and improve profits, as well as provide Shareholders with diversified returns and long-term growth. The Board believes that the Proposed Diversification will offer new business opportunities, provide the Group with new revenue streams and improve its prospects, so as to enhance Shareholders' value in the Company.

The COVID-19 pandemic has impacted the global economy to some extent. While the Group has continued to expand and strengthen its efforts to introduce new products, as well as expand its overseas markets, the Board believes that entry into the Property Business is beneficial to further diversify the Group's business in order for the Group to remain competitive.

(c) The Proposed Diversification will give the Group flexibility to enter into transactions relating to the Property Business in the ordinary course of business

Subject to the Shareholders' approval of the Proposed Diversification, any acquisition or disposal which is in, or in connection with, the Property Business, may be deemed to be in the Company's ordinary course of business and therefore not fall under the definition of a "transaction" under Chapter 10 of the Catalist Rules. Accordingly, the Company may, in its ordinary course of business, enter into transactions relating to the Property Business and which will not change the risk profile of the Company, in an efficient and timely manner without the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential transactions relating to the Property Business arise. This will reduce substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

Notwithstanding the foregoing, the Company will seek Shareholders' approval in the scenarios described in paragraph 3.1.5 of this Circular.

2.3.2 Based on the above, the Board is of the view that the Proposed Diversification is in the best interests of the Group and Shareholders.

## **2.4. Approvals, Licences and Government Regulations**

2.4.1 There are numerous regulations pertaining to the operation of the Property Business in Singapore and the other Territories, which may govern the licensing and control of developers, the compliance of buildings to prescribed standards, the sale of real estate and/or real estate projects, the protection and determination of tenancies plus the control and recovery of rent, the regulation and control of the provision of property management services and other aspects of the Property Business.



2.4.2 The Group will apply for all the requisite licences and/or permits as are necessary, desirable and/or required for any activities carried out in the Territories under the Property Business.

## **2.5. Management of the Property Business**

2.5.1 The Company recognises that the Property Business is different from its Existing Business. However, the Company notes that the relevant experience and expertise required can be acquired and developed by the Group over time as it progresses in the Property Business. The Board, which reviews the risk exposure of the Company for all its businesses at regular intervals, will additionally review the risk exposure of the Property Business periodically to ensure that there are sufficient guidelines and procedures in place to monitor its operations.

2.5.2 The Group will monitor developments and progress in the Property Business and will continually evaluate the manpower and expertise required for the Property Business. As and when required, the Group will seek the advice of or hire suitably qualified personnel, external consultants, external industry experts and professionals for the Property Business, to manage the Property Business and take it forward. Shareholders will be updated accordingly from time to time.

2.5.3 It is currently envisaged that the management of the Property Business will be spearheaded by the Board of Directors, who will be supported by senior management of the Group. As the Property Business grows, the Group intends to strengthen the management and execution team of the Property Business with additional candidates with the credentials and experience relevant to the proposed Property Business.

2.5.4 The Group may also enter into joint ventures and/or foster partnerships with third parties in the relevant industries to undertake the Property Business more effectively. Such partnerships may either be on a case-by-case basis or on a longer-term basis. In selecting prospective partners, the Group will consider the specific expertise and competencies necessary for the project(s) in question and the experience, track record and financial standing of the party or parties concerned.

2.5.5 The Group may also look for potential targets which will allow the Group to undertake acquisitions of existing businesses in the Property Business. This will enable the Group to have an immediate foothold in the Property Business.

## **2.6. Risk Management Procedures**

2.6.1 The Board does not have a separate Board risk committee as the Board is currently assisted by the Audit Committee, internal auditors and external auditors in carrying out its responsibility of overseeing the Company's risk management framework and policies. To address the risks presented by the Proposed Diversification, the members of the Audit Committee will be tasked with the responsibility of overseeing the risk management activities of the Company in relation to the Property Business following the Proposed Diversification. The Audit Committee will be required to approve appropriate risk management procedures and measurement methodologies, and be involved in identifying and managing the various business risks for the Property Business.

2.6.2 The Company will endeavour to ensure that the risk management systems implemented commensurate with the risk and business profile, nature, size and complexity of operations and business activities of the Property Business, and will review such risk management systems periodically to assess adequacy.

2.6.3 The Board and the Audit Committee will adopt internal policies and procedures for the management to consider before tabling proposals for any new projects or investments under the Property Business.

2.6.4 Further, investments above an internally-determined threshold (as approved by the Board from time to time) must be specifically approved by the Audit Committee. In addition, the Board and the Audit

Committee, which review the risk exposure of the Property Business at regular intervals, will review the risk exposure of the Property Business at intervals of not less than annually.

- 2.6.5 The risk management and internal control systems, no matter how sophisticated in design, still contains inherent limitations caused by misjudgement or fault. Accordingly, there is no assurance that the risk management and internal control systems are adequate or effective notwithstanding the Group's efforts, and any failure to address any internal control matters and other deficiencies may result in investigations and/or disciplinary actions, or even prosecution being taken against the Group and/or its employees, disruption to the risk management system, and an adverse effect on the Group's financial condition and results of operations.

## **2.7. Funding for the Property Business**

- 2.7.1 The Property Business will require sufficient capital to fund its inception, daily operations and future growth and expansion plans. In particular, the property development and property investment businesses are capital intensive in nature.
- 2.7.2 To the extent that funds generated from operations and internal funds have been exhausted and subject to the then market conditions and financial consideration, the Group may tap into the capital markets and explore secondary fund-raising exercises such as rights issues, share placements and/or issuance of debt instruments to fund the Property Business.
- 2.7.3 In addition, as and when necessary and deemed appropriate, the Group may also raise funds through borrowings from external parties (including banks and other financial institutions). The Directors will determine the optimal mix of internal funding and external borrowings, taking into account the Group's cash flow and prevailing bank financing costs, amongst other factors.
- 2.7.4 The Group will remain prudent and take into account the financial health of the Group in deciding the types of property development and/or investment projects it undertakes, and the amounts thereof.
- 2.7.5 Please refer to Section 4 of this Circular for more information on the risk factors relating to the funding of the Property Business and other risk factors.

