

**CIRCULAR DATED 18 AUGUST 2014**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your ordinary shares (“**Shares**”) in the capital of Sakae Holdings Ltd. (the “**Company**”), you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold or transferred all your Shares which are held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular, the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee, as arrangements will be made by CDP for a separate Circular and the accompanying documents to be sent to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular.



## **CIRCULAR TO SHAREHOLDERS**

in relation to the

### **THE PROPOSED BUSINESS DIVERSIFICATION**

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

Last date and time for lodgment of Proxy Form	:	31 August 2014 at 2.00 p.m.
Date and time of Extraordinary General Meeting	:	2 September 2014 at 2.00 p.m.
Place of Extraordinary General Meeting	:	28 Tai Seng Street, Sakae Building, Level 7 Singapore 534106

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## CONTENTS

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	Page
<b>DEFINITIONS</b> .....	3
<b>LETTER TO SHAREHOLDERS</b> .....	5
1. INTRODUCTION.....	5
2. THE PROPOSED BUSINESS DIVERSIFICATION.....	5
2.1 Existing business of the Group.....	5
2.2 Details of the Proposed Business Diversification .....	7
2.3 Funding for the Proposed Business Diversification .....	9
2.4 Requirements under the Listing Manual.....	9
2.5 Rationale for the Proposed Business Diversification.....	10
3. BUSINESS MODEL .....	11
3.1 Business model for the Investment Business .....	11
3.2 Business model for the Fund Management Business .....	12
3.3 Business model for the Advisory Business.....	14
4. RISKS ASSOCIATED WITH THE NEW BUSINESSES.....	15
4.1 Risks associated with the New Businesses.....	16
4.2 Additional risks associated with the Investment Business.....	18
4.3 Risks associated with the Fund Management Business and Advisory Business.....	20
4.4 Additional risks associated with the Fund Management Business.....	21
4.5 Additional risks associated with the Advisory Business .....	21
5. PROPOSED RISK MANAGEMENT MEASURES AND SAFEGUARDS.....	22
5.1 Proposed risk management measures and safeguards for the New Businesses.....	22
5.2 Additional proposed risk management measures and safeguards for the Investment Business.....	22
5.3 Additional proposed risk management measures and safeguards for the Fund Management Business and Advisory Business .....	22
6. DIRECTORS' RECOMMENDATIONS.....	23
7. EXTRAORDINARY GENERAL MEETING.....	23
8. ACTION TO BE TAKEN BY SHAREHOLDERS.....	23
9. DIRECTORS' RESPONSIBILITY STATEMENT.....	23
10. DOCUMENTS AVAILABLE FOR INSPECTION .....	23
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING</b> .....	24
<b>PROXY FORM</b>	

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## DEFINITIONS

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

<b>“Advisory Business”</b>	: Has the meaning ascribed to it in Section 1.1
<b>“Board”</b>	: The board of Directors of the Company as at the Latest Practicable Date
<b>“CDP”</b>	: The Central Depository (Pte) Limited
<b>“Circular”</b>	: This circular dated 18 August 2014 in relation to the Proposed Business Diversification
<b>“Companies Act”</b>	: The Companies Act (Chapter 50) of Singapore, as amended, varied or supplemented from time to time
<b>“Company”</b>	: Sakae Holdings Ltd.
<b>“Directors”</b>	: Directors of the Company as at the Latest Practicable Date
<b>“EGM”</b>	: The extraordinary general meeting of the Company, notice of which is set out on page 24 of this Circular
<b>“F&amp;B”</b>	: Food and beverage
<b>“Fund Management Business”</b>	: Has the meaning ascribed to it in Section 1.1
<b>“FY”</b>	: The financial year ending or ended (as the case may be) 31 December
<b>“Group”</b>	: The Company and its subsidiaries
<b>“Investment Business”</b>	: Has the meaning ascribed to it in Section 1.1
<b>“IPO”</b>	: Initial public offering
<b>“Latest Practicable Date”</b>	: 18 August 2014
<b>“Letter of Responsibility”</b>	: Has the meaning ascribed to it in Section 3.3.4
<b>“Letter of Undertaking”</b>	: Has the meaning ascribed to it in Section 3.3.4
<b>“Listing Manual”</b>	: The Listing Manual of the SGX-ST, as amended, varied or supplemented from time to time
<b>“MAS”</b>	: Monetary Authority of Singapore
<b>“New Businesses”</b>	: Has the meaning ascribed to it in Section 1.1
<b>“Proposed Business Diversification”</b>	: Has the meaning ascribed to it in Section 1.1
<b>“RFMC”</b>	: Registered Fund Management Company
<b>“Risk Management Committee(s)”</b>	: The risk management committee(s) to be established for the purposes of the Proposed Business Diversification

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## DEFINITIONS

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“SFA”	: Securities and Futures Act (Chapter 289) of Singapore, as amended, varied or supplemented from time to time
“SF(LCB)R”	: Securities and Futures (Licensing and Conduct of Business) Regulations (Chapter 289, Regulation 10), as amended, varied or supplemented from time to time
“SF(FMR)R”	: Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations (Chapter 289, Regulation 13), as amended, varied or supplemented from time to time
“SGX-ST”	: The Singapore Exchange Securities Trading Limited
“Shareholders”	: Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose securities accounts those Shares are credited
“Shares”	: Ordinary shares in the capital of the Company
“%” or “per cent.”	: Percentage or per centum
“S\$”	: The lawful currency of the Republic of Singapore

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

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, the SFA, the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof, as the case may be.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing one gender shall, where applicable, include the other genders. References to persons shall, where applicable, include corporations.

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

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## LETTER TO SHAREHOLDERS

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### SAKAE HOLDINGS LTD.

(Company Registration No. 199604816E)  
(Incorporated in the Republic of Singapore)

#### Directors:

Douglas Foo Peow Yong (Executive Chairman)  
Foo Lilian (Executive Director and Chief Executive Officer)  
Chan Wing Leong (Lead Independent Director)  
Lim Chee Yong (Independent Director)  
Nandakumar s/o Ponniya (Independent Director)

#### Registered Office:

28 Tai Seng Street  
Sakae Building, Level 7  
Singapore 534106

18 August 2014

To: The Shareholders of Sakae Holdings Ltd.

Dear Shareholder

### THE PROPOSED BUSINESS DIVERSIFICATION

#### 1. INTRODUCTION

1.1 The Directors propose to convene an EGM to be held on 2 September 2014 to seek the approval of Shareholders for the proposed diversification of the Group's business (the "**Proposed Business Diversification**") to include the following:

- (a) engaging in financial investment activities as principal, such as investing in quoted and/or unquoted securities, providing seed and mezzanine capital to private companies with growth potential, undertaking business incubation and angel investments (the "**Investment Business**");
- (b) fund management (the "**Fund Management Business**"); and
- (c) corporate finance advisory (the "**Advisory Business**");

(collectively, the "**New Businesses**").

1.2 The purpose of this Circular is to provide Shareholders with the relevant information relating to, and seek Shareholders' approval for, the Proposed Business Diversification.

#### 2. THE PROPOSED BUSINESS DIVERSIFICATION

##### 2.1 Existing business of the Group

2.1.1 The Group is principally engaged in the F&B business, and has more than 16 years of business presence in Singapore. The Group owns and operates restaurants and kiosks under its flagship brand Sakae Sushi, and had subsequently developed further brands such as Sakae Teppanyaki, Sakae Express, Crepes & Cream, Hei Sushi, Senjyu, Sachi and Kyo by Sakae. The Group is supported by services such as Sakae Delivery and Hei Delivery, which offer delivery services for the Group's products within Singapore, and Nouvelle Events, which is the catering and distribution arm of the Group's business. The Group is also involved in franchising its brands, food import and distribution, as well as providing supplies to other businesses. The Group currently manages and operates over 100 restaurants in Singapore, Malaysia, the Philippines, Indonesia, Thailand, Vietnam, India, and the People's Republic of China.