## **2.8. Financial Effects**

- 2.8.1 As at the Latest Practicable Date, the Group has no affirmative and binding plans in relation to the Property Business and is therefore unable to determine the financial impact from the Proposed Diversification on the net profit, EPS or NTA of the Company for FY2022.
- 2.8.2 Should there be any material impact on the Company's NTA per Share and EPS in the future as a result of the Proposed Diversification, the Company will make the necessary announcements at the appropriate time.

## **2.9. Financial Reporting**

- 2.9.1 The Property Business will be accounted for as a new business segment in the Company's financial statements in line with the Singapore Financial Reporting Standards (International) and accordingly, the Company will disclose the financial results of the Property Business as part of the Company's financial statements. The financial results of the Property Business together with the Company's financial statements will be periodically announced pursuant to the requirements as set out in Chapter 7 of the Catalist Rules. In these periodic results announcements, the Company may provide segmented financial results relating to the Property Business where appropriate or if required under any applicable accounting standards and the Catalist Rules.

## 2.10. Conflicts of Interests

2.10.1 As at the Latest Practicable Date, the Directors do not envisage any potential conflicts of interests from the Group undertaking the Property Business.

## 3. APPLICATION OF CHAPTER 10 OF THE CATALIST RULES

3.1.1 As the Property Business is substantially different from the Group's Existing Business, it is envisaged that the Proposed Diversification will change the existing risk profile of the Company. Accordingly, the Company is seeking Shareholders' approval for the Proposed Diversification at the EGM to be convened.

3.1.2 Pursuant to Rule 1014 of the Catalist Rules, a major transaction is a transaction where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds (a) for an acquisition, 75% but is less than 100%, or (b) for a disposal or the provision of financial assistance, 50% (a "**Major Transaction**"). A Major Transaction must be made conditional upon approval by Shareholders in general meeting. For further details on Rules 1006 and 1014, please refer to the Catalist Rules.

3.1.3 A Major Transaction does not include an acquisition or disposal which is, or in connection with, the ordinary course of an issuer's business or of a revenue nature. Shareholders' approval is hence not required for such acquisitions or disposals. In this regard, pursuant to Practice Note 10A of the Catalist Rules, an acquisition can be regarded to be in, or in connection with, the ordinary course of an issuer's business if (a) the asset to be acquired is part of the issuer's existing principal business; and (b) the acquisition does not change the issuer's risk profile.

3.1.4 Thus, upon approval by Shareholders for the Proposed Diversification, any acquisition or disposal which is in, or in connection with, the Property Business, may be deemed to be in the Company's ordinary course of business and therefore not fall under the definition of a "transaction" under Chapter 10 of the Catalist Rules. Accordingly, the Company may, in its ordinary course of business, enter into transactions relating to the Property Business which will not change the risk profile of the Company in an efficient and timely manner without the need to convene general meetings from time to time to seek Shareholders' approval as and when potential transactions relating to the Property Business arise, even where they cross the thresholds of a "Major Transaction". This will reduce substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Company.

3.1.5 Notwithstanding that Shareholders' approval of the Proposed Diversification has been obtained:

- (a) When the Company enters into its first Major Transaction involving the Property Business, or where any of the Catalist Rule 1006 figures in respect of several transactions in respect of the Property Business aggregated over the course of 12 months (the "**Aggregated Transactions**") exceeds 75%, such first Major Transaction or the last of the Aggregated Transactions will be made conditional upon approval of the Shareholders at a general meeting.
- (b) Rule 1015 of the Catalist Rules will apply to acquisitions of assets (whether or not in the Company's ordinary course of business) where the acquisition is one where any of the relative figures as computed on the bases set out in Rule 1006 is 100% or more, or is one which will result in a change in control of the Company. Such acquisitions must be, amongst others, made conditional upon approval of Shareholders at a general meeting.
- (c) Practice Note 10A of the Catalist Rules will apply and Shareholders' approval will be required for any transaction (which falls within the definition as set out in Rule 1002(1) of the Catalist Rules) which changes the risk profile of the Company.

(d) Where any transaction constitutes an "interested person transaction" as defined under Chapter 9 of the Catalist Rules, Chapter 9 of the Catalist Rules will apply to such a transaction and the Company will comply with the provisions of Chapter 9 of the Catalist Rules. In particular, pursuant to Rule 905 of the Catalist Rules, where any interested person transaction is of a value equal to or more than 3% of the Group's latest audited NTA, or when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to or more than 3% of the Group's latest audited NTA, the Group must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year. Pursuant to Rule 906 of the Catalist Rules, where any interested person transaction is of a value equal to or more than 5% of the Group's latest audited NTA, or when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to or more than 5% of the Group's latest audited NTA, the Group must obtain shareholder approval for the interested person transaction.

3.1.6 Pursuant to Rule 1005 of the Catalist Rules, separate transactions completed within the last 12 months may also be aggregated and treated as if they were one transaction in determining whether a transaction falls under category (a), (b), (c) or (d) of Rule 1004 of the Catalist Rules.

3.1.7 The Company will be required to comply with any applicable and prevailing Catalist Rules as amended or modified from time to time.

#### **4. RISK FACTORS**

##### **4.1. Introduction to Risk Factors**

4.1.1 To the best of the Directors' knowledge and belief, the risk factors which are material in making an informed decision in relation to the Proposed Diversification have been set out below.

4.1.2 If any of the factors and/or uncertainties described below develops into actual events affecting the Property Business, this may have a material and adverse impact on the Property Business and consequently, the overall results of operations, financial condition and prospects of the Group could be similarly affected.

4.1.3 The risks declared below are not intended to be exhaustive. New risk factors may emerge from time to time and it is not possible for the Board to predict all risk factors, nor can the Group assess the impact of all factors on the Property Business or the extent to which any factor or combination of factors may affect the Property Business.

4.1.4 There may also be other risks associated with the entry into the Property Business which are not presently known to the Group, or that the Group may currently deem immaterial and as such, have not been included in the discussion below.