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## LETTER TO SHAREHOLDERS

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2.1.2 The Group's vision since inception has been to build global brands, with a primary focus on developing its flagship brand, Sakae, into a global brand. In pursuit of such vision, the Group has consistently invested in the growth of its network of F&B outlets and brand presence both in Singapore and in overseas markets. In addition, to ensure that the Group is constantly in a strong position to capitalise on growth opportunities, the Group has focused on and devoted extensive resources in developing the Group's capabilities in the key areas of (i) human capital, (ii) raw materials, and (iii) real estate management, as set out below:

(a) Human capital

The Group views human capital as its most important and valuable resource. The Group's ability to effectively implement its expansion plans is dependent on its ability to attract, motivate, train and retain qualified and talented persons. In this regard:

- (i) the Group (aa) established its first certified Institute of Technical Education, Singapore On-The-Job ("**ITE-OJT**") training centre in 1997; (bb) became an in-house Workforce Skills Qualifications ("**WSQ**") Approved Training Organisation in 2006; and (cc) has since actively adopted the WSQ training and certification system;
- (ii) the Group has and will continue to provide training and development opportunities to equip its management and employees with the skills and know-how to rise to the challenges posed by the competitive business environments facing the Group. These training and development opportunities include programmes conducted by the Group's own ITE-OJT training centre, as well as external courses conducted at both local and overseas training centres. The Group is presently working closely with a professional culinary training institute to develop and/or refine in-house training programmes; and
- (iii) the Group also offers scholarship programs under the Sakae Scholarship to groom candidates to reach greater heights of academic excellence, with a view to identifying future leaders of the Group as part of its succession plans.

(b) Raw materials

The Group has adopted, and will continue to focus on, its farm-to-table approach. The Group continually expends time and effort to seek new reliable sources of raw materials. With secured supplies, the Group is able to ensure that the Group is able to pursue its plans for global expansion without restriction. In this regard,

- (i) the Group has formed strategic partnerships with its suppliers, and conducts regular farm visits and performs checks on the farming processes adopted by these suppliers to ensure the safety, sustainability and freshness of its raw materials. The Group also obtains its raw materials from diverse sources to reduce over-reliance on a particular food source or geographical location;
- (ii) the Group sends its products for laboratory tests to ensure high standards of food quality, and has invested in modern technology to enhance food safety and quality; and
- (iii) the Group has also successfully designed and implemented an automated storage and retrieval system, known as the Automated Self-Retrieval System, to store its raw materials and ensure efficient usage and tracking of inventory. This system better positions the Group to handle, track, and process larger volumes of raw materials as the Group pursues its global expansion plans.

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## LETTER TO SHAREHOLDERS

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(c) Real estate management

As the Group expands its network of F&B outlets both locally and overseas, rising rental costs represent a large component of the Company's cost structure. As a matter of prudence, the Group has been exploring various methods to manage and hedge against the rising rental costs, including the following:

- (i) in Singapore, the Group has developed an over 200,000 square feet building which currently houses its office, central kitchen, training, warehouse and other functions under one roof, with estimated sufficient capacity for expansion for the next five (5) to ten (10) years;
- (ii) in Malaysia, the Group has purchased a number of properties for its office, warehouse and central kitchen functions, as well as for investment purposes; and
- (iii) the Group would explore property investment as and when favourable opportunities arise, and has participated in a property investment project through a joint venture.

### 2.2 Details of the Proposed Business Diversification

- 2.2.1 As set out in Section 2.1.2 above, the Group's vision since inception has been to build global brands, with a primary focus on developing its flagship brand, Sakae. In order to do so, the Group's business model aims to develop each of the four (4) areas which the Group's management has identified as key to the continued growth and success of the Group, being (i) human capital; (ii) raw materials; (iii) real estate; and (iv) corporate finance and financial services, comprising the presently proposed Investment Business, Fund Management Business and Advisory Business. The Group intends to model its business divisions after the corporate structures of certain global organisations, which often have a business arm engaged in corporate finance and financial services. The Group expects that its corporate finance and financial services arm will contribute to the Group by providing, *inter alia*, a larger network of contacts as the Group engages other corporations, institutions, entities and persons in the course of the business and operations of each of the Investment Business, Fund Management Business and Advisory Business, thereby raising the Group's profile and increasing awareness in different industry sectors and geographical locations of the Sakae brand.
- 2.2.2 The Group also expects that its corporate finance and financial services arm will provide greater stability via diversified sources of income, enable the Group to leverage and benefit from accumulated expertise in corporate finance and fund-raising, and allow the Group access to additional avenues for the Group to both invest and be invested in. Consequently, the corporate finance and financial services arm may work synergistically with the Group's other business divisions to further propel development of global awareness of the Sakae brand.
- 2.2.3 Upon Shareholders' approval of the Proposed Business Diversification, the Company intends to incorporate three (3) new subsidiaries ("**Company A**", "**Company B**", and "**Company C**") to carry out the Investment Business, Fund Management Business, and Advisory Business respectively.



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## LETTER TO SHAREHOLDERS

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- 2.2.8 Company C will employ at least three (3) corporate finance professionals with direct and relevant experience, to apply for the capital markets services licence to carry out the regulated activity of advising on corporate finance under the Boutique Corporate Finance Advisor Scheme. One (1) of the afore-mentioned corporate finance professionals will have at least a ten (10) year acceptable track record in corporate advisory work. The remaining two (2) corporate finance professionals will have at least five (5) years of experience in corporate finance advisory work. The corporate finance professionals will also have acceptable qualifications such as a degree or professional qualification.
- 2.2.9 Upon Shareholders' approval of the Proposed Business Diversification, the Group intends to employ experienced professionals possessing relevant and appropriate expertise to assist with operations for the New Businesses. The Directors and management will evaluate the manpower and expertise required for the New Businesses on an ongoing basis, and the Group may employ additional employees and/or seek the advice of external consultants and experts. In selecting partners and/or professionals, the Group will take into account, *inter alia*, their relevant expertise, experience, and track records.
- 2.2.10 Upon approval by the Shareholders, the New Businesses will constitute part of the Group's ordinary course of business.

### 2.3 Funding for the Proposed Business Diversification

The Group intends to initially fund the New Businesses with an aggregate amount of approximately S\$10.5 million which will be sourced from internal funds and retained earnings generated from the Group's business operations, and the Group's existing credit facilities. Of this aggregate amount, it is envisioned that (i) approximately S\$10.0 million will be used to initially fund the Investment Business; (ii) approximately S\$250,000 will be used to initially fund the Fund Management Business; and (iii) approximately S\$250,000 will be used to initially fund the Advisory Business.

### 2.4 Requirements under the Listing Manual

- 2.4.1 Pursuant to Practice Note 10.1 of the Listing Manual, Shareholders' approval is not required if a transaction will result in an expansion of an issuer's existing core business, unless such transaction changes the issuer's risk profile.
- 2.4.2 As the Proposed Business Diversification will result in an expansion of the Group's business to new business sector(s) and may also result in an expansion to new geographical market(s), it is envisaged that the Proposed Business Diversification may change the Group's risk profile. Accordingly, the Directors propose to convene an EGM to seek Shareholders' approval for the Proposed Business Diversification.
- 2.4.3 Upon approval by the Shareholders of the Proposed Business Diversification, the Group may, in the ordinary course of business, enter into transactions relating to the New Businesses that will not change the Group's risk profile, without having to seek Shareholders' approval, notwithstanding that any relative figure(s) under Rule 1006 of the Listing Manual exceeds 20%.
- 2.4.4 For the avoidance of doubt, notwithstanding approval by the Shareholders of the Proposed Business Diversification, where:
- (a) in respect of an acquisition of assets, any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual is 100% or more, or such acquisition will result in a change in control of the issuer, Chapter 10 of the Listing Manual (including Rule 1015) will continue to apply to any such acquisition, which must be made conditional upon the approval of, *inter alia*, Shareholders;
  - (b) a transaction constitutes an interested person transaction (as defined under the Listing Manual), Chapter 9 of the Listing Manual will continue to apply to any such transaction; and

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## LETTER TO SHAREHOLDERS

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- (c) in light of Practice Note 10.1 of the Listing Manual, if a transaction changes the risk profile of the Company, shareholders' approval may be sought for such transaction.