4.1.5 **Shareholders should carefully consider and evaluate the following risk factors and all other information contained in this Circular in light of your own investment objectives and financial circumstances before deciding on whether to vote in favour of the Proposed Diversification. Shareholders should seek professional advice from your accountant, stockbrokers, bank managers, solicitors or other professional advisers if you have any doubt about the actions you should take.**

## **4.2. Risk Factors associated with the Proposed Diversification and the Property Business**

### **4.2.1 The Group does not have a proven track record and business history in the operation of the Property Business**

The Group does not have a proven track record in carrying out the Property Business. There is no assurance that the Property Business will be commercially successful and that the investments carried out pursuant to the Property Business will be able to derive sufficient revenue to offset the capital, start-up and financing costs as well as operating costs arising from the new business initiatives.

The Property Business may require high capital commitments and may expose the Group to unforeseen liabilities or risks associated with its entry into new markets or new businesses.

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

Notwithstanding that the Group will have in place risk management procedures for the Property Business, there are still inherent limitations caused by misjudgement or fault. Accordingly, there is no assurance that the risk management procedures will be or are adequate or effective.

### **4.2.2 The Property Business will be dependent on the recruitment and retention of qualified employees and/or consultants for its operations and profitability, and the Group may not have the ability or sufficient expertise to execute and grow the Property Business**

The Group's ability to successfully diversify into the Property Business is dependent upon its ability to adapt its existing knowledge and to understand and navigate the Property Business.

Firstly, there is no assurance that the Group's existing experience and expertise will be sufficient for the Property Business, and the Group cannot guarantee that it will not experience initial operational difficulties or that its operations will achieve the expected level of revenue and profitability.

Next, there is also no assurance that the employees hired by the Group to implement the Property Business will have the relevant expertise and knowledge. The Group recognises that there may be an increasing shortage of personnel with the relevant expertise and knowledge and any dearth in the availability of such labour resources will have an adverse effect on the operations of the Property Business and eventually its financial performance. Having a team of experienced and skilled personnel is essential in maintaining the quality of services and to grow the Property Business. There is no assurance that the Group will be able to attract and retain key members of the management team who have the necessary qualifications and experience to manage the Property Business. The competition for qualified personnel in the Property Business is intense, and the loss of any key member of the management team without any suitable and/or timely replacement may have a material adverse effect on the Property Business' prospects, financial performance and results of operations of the Group.

Further, the Group may not be able to harness the experience and knowledge of new employees in understanding and navigating through the Property Business. Therefore, the Group may not be able to implement the Property Business as successfully or smoothly as expected and this may adversely affect the Group's financial performance and profitability.

The Group may also appoint third party professionals, third party contractors and/or foster partnerships with various third parties to assist in undertaking the Property Business more effectively and efficiently. However, there is no assurance that these third party professionals and/or contractors will be able to deliver and/or that these partnerships will be successful. As such, the Group may not be able to

successfully implement the Property Business and this may adversely affect the Group's financial performance and profitability.

4.2.3 The Group may face difficulties in implementing and integrating the Property Business and may be required to devote significant time and resources to the Property Business

There can be no assurance that the Group will be successful in implementing and integrating the Property Business. Delays in implementation and/or integration of the Property Business into the Group may divert the attention and resources of the Group's management, delay the commencement of or prevent revenue growth in any of the businesses, which may materially and adversely affect the results of operations or financial position of the Group. As the Group may be required to devote significant time and resources to the Property Business, including but not limited to overseeing any property development, investment or management project or the operations, financial position, compliance with laws, management, and other issues of a subsidiary or associated company involved in the Property Business, and/or providing financial support for any property development, investment or management projects, or for liquidity requirements or financial obligations of a subsidiary or associated company involved in the Property Business, the resources available for, and the Group's management's time and focus on, the Existing Business, may be stretched or reduced, which may have a negative impact on the Existing Business.

In addition to the existing management team, the Group may recruit appropriate management resources for the Property Business to strengthen its existing management team. There can be no assurance that the existing management team will be able to integrate with the management resources recruited by the Group, and the Group may experience initial operational difficulties and/or management disputes which may adversely affect the results of operations or financial position of the Group.

4.2.4 The Group may face intense competition from existing competitors and new market entrants in the Property Business

The Property Business is highly competitive, with strong competition from established industry participants who may have larger financial resources and/or stronger track records. In relation to the management of property-related assets, the Group may not be able to provide comparable services at lower prices or respond more quickly to market trends than potential or existing competitors who may have larger financial resources and/or stronger track records.

There is no assurance that the Group will be able to compete effectively with its existing and future competitors and adapt quickly to changing market conditions and trends. In the event that the Group is not able to compete successfully against its competitors or adapt to market conditions, its business operations, financial performance and financial condition may be adversely affected.

4.2.5 The Group is subject to general risks associated with operating businesses outside Singapore

The Group intends to commence its Property Business in Singapore and the other Territories outside of Singapore. There are risks inherent in operating businesses overseas, which include without limitation:

- (a) unexpected changes in regulatory requirements;
- (b) difficulties in staffing and managing foreign operations (including difficulty in implementing quality control policies in the Group's overseas operations);
- (c) insufficient management resources and potential increase in labour costs;
- (d) social and political instability;
- (e) lack of understanding of the local social conditions, local business environment or the financial, management or legal systems in the relevant countries;

- (f) difficulty in controlling costs;
- (g) inability to comply with foreign labour, industrial and tax regulations;
- (h) high sales and marketing costs;
- (i) difficulty in expanding the sales and service network;
- (j) fluctuations in currency exchange rates;
- (k) potentially adverse tax consequences;
- (l) legal uncertainties regarding the Group's liability and enforcement; and
- (m) changes in local laws and controls on the repatriation of capital or profits.

Any of these risks could adversely affect the Group's overseas operations and consequently, its business, financial performance, financial conditions and operating cash flow.

Such risks and uncertainties may result in high investment costs or loss of investment, government penalties, breach of contract, loss of sales, reduction in revenue as well as expose the Group to liabilities and the requirement to pay compensation under the relevant laws and regulations, agreements and lawsuits and damage to the Group's reputation, which could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, if governments 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 will be adversely affected.