### 2.5 Rationale for the Proposed Business Diversification

The Group proposes to diversify its existing business to include the New Businesses for the following reasons:

#### 2.5.1 ***The Proposed Business Diversification is expected to bring the Group closer to the realisation of its vision of building Sakae into a global brand***

As per Section 2.1.2, the Group has expended significant time and resources in actively exploring developments and pursuing growth in human capital, raw materials, and real estate management, and believes that the Group should enter into investments, fund management and financial advisory businesses to bring the Group closer to realising its vision of building Sakae into a global brand. The proposed New Businesses are envisaged to augment and strengthen the Group, as well as each of its presently existing business arms, by, *inter alia*, providing access to financial services and funding, and exponentially increasing the Group's knowledge base and network of contacts.

#### 2.5.2 ***The Proposed Business Diversification is expected to provide additional and recurrent revenue streams with a view to achieving long-term growth***

The Proposed Business Diversification is expected to provide additional and recurrent revenue streams for the Group which may include, *inter alia*, capital gains and recurring dividend income from its investments in quoted and/or unquoted securities of investee companies from the Investment Business, management fees and performance fees from the Fund Management Business, and consultancy fees and commissions from the Advisory Business. The Group aims to continue growing its existing F&B business, and will venture into the Investment Business, Fund Management Business, and Advisory Business prudently, with a view to enhancing shareholder value over the long-term and achieving long-term growth.

#### 2.5.3 ***The Proposed Business Diversification may provide a more diversified business and income base for the Group's future growth***

While the Group will continue to pursue sustainable growth strategies to strengthen and grow its existing F&B business, the Group's exploration of other growth areas will facilitate the Group's quest for sustained performance in the future. Given the uncertainties prevailing in the current global economic outlook, the Group believes it is more prudent to not rely solely on its F&B business. The inclusion of the New Businesses may provide the Group with a more diversified business and income base for future growth and reduce the Group's reliance on its existing F&B business for its revenue streams.

#### 2.5.4 ***The Proposed Business Diversification may provide additional funds for expansion of the Group's existing F&B business***

The revenue generated from the Proposed Business Diversification may provide the Group with additional funds for the expansion of the Group's existing F&B business. In addition, the Group's Investment Business and/or the funds managed by the Group under the Fund Management Business may, subject to compliance with relevant investment criteria, invest in the Group, including but not limited to the Group's expansion plans for its business and operations, themselves. Such expansion activities would include, *inter alia*, the establishment of more restaurants overseas, brand development, and increasing the depth and breadth of the Group's F&B-related offerings.

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## LETTER TO SHAREHOLDERS

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**2.5.5 *The Proposed Business Diversification will place the Group in a better position to capitalise on the growth prospects of both Singapore and overseas markets***

The Proposed Business Diversification will place the Group in a better position to capitalise on the growth prospects of both Singapore and overseas markets. The Group aims to take advantage of the opportunities in these markets by investing in investee companies which operate in these markets, making investments for the funds managed by the Group, and providing corporate finance advisory services in relation to transactions in these markets. Capitalising on the afore-mentioned opportunities may enhance the performance of the Group's Investment Business, Fund Management Business, and Advisory Business, and thereby strengthen the Group's turnover and profit and enhance shareholder value and returns.

**2.5.6 *The Proposed Business Diversification may facilitate any overseas expansion of the Group's existing F&B business***

The Proposed Business Diversification may also facilitate any overseas expansion of the Group's existing F&B business. The Group's network of contacts is likely to expand with the Group's engagement in the Investment Business, Fund Management Business, and Advisory Business. This expansion in outreach possibilities may lead to new business opportunities, both in Singapore and overseas, for the Group's existing F&B business, as well as facilitate access to new groups of prospective customers who may patronise the Group's various restaurants and other F&B-related offerings.

**2.5.7 *The Proposed Business Diversification will give the Group the flexibility to enter into transactions relating to the New Businesses in the ordinary course of business***

As stated in Section 2.4, upon approval by the Shareholders of the Proposed Business Diversification, the Group may, in the ordinary course of business, enter into transactions relating to the New Businesses that do not change the Group's risk profile without having to seek Shareholders' approval. This will eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential transactions relating to any of the New Businesses arise. It is envisaged that the Proposed Business Diversification will give the Group flexibility to pursue business opportunities which may be time-sensitive in nature, and substantially reduce the expenses associated with the convening of general meetings from time to time.

### **3. BUSINESS MODEL**

#### **3.1 Business model for the Investment Business**

3.1.1 It is envisioned that the revenue for the Investment Business will be substantially derived from capital gains and recurring dividend income from the Group's investments in quoted and/or unquoted securities of the investee companies.

3.1.2 The Group intends that the Investment Business will be engaged on a prudent basis with discretion, and to set appropriate risk and return objectives. Accordingly it is envisioned that the investment portfolio of the Investment Business will initially relate primarily to short-to-medium term investments in shares of public companies which are listed on stock exchanges in Singapore and South-east Asia, as these types of quoted equity securities tend to possess greater liquidity. The Group intends to establish a strong and sound track record and will thereafter engage in other investments, such as investing in unquoted securities, providing seed and mezzanine capital to private companies with growth potential, and undertaking business incubation and angel investments, as and when the Group deems such growth for the Investment Business as prudent and suitable, taking into consideration, *inter alia*, the Group's human capital, prevailing market conditions, and such other factors as may be relevant at the appropriate time.

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## LETTER TO SHAREHOLDERS

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- 3.1.3 Prior to making an investment, the Group will evaluate each investment based on the projected rate of return, the potential costs involved and the estimated profit margins. It will have regards to factors such as the type of quoted and/or unquoted securities, the value of the proposed investment, its potential for increase in value, its projected returns, its location (if any), the borrowing costs involved (if any) and the prevailing market conditions. The Group will not restrict itself to any particular business sector, industry or country but will consider any business sector, industry or country that presents growth opportunities for the Group.
- 3.1.4 The Group may also collaborate with external consultants and/or advisers for the Investment Business. These collaborations may be on a profit-sharing basis, or on such other terms acceptable to the Group, including in respect of profit distribution and investment realisation. The Group will take into consideration various factors such as the adequacy of the Group's working capital and the projected returns on equity, in agreeing on terms with the external consultants and/or advisers.
- 3.1.5 To assist it in undertaking the Investment Business more effectively and efficiently, the Group may also enter into joint ventures, partnerships and/or strategic alliances with third parties (including interested persons) and seek to build its expertise and capabilities in the field. In the event that the Group proposes to enter into a joint venture, partnership or strategic alliance with an interested person (as defined under the Listing Manual), the Company will comply with the relevant provisions of Chapter 9 of the Listing Manual.

### Expertise required to manage and operate the Investment Business

- 3.1.6 Upon obtaining Shareholders' approval for the Proposed Business Diversification, the Group may employ additional professionals with the relevant investment and/or mergers and acquisitions experience to assist with operations for the Investment Business. In addition, the Group may also require employees to undertake roles which would include, but are not limited to, conducting market research and analysis, carrying out due diligence checks and ongoing audit on the investee companies, and executing investment transactions and exit strategies.

## 3.2 Business model for the Fund Management Business

- 3.2.1 It is envisioned that the Fund Management Business will include the following activities:
- (a) managing and maintaining the investment portfolio of the Group's clients;
  - (b) conducting investments and executing transactions for the funds managed by the Group;
  - (c) market research and analysis; and
  - (d) formulation and implementation of investment strategies and solutions.
- 3.2.2 The revenue for the Fund Management Business is expected to be substantially derived from management fees charged, as well as performance fees calculated as an agreed profit sharing of the profits achieved by the funds under management.
- 3.2.3 Fund management is a regulated activity under the SFA, and is subject to the supervision and regulation of MAS. Upon obtaining Shareholders' approval for the Proposed Business Diversification, the Group will apply to MAS to register Company B as a RFMC. RFMCs may carry on business in Singapore in fund management on behalf of not more than 30 qualified investors (as defined in the SF(LCB)R), of which not more than 15 may be collective investment schemes, closed-end funds, or limited partnerships, and the total value of the assets managed by each RFMC shall not exceed S\$250 million. RFMCs will not be involved with retail investors.