#### 4.2.6 The Group may be affected by *force majeure* and other events beyond the control of the Group

Diverse factors such as general macroeconomic conditions and business environment, natural disasters, epidemics, pandemics, outbreak of infectious diseases, acts of terrorism or violence, civil unrest, wars and international disputes may affect the operation and profitability of the Property Business and the Group. Such factors would affect the economic and business conditions in the countries where the Property Business will operate and the livelihood of their people, and may disrupt the operations of the Property Business resulting in a material adverse effect on the Group's business operations, financial performance and financial condition. If any of the foregoing occurs in any of the Territories, customer sentiment and spending could be adversely affected and this may have a negative impact on the Group's business operations, financial performance and financial condition. The staff and employees in these countries may also be adversely affected and this may in turn affect the Group's day-to-day operations. The costs of funding, revenue, financial performance and business prospects of the Group may thereby be materially and adversely affected.

In particular, if there is any outbreak of any contagious disease, for instance, the recent COVID-19 outbreak, this may lead to a significant disruption in the Property Business. The Group may be unable to proceed with any redevelopment or enhancement of acquired properties due to the control orders imposed by the government in view of any outbreak of any contagious disease. In addition, consumer sentiments may be adversely affected and the willingness of tenants to rent the Group's properties will reduce.

#### 4.2.7 The Group's performance in the Property Business will be subject to exposure to macro-economic risks

The business of the Group may be affected by many factors which are beyond the Group's control. Any of the following factors may cause fluctuations and/or declines in the markets in which the Group operates or invests:

- (a) legal and regulatory changes;
- (b) economic and political conditions;
- (c) the level and volatility of liquidity and risk aversion;
- (d) concerns about natural disasters, terrorism and war;
- (e) the level and volatility of equity, debt, property, commodity and other financial markets;
- (f) the level and volatility of interest rates and foreign currency exchange rates;
- (g) concerns over inflation; and
- (h) changes in investor confidence levels.

Any of the abovementioned factors could adversely impact the performance of the Group.

#### 4.2.8 The Group is subject to liquidity or late payment or non-payment risks

The Group faces uncertainties over the timeliness of customers' payments and their solvency or creditworthiness in respect of goods and/or services provided by the Group in connection with the Property Business, as the case may be. There is no assurance that the Group will be able to collect any payments on a timely basis or at all. In the event that there are defaulting customers or a significant delay in collecting payments from customers, the Group may face stress on its liquidity and cash flow. Furthermore, some of the Group's customers may default on their payments to the Group, owing to events or circumstances that are difficult to anticipate or detect that would have an impact on the Group's customers' ability to make timely payments.

As a result of the Group's customers defaulting on their payments to it, the Group would have to make provisions for doubtful debts, or to incur write-offs, which may have an adverse effect on its operating results and profitability.

#### 4.2.9 The Group is exposed to risks associated with acquisitions, joint ventures or strategic alliances

Depending on available opportunities, feasibility and market conditions, the Group's expansion into the Property Business may involve acquisitions, joint ventures or strategic alliances with third parties.

Participation in joint ventures, strategic alliances, acquisitions, or other investment opportunities involves numerous risks, including the possible diversion of attention of management from existing business operations and loss of capital or other investments deployed in such joint ventures, strategic alliances, acquisition or opportunities. In such events, the Group's financial performance may be adversely affected.

#### 4.2.10 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 subsidiary, 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 Business described herein that affect the Group. There is no assurance that the Group will be able to influence 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 to perform poorly, the Group's overall business, financial condition, results of operations and prospects may be adversely affected.

#### 4.2.11 The Group may face legal proceedings arising from the operations of the Property Business



The Group may be involved from time to time in disputes with various parties arising from the operations of the Property Business. Further, the Group may have disagreements with regulatory bodies in the course of its operations, which may result in administrative proceedings and unfavourable decrees that result in financial losses. Any claims or disputes arising from the above will adversely affect the Group's business and financial performance.

4.2.12 The Group is subject to various government regulations in the Property Business and the Property Business may be adversely affected by the Group's ability to obtain, maintain or renew regulatory approvals, permits or licences

The property industries in the Territories are subject to various laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations, which may require the Group to obtain the requisite regulatory approvals, permits, certificates and/or licences to engage in the Property Business.

In the event that the Group is unable to obtain, maintain or renew such approvals and/or licences, or where there is a delay in obtaining or renewing them, the Group's ability to engage in the Property Business may be adversely affected.

In addition, the property industry is regulated by a multitude of laws and regulations. Failure to comply with the applicable laws and regulations may subject the Group to penalties or have its licences or approvals revoked, all of which could adversely affect the Group's operations and financial performance.

Any contravention of such aforementioned laws, regulations, requirements or restrictions may subject the Group, its employees and/or its directors to statutory penalties which may be significant, such as fines imposed by the relevant authorities, or the Group may have to modify, suspend or discontinue its operations. Hence, any conviction for such contravention may have a material adverse effect on the Group's business, financial conditions, results of operations and prospects.

Furthermore, changes to relevant laws and regulations could result in higher compliance costs and may also adversely affect the operations of the Group and result in the Group making losses. The Group may also not be able to anticipate any changes to the laws, regulations, requirements or restrictions in the countries in which the Group may expand into for its Property Business. In the event that there are unexpected changes to any applicable laws, regulations, requirements or restrictions that renders the Group unable to comply, this will have an adverse effect on the operations and future plans of the Group under the Property Business.

4.2.13 The Group is subject to the cyclical nature of the property market in the Territories

In general, the cyclical nature of the property market in most countries affects property values largely through supply and demand of comparable properties, the rate of economic growth in such countries and political and economic developments in such countries and neighbouring regions. Some property markets are also affected by property cooling measures imposed by the regulatory authorities. There can be no assurance that such further measures will not be introduced and that property values will not decline in the future.

Furthermore, in the event of economic decline (whether as a result of an outbreak of infectious diseases such as COVID-19 or otherwise), the Group may experience regulatory pressures, or market pressures from tenants or prospective tenants, to provide rent reductions or longer rent-free periods than usually given on investment properties or pressures from prospective purchasers to provide reduced market prices for the sale of properties. These events may adversely affect the property market and in turn the financial performance of the Group.