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## LETTER TO SHAREHOLDERS

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- 3.2.4 To apply to MAS for registration as a RFMC, Company B must meet, *inter alia*, the following requirements:
- (a) ensure that the minimum competency requirements of Company B's key individuals are met. These requirements include, *inter alia*:
    - (i) having a minimum of two (2) directors, each with at least five (5) years' relevant experience, one (1) of whom is to be an executive director residing in Singapore and employed full time in the day-to-day operations of Company B, and one (1) of whom is to be the chief executive officer;
    - (ii) employing at least two (2) relevant professionals, each with at least five (5) years' relevant experience and who are residing in Singapore. Relevant professionals may include the directors, chief executive officer and representatives of Company B; and
    - (iii) employing at least two (2) representatives residing in Singapore. Representatives are individuals who conduct the regulated activity of fund management such as portfolio construction and allocation, research and advisory, business development and marketing or client servicing, and may include the directors and chief executive officer of Company B;
  - (b) satisfy MAS that Company B's shareholders, directors, representatives and employees, and Company B itself, are fit and proper in accordance with the Guidelines on Fit and Proper Criteria issued by MAS;
  - (c) ensure that Company B shall at all times meet the base capital thresholds set out in the SF(FMR)R, which vary from S\$250,000 to S\$1,000,000, depending on the category of fund management in question;
  - (d) ensure that Company B has in place compliance arrangements that are commensurate with the nature, scale and complexity of its business;
  - (e) ensure that Company B has in place a risk management framework to identify, address, and monitor the risks associated with client assets that it manages, as required by the SF(LCB)R;
  - (f) ensure that the business activities of Company B are subject to adequate internal audit; and
  - (g) ensure that Company B shall meet the annual audit requirements as set out in the SFA and SF(LCB)R.
- 3.2.5 The Group may, in future, consider applying to MAS for the requisite capital markets services licence to carry out the regulated activity of fund management as a (i) Licensed Accredited / Institutional Fund Management Company, which would enable Company B to carry on business in fund management with qualified investors only, without restriction on the number of qualified investors; or a (ii) Licensed Retail Fund Management Company, which would enable Company B to carry on business in fund management with all types of investors.
- 3.2.6 Should Company B hold a capital markets services licence to carry out the regulated activity of fund management in the future, Company B may be required to hold certain levels of assets or monies to meet any risk-based capital adequacy requirements imposed by MAS.

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## LETTER TO SHAREHOLDERS

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### Expertise required to manage and operate the Fund Management Business

3.2.7 Upon obtaining Shareholders' approval for the Proposed Business Diversification, the Group intends to employ experienced finance professionals (who would satisfy the competency requirements imposed by MAS) to form its investment team for the Fund Management Business. These professionals will be experienced in fund management and/or making investments. In addition, the Group may also require these professionals to undertake roles which would include, but not be limited to, collecting and processing market data, conducting portfolio construction and allocation, investment research analysis, predicting market conditions and developments, undertaking business development and marketing or client servicing, and ensuring regulatory compliance.

### **3.3 Business model for the Advisory Business**

3.3.1 It is envisioned that the Advisory Business will comprise advising listed and unlisted companies on various aspects of corporate finance, including but not limited to private equity, business incubation, corporate development, global mergers and acquisitions, trade sales, and acting as independent financial adviser to listed companies.

3.3.2 The revenue for the Advisory Business is expected to be substantially derived from consultancy fees and commissions charged to the Group's clients.

3.3.3 Advising on corporate finance is a regulated activity under the SFA, and is subject to the supervision and regulation of MAS. Upon obtaining Shareholders' approval for the Proposed Business Diversification, the Group will apply to MAS for the requisite capital markets services licence to carry out the regulated activity of advising on corporate finance under the Boutique Corporate Finance Advisor Scheme.