4.2.14 The Group may in the course of conducting the Property Business 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 with respect to its properties and business operations, there is no assurance that any claims made or decided against the Group will be covered under the insurance(s) or if covered, will be sufficient to cover all potential losses. Examples of such potential losses include losses arising out of extraordinary events such as natural disasters like earthquakes or floods. Losses arising out of damage to the Group's assets which are not covered by insurance policies or in excess of the amount it is insured would affect the Group's profitability.

The Group may also have to commit additional resources, other than to meet the uninsured losses, to complete a project, which would also adversely affect the financial performance of the Group.

#### 4.2.15 The Group may be exposed to fluctuations in labour costs

The Group intends to provide property management services such as facilities management, serviced apartments, student accommodation, dormitories, landscape management and car park management.

The Group intends to hire manpower to carry out such services. Should the prices of such manpower increase, and the Group is unable to pass on such increase in fees to the tenant and/or client, the results of the Group's operations and financial condition could be materially and adversely affected.

#### 4.2.16 The Group's performance may be subject to poor demand for leased property or loss of tenants

The Group's performance for the Property Business, in particular its property leasing segment, will be largely dependent on its ability to secure and retain tenants for its available properties for lease. In the event that the Group is unable to secure sufficient tenants, its financial performance may be affected.

In addition, the Group's performance for the Property Business, in particular its property leasing segment, may be adversely affected by the downturn in the business of the Group's key tenants, including the key tenants' decision to not renew any lease or to terminate any lease before it expires. The renewal of the Group's lease agreements with its tenants will also depend on its ability to negotiate lease terms acceptable to both parties. There is no assurance that all or any of the Group's clients and/or tenants, including its key tenants, will renew or continue to renew their lease agreements with the Group, or that the new or renewed lease terms will be as favourable to the Group as the existing lease.

In the event that any tenant does not renew its lease, the Group will need to find a replacement tenant or tenants, which could subject the Group to periods of vacancy and/or refitting for which the Group will not receive rental income, which in turn could disrupt its stream of rental income.

#### 4.2.17 The Property Business overseas may be susceptible to fluctuations in foreign exchange rates that could result in the Group incurring foreign exchange losses

The revenue from the Property Business may be generated from overseas markets. To the extent that the Group's revenue, purchases and operating costs are not matched in the same currency and to the extent there are timing differences between invoicing and collection of payment, as the case may be, the Group may be exposed to any unfavourable fluctuations of such currencies of the jurisdictions in which the Group will be engaging in to conduct the Property Business, and the Group's operating results may be materially or adversely affected.

#### 4.2.18 The Group may be exposed to reputational risks in connection with the Property Business

Any shift in perception of the Property Business caused by media influences, peer perceptions or otherwise, or any report which surfaces in the media relating to the Property Business, including but not limited to any issues (actual or alleged) relating to property development, investment or management projects undertaken by the Group (whether due to any issues of quality, timing and/or services of the Group or otherwise), regardless of merits, could expose the Group to reputational harm. The Group's

business, financial condition, results of operations and prospects may be materially and adversely affected as a result.

4.2.19 The Group may not be able to identify, acquire, develop and/or sell profitable property development projects

The performance and success of the Group's property investment and development depends on the Group's ability to identify profitable property development projects and following such identification, to successfully acquire, develop, sell and/or lease such projects. This ability may be negatively affected by various factors, including competition for new land sites from other property developers, changes to the general economic conditions in countries where the Group carries out its property investment and development operations and changes to relevant interest rates, construction costs, land costs and property prices. There is thus no guarantee that the Group will always be successful in identifying suitable property development projects or completing such property development projects profitably.

The Group's inability to identify and acquire attractive new sites at commercially acceptable prices could impair its ability to compete with other property developers and materially and adversely affect the Group's ability to grow its Property Business.

4.2.20 The Group may not have adequate resources to finance land acquisition, undertake property development and property investment projects or to otherwise carry out its expansion into property investment and development

Property development projects usually require high capital outlay during the land acquisition and construction phases and may take one or more years before positive cash flows may be generated through the sale of units whether under development or completed. Depending on the size and complexity of the project, it usually takes more than a year to complete a property development. Moreover, property investment and development projects may require periodic capital expenditure, refurbishment, renovation for improvements and development of the properties to be acquired by the Group in order to remain competitive or be income-producing. Any potential investment opportunities identified by the Group may also require lengthy investment lock-in periods.

Therefore, the Group's ability to successfully grow and sustain its property investment and development operations is dependent on adequate financing. The Property Business may require strong financial holding power to maintain investment properties until a suitable price can be attained, which will likely require substantial capital investments or cash outlay. There is no assurance that financing, either on a short term or a long term basis, will be made available or, if available, that such financing can be obtained on commercially reasonable terms, in which event the Group's future plans and growth prospects will be adversely affected.

The Group plans to finance its expansion into property investment and development primarily through internal sources of funds, progress payments from purchasers in respect of the Group's development properties as well as financial institution borrowings. That said, any inability to secure adequate equity or debt financing may adversely affect the Group's business, financial condition, results of operations and prospects.

Should the Group not be able to secure borrowings in a difficult credit environment, the Group may also seek access into the capital markets to raise funds for its property investment and development operations through equity and/or debt financing. If the equity capital raising is other than by a rights issue, or if new shares are issued to fund new property investment and development, this will dilute the shareholding interest of existing Shareholders. Further, if the Group fails to utilise the new equity to generate a commensurate increase in earnings, the Group's EPS will be diluted and this could lead to a decline in Share price. Further, an issue of Shares below the then prevailing market price will also

affect the value of Shares then held by investors. Dilution in Shareholders' equity interests may occur even if the issue of Shares is at a premium to the market price.

The Group cannot guarantee that it will have sufficient funds at its disposal for land acquisitions or property developments, be able to sell or finance the development of the project through the sale and/or lease of units in any particular development, be able to secure adequate financing, if at all, or obtain or renew credit facilities granted by banks and financial institutions for the projects in question. The Group's ability to obtain sufficient financing for land acquisitions or property developments with a commercially acceptable rate of return is dependent on many factors, some of which may be beyond its control, such as general economic conditions, the terms of credit offered by financial institutions and the availability of other sources of equity or debt financing.

Additional debt funding is subject to interest payments and interest rate fluctuations, and may also be subject to conditions that restrict or require consent for corporate restructuring, additional financing or fund raising, requirements on the maintenance of certain financial ratios. These conditions may increase the Group's financing costs and obligations and reduce the availability of the Group's cash flow for capital expenditures, working capital and other general corporate purposes. In addition, these conditions may limit the flexibility of the Group in planning for, or reacting to, changes in the business or industry and increase the Group's vulnerability to general adverse economic and industry conditions, and may limit the Company's ability to pay dividends. Any default on any financial covenants could also trigger cross-defaults and affect the Group's financial position and liquidity.

#### 4.2.21 The Group is dependent on the continued support from its banks for debt funding

The Group is currently in a net current asset position and has a relatively low debt to equity ratio. Any additional debt funding in relation to the Property Business may worsen its current asset position and increase its debt to equity ratio. In this regard, there may be potential breaches in some financial covenants and that there is no guarantee that the banks will continue to provide credit to the Group.

#### 4.2.22 The Property Business will be subject to risks in relation to interest rate movements

The Property Business will face risks in relation to interest rate movements in particular as a result of the debts intended to be undertaken to finance the Property Business. Changes in interest rates will affect the Group's interest income and interest expense from short term deposits and other interest-bearing financial assets and liabilities. This could in turn have a material and adverse effect on the Group's net profits.

#### 4.2.23 The Group may lose its deposits on transactions involving the acquisition of land and/or rights over land

The Group may be required to pay certain deposits in connection with its acquisition of land and/or rights over land in line with industry practice. Such deposits, if refundable, may be susceptible to counterparty risk whereby the recipients of the deposits do not refund the deposits to the Group. In the event of any significant delay or inability to recover such deposits, the Group's results of operation and financial condition may be adversely affected.

#### 4.2.24 The Group may not be able to successfully implement its investment strategy for its property investment and development operations of its Property Business

There is no guarantee that the Group will be able to implement its investment strategy successfully or that it will be able to expand the property portfolio at any specified rate or to any specified size. The Group may not be able to make acquisitions or investments on favourable terms or within a desired time frame.

Even if the Group were able to successfully acquire property or investments, there is no assurance that its property investment and development operations will achieve its intended return on such acquisitions or investments.

#### 4.2.25 The Group may not be able to generate adequate returns on its future investment properties

The Group intends to acquire and hold investments in various types of properties. The Group may also develop properties and hold part of them as investment properties. Property investment is subject to varying degrees of risk. The investment returns available from commercial property investments is reliant, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties as well as the costs incurred.

Maximising yields from such properties held for long-term investment also depend to a large extent on active ongoing management and maintenance of the properties. The ability to eventually dispose these investment properties will also depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation. The revenue derived from and the value of property investment may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, local real estate conditions, perceptions by tenants, businesses, retailers or shoppers of the attractiveness of the development projects, the inability to collect rent due to bankruptcy or insolvency of tenants and the costs resulting from periodic or ad hoc maintenance, repair and re-letting.

If the Group ventures into property investment but is unable to generate adequate returns, its overall financial condition and results of operations may be adversely affected.

#### 4.2.26 The Group is exposed to risks associated with property valuations and decline in property values in relation to its future investment properties

The net asset value and profitability of the Group may be affected by the valuations of its future investment properties.

In the event that the Group applies the fair value model when accounting for all its investment properties, the value of its future investment properties may fluctuate from time to time due to market and other conditions, including changes in the supply and demand of properties as well as rental and occupancy levels. Such adjustments to the fair value of its investment properties could have an adverse effect on its net asset value and profitability.

In the event that the Group relies on valuations of the Group's future properties conducted by professional valuers, such valuations will be based on certain assumptions and are not intended to be a prediction of, and may not accurately reflect, the actual values of any of the Group's future property 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.

Any factor which affects the value of any of the Group's future investment properties may adversely affect the Group's overall financial condition and results of operations.

#### 4.2.27 The Group may be adversely affected by the relatively illiquid nature of unsold property assets

The ability to eventually dispose of the Group's unsold property assets at a profit is reliant 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 Property Business, the Group's financial performance will be materially and adversely affected.

In addition, the Group may be required under applicable laws and regulations to sell off the properties it develops within a stipulated period of time. Failure to do so may expose the Group to penalties or charges whether in the form of higher stamp duty or otherwise.

Furthermore, the properties developed and land sites acquired by the Group, along with unsold properties which the Group continues to hold for sale post completion, are relatively illiquid. The illiquidity of such assets may limit the Group's ability to convert these assets into cash on short notice. Such illiquidity may also have an adverse 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.

4.2.28 The property investment and development operations of the Property Business will be subject to risks in relation to pre-sold properties

The Group may pre-sell most of its properties prior to completion in line with industry practice.

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. Such failure or delay may be attributed to factors such as the duration and the costs involved in completing construction, which are in turn adversely affected by factors such as delays in obtaining requisite licences, permits or approvals from government agencies or authorities, shortages of labour or raw materials, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents, and changes in government priorities and policies. 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 guarantee that its property investment and development operations will not experience significant delays in completion or delivery of presold properties.

Such failure and delay may therefore lead to a material adverse effect on the Group's revenue, financial performance, prospects and profitability.

4.2.29 The Group will be exposed to potential liability and loss arising from damages, injury or death due to accidents at construction worksites

In the course of any future potential property development projects undertaken by the Group, the Group may face the inherent risk of accidents involving its employees or third parties on its development sites, even if adequate safety measures are in place. Such accidents, or mishaps may severely disrupt the Group's operations and lead to a delay in the completion of a project, and in the event of such delay, the Group could be liable to pay compensation, such as liquidated damages, under its contracts with its customers. If such an event arises, the Group's business, operating results and financial performance may be materially and adversely affected.

In addition, any accidents or mishaps resulting in significant damage to the Group's machinery or equipment may also have a significant adverse effect on the Group's business, financial condition and operating results.