3.3.4 To apply to MAS for the capital markets services licence to carry out the regulated activity of advising on corporate finance under the Boutique Corporate Finance Advisor Scheme, Company C must meet, *inter alia*, the following requirements:

- (a) satisfy MAS that it will discharge its duties efficiently, honestly and fairly;
- (b) establish and operate out of a physical office in Singapore;
- (c) be primarily engaged in the business of conducting any one of the regulated activities specified in the Second Schedule of the SFA, which in the case of Company C, would be the regulated activity of advising on corporate finance;
- (d) its officers, employees, representatives, and substantial shareholders are to be fit and proper, in accordance with the criteria set out in the Guidelines on Fit and Proper Criteria issued by MAS;
- (e) satisfy, *inter alia*, the following criteria in respect of its board of directors, chief executive officer and representatives:
  - (i) have a board of directors and senior management which upholds good corporate governance standards and practices;
  - (ii) have a board of directors which comprise a minimum of two (2) members, at least one (1) of whom is resident in Singapore;
  - (iii) have a chief executive officer who is resident in Singapore; and
  - (iv) employ at least two (2) full time individuals in respect of each regulated activity for which Company C is seeking to be licensed to conduct, and who are appointed representatives for the relevant regulated activity as required under the SFA;

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## LETTER TO SHAREHOLDERS

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- (f) satisfy the base capital requirements as set out in the SF(FMR)R, which, for the regulated activity of advising on corporate finance, is S\$250,000;
  - (g) if required by MAS, to procure a letter of responsibility or a letter of undertaking (in a form satisfactory to MAS) from its parent company. The letter of responsibility (“**Letter of Responsibility**”) is a commitment from the applicant’s parent company that it will maintain adequate oversight over the applicant’s operations, financial position, compliance with laws, management and other relevant issues. A letter of undertaking (“**Letter of Undertaking**”) sets out the maximum liability of the applicant’s parent company in support of any liquidity shortfall or other financial obligations;
  - (h) to purchase a professional indemnity insurance policy that complies with requirements stipulated by MAS;
  - (i) be ultimately majority-owned by either Singapore citizens or Singapore permanent residents; and
  - (j) employ at least three (3) corporate finance professionals with direct and relevant experience, who are residents in Singapore, and at least one (1) of whom must be a substantial shareholder of Company C with at least a ten (10) years acceptable track record in corporate finance advisory work. The remaining two (2) corporate finance professionals must each have at least five (5) years of experience in corporate finance advisory work. The corporate finance professionals must also have acceptable qualifications such as a degree or professional qualification.
- 3.3.5 An applicant which does not satisfy all of MAS’s stipulated requirements at the time of the application may still be granted a capital markets services licence, subject to additional conditions to be imposed pursuant to Section 88 of the SFA, such as MAS requiring the applicant to procure a banker’s guarantee, professional indemnity insurance, or Letter of Undertaking.
- 3.3.6 Upon obtaining the capital markets services licence to carry out the regulated activity of advising on corporate finance under the Boutique Corporate Finance Advisor Scheme, Company C may be required to hold certain levels of assets or monies to meet any risk-based capital adequacy requirements imposed by MAS.

### *Expertise required to manage and operate the Advisory Business*

- 3.3.7 Upon obtaining Shareholders’ approval for the Proposed Business Diversification, the Group intends to employ experienced finance professionals (who would satisfy the competency requirements imposed by MAS, if any) to form its advisory team for the Advisory Business. These professionals will be experienced in advising on corporate finance matters. In addition, the Group may also require these professionals to undertake roles which would include, but are not limited to, conducting market research and analysis, carrying out due diligence, and ensuring regulatory compliance.

## 4. RISKS ASSOCIATED WITH THE NEW BUSINESSES

The New Businesses involve a number of risks, some of which, including market, liquidity, credit, operational, legal and regulatory risks, may be material. Shareholders should evaluate carefully the following considerations and the other information in this Circular. The risks set out below are not the only risks which the Group faces in respect of the New Businesses. Some risks are not yet known to the Company and there may be risks which the Company currently believes are not material but may subsequently turn out to be. As such, the following should not be construed as a comprehensive list of all risk factors relating to the New Businesses. If any of the following considerations, risks or uncertainties develops into actual events, the business, financial position, results of operations, cash flow and/or prospects of the Group may be materially and/or adversely affected.

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## LETTER TO SHAREHOLDERS

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### 4.1 Risks associated with the New Businesses

#### 4.1.1 *The Group's performance in the New Businesses will be subject to exposure to macro-economic risks