Although the Group will, where appropriate, obtain insurance policies to cover such losses, there is no assurance that any claims made or decided against us will be covered by the insurance(s), or if covered, will not exceed the limits of our coverage. In such event, the Group may also have to commit additional resources to meet the uninsured losses, which would adversely affect the financial performance of the Group.

## 5. CHANGES TO THE BOARD ARISING FROM THE PROPOSED DIVERSIFICATION

There will be no new appointment to the Board of Directors arising from the Proposed Diversification.

## 6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

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

	<u>Direct Interest</u>		<u>Deemed Interest</u>		<u>Total Interest</u>	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
<b><u>Directors</u></b>						
Lim Hai Cheok <sup>(2)</sup>	65,000,000	20.00	64,843,750	19.96	129,843,750	39.96
Lim Kim Eng	17,812,500	5.48	–	–	17,812,500	5.48
Lim Hock Chye Daniel	6,613,000	2.04	–	–	6,613,000	2.04
Lim Heng Seng	–	–	–	–	–	–
Wee Piew	–	–	–	–	–	–
Leong Ka Yew	–	–	–	–	–	–
<b><u>Substantial Shareholders (other than Directors)</u></b>						
Chong Poh Soon <sup>(2)</sup>	64,843,750	19.96	65,000,000	20.00	129,843,750	39.96

Notes:-

- (1) The percentage shareholding interest is based on the issued share capital of 324,900,846 Shares (excluding Treasury Shares and subsidiary holdings) as at the Latest Practicable Date.
- (2) Mr Lim Hai Cheok and Mdm Chong Poh Soon are spouses. Both Mr Lim and Mdm Chong are deemed interested in the shares held by their spouse.

6.1.2 None of the Directors and Substantial Shareholders has any interest, direct or indirect, in the Proposed Diversification, other than through their respective shareholdings in the Company.

## 7. DIRECTORS' RECOMMENDATIONS

The Directors have fully considered, among others, the rationale of the Proposed Diversification and are of the opinion that the Proposed Diversification is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the Proposed Diversification to be tabled at the EGM.

## 8. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 24 to 25 of this Circular, will be held by electronic means on 29 April 2022 at 12.10 p.m. (or immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 12.00 p.m. on the same day, via electronic means) for the purpose of considering and, if thought fit, passing the ordinary resolution set out in the Notice of EGM.

## 9. ACTION TO BE TAKEN BY SHAREHOLDERS

9.1.1 Due to the current COVID-19 restriction orders in Singapore, the EGM will be conducted only by electronic means and Shareholders will not be able to attend the EGM in person. Instead, alternative arrangements have been put in place to allow Shareholders to participate in the EGM by:

- (a) observing and/or listening to the EGM proceedings via "live" audio-and-visual webcast via their mobile phones, tablets or computers or "live" audio-only stream via telephone;
- (b) submitting questions on the Proposed Diversification of the Group's Existing Business in advance of a virtual information session to be held at 12.10 p.m. on 20 April 2022 ("**VIS**") or asking questions "live" at the VIS, where real-time electronic communication facilities will be available to enable questions to be raised, and responded to (please refer to the "Instructions to Shareholders for EGM 2022" for more details); and
- (c) appointing the Chairman of the EGM ("**Chairman**") as proxy to attend, speak and vote on their behalf at the EGM.

9.1.2 Shareholders who wish to participate in the EGM and exercise their votes must appoint the Chairman as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM. Shareholders appointing the Chairman as proxy must complete and sign the attached Proxy Form in accordance with the instructions printed thereon and submit it to the Company by 12:10 p.m. on 26 April 2022, being not less than 72 hours before the time appointed for the EGM either:

- (a) via post addressed to the Company at its registered office, at 267 Pandan Loop, Singapore 128439; or
- (b) via e-mail to [hosenagmegm2022@hosengroup.com](mailto:hosenagmegm2022@hosengroup.com).

9.1.3 CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 12:10 p.m. on 20 April 2022, being seven (7) working days before the date of the EGM.

## 10. LEGAL ADVISOR

10.1.1 The Company has appointed Harry Elias Partnership LLP as the legal advisor to the Company as to Singapore law in relation to the Proposed Diversification.

10.1.2 In this regard, Harry Elias Partnership LLP has given and has not withdrawn its consent to the issue of this Circular with the inclusion of its names and all references thereto, in the form and context in which they appear in this Circular.

## 11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and confirm after making all reasonable enquiries, that to the best of their



knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Diversification, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/ or reproduced in this Circular in its proper form and context.

## **12. DOCUMENTS AVAILABLE FOR INSPECTION**

12.1.1 The following documents are available for inspection at the Company's registered office up to 29 April 2022:

- (a) the annual report of the Company for FY2021;
- (b) the Constitution of the Company; and
- (c) consent letter from the legal advisor to the Company.

12.1.2 Shareholders who wish to inspect these documents at the Company's registered office are required to send an email request to [hosenagmegm2022@hosengroup.com](mailto:hosenagmegm2022@hosengroup.com) to make an appointment in advance. The inspection of documents will be arranged with each Shareholder to limit the number of people who are present at the registered office at any one time and such arrangements are subject to prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be implemented by the relevant authorities from time to time.

Yours faithfully

For and on behalf of the Board of Directors of  
**HOSEN GROUP LTD.**

Lim Hai Cheok  
Executive Director and Chief Executive Officer

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**HOSEN GROUP LTD.**  
(Incorporated in Singapore)  
(Co. Reg. No: 200403029E)

*All capitalised terms in this Notice of Extraordinary General Meeting which are not defined herein shall have the same meanings ascribed to them in the Circular to Shareholders dated 7 April 2022.*

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of HOSEN GROUP LTD. (the “Company”) will be held by way of electronic means on 29 April 2022 at 12.10 p.m. (or immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 12.00 p.m. on the same day via electronic means) for the following purposes of considering and, if thought fit, passing, with or without amendments, the following resolution which will be proposed as Ordinary Resolution:

### **AS ORDINARY RESOLUTION**

#### **The Proposed Diversification of the Group’s Existing Business to include the Property Business**

THAT:

- (a) the Proposed Diversification of the Group’s Existing Business to include the Property Business as described in Section 2 of the Company’s circular to Shareholders dated 7 April 2022 be and are hereby approved; and
- (b) the Directors of the Company and each of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they or he may consider expedient, desirable or necessary to give effect to the diversification of the Group’s business authorised by this resolution.

By Order of the Board

Lai Foon Kuen  
Company Secretary

7 April 2022

**Notes:**

1. In view of the current COVID-19 situation and the related safe distancing measures, the Extraordinary General Meeting of the Company (the "Meeting" or "EGM") will be held by way of electronic means and members of the Company will NOT be allowed to attend the EGM in person. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the SGX website.
2. Alternative arrangements relating to attendance at the Meeting via electronic means (including arrangements by which the Meeting can be electronically accessed via live audio-visual webcast or live audio-only stream (collectively, "live webcast")), submission of questions in advance of a virtual information session to be held at 12.10 p.m. on 20 April 2022 ("VIS") or asking questions "live" at the VIS and voting by appointing the Chairman of the Meeting as proxy at the Meeting, are set out in the accompanying document entitled "Instructions to Shareholders for EGM 2022".
3. A member will not be able to attend the Meeting in person. The live webcast will not provide for online voting. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting for or voting against, or abstentions from voting on, the resolution in the instrument appointing the Chairman of the Meeting as proxy ("Proxy Form"), failing which the appointment will be treated as invalid.
4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. Investors whose shares are held with relevant intermediaries under Section 181(1C) of the Companies Act 1967, such as CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy, should approach their respective intermediaries such as CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days prior to the date of the EGM.
6. The Proxy Form must be submitted through any one of the following means: (a) if sent by post, be lodged at the registered office of the Company at 267 Pandan Loop, Singapore 128439; or (b) if submitted by email, scanned PDF copy be received by the Company at [hosenagmegm2022@hosengroup.com](mailto:hosenagmegm2022@hosengroup.com), in either case not less than 72 hours before the time appointed for holding the Meeting, and failing which, the Proxy Form will not be treated as valid. **In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**

The Company shall be entitled to, and will, treat any valid instrument appointing the Chairman of the Meeting as proxy which was delivered by a member to the Company before 12.10 p.m. on 26 April 2022 as a valid instrument appointing the Chairman of the Meeting as the member's proxy to attend, speak and vote at the Meeting if: (a) the member had indicated how he/she/it wished to vote for or vote against or abstain from voting on the resolution; and (b) the member has not withdrawn the appointment by 12.10 p.m. on 26 April 2022.

7. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

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## PROXY FORM

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### HOSEN GROUP LTD.

(Incorporated in Singapore)  
(Co. Reg. No: 200403029E)

### PROXY FORM

(Please see notes overleaf before completing this Form)

**IMPORTANT:**

The Extraordinary General Meeting ("EGM") will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

Alternative arrangements relating to attendance at the EGM by way of electronic means (including arrangements by which the EGM can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the EGM, submission of questions in advance of a virtual information session to be held at 12.10 p.m. on 20 April 2022 ("VIS") or asking questions "live" at the VIS and voting by appointing the Chairman of the Meeting as proxy at the EGM, are set out in the accompanying document entitled "Instructions to Shareholders for EGM 2022".

Investors whose shares are held with relevant intermediaries under Section 181(1C) of the Companies Act 1967, such as CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy, should approach their respective intermediaries such as CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days prior to the date of the EGM.

Personal Data Privacy

By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out on the back of this proxy form.

I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport/Company Registration Number) \_\_\_\_\_ (Address)

being a member/members of **HOSEN GROUP LTD** (the "Company") hereby appoint the **Chairman of the Meeting** as my/our proxy to vote for me/us on my/our behalf, at the Extraordinary General Meeting of the Company, to be held by electronic means on 29 April 2022 at 12.10 p.m. (or immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 12.00 p.m. on the same day via electronic means) and at any adjournment thereof.

*If you wish to exercise all your votes, please indicate your vote "For" or "Against" or "Abstain" with a "✓" within the boxes provided. Alternatively, you may indicate the number of votes "For", the number of votes "Against" and/or the number "Abstain" in the boxes provided for the resolution if you wish to exercise some and not all of your votes "For" and "Against" the resolution and/or to abstain from voting in respect of the resolution.*

No.	Ordinary Resolution	Number of Votes		
		For	Against	Abstain
1	Proposed Diversification of the Group's Existing Business to include the Property Business			

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s)  
or Common Seal of Corporate Shareholder

## 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 shall be deemed to relate to all the Shares in the capital of the Company held by you.
2. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the EGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM. In appointing the Chairman of the Meeting as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting for or voting against, or abstentions from voting on, the resolution in this proxy form, failing which the appointment will be treated as invalid.
3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. This instrument appointing the Chairman of the Meeting as proxy must:
  - (a) if sent by post, be lodged at the registered office of the Company at 267 Pandan Loop, Singapore 128439; or
  - (b) if submitted by email, be received by the Company at [hosenagmegm2022@hosengroup.com](mailto:hosenagmegm2022@hosengroup.com).

in either case, by 12.10 p.m. on 26 April 2022 (being not less than 72 hours before the time appointed for holding the EGM) (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. **In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.**

5. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act 1967 who is either:
  - (a) a banking corporation licensed under the Banking Act 1970 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; or
  - (c) Central Provident Fund ("CPF") Board established by the Central Provident Fund Act 1953, in respect of shares purchased on behalf of CPF investors.

Investors whose shares are held with relevant intermediaries including CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy, should approach their respective intermediaries such as CPF Agent Banks or SRS Operators to submit their voting instructions at least seven (7) working days prior to the date of the EGM.

6. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing or where it is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof shall if required by law, be duly stamped must be lodged with the instrument.
7. 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 Meeting, in accordance with Section 179 of the Companies Act 1967.
8. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy 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 the Chairman of the Meeting as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy 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 EGM, as certified by The Central Depository (Pte) Limited to the Company.

## Personal data privacy:

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the Extraordinary General Meeting 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 the appointment of Chairman of the Meeting as proxy appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (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) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Photographic, sound and/or video recordings of the Extraordinary General Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the Extraordinary General Meeting. Accordingly, the personal data of a member of the Company (such as his name) may be recorded by the Company for such purpose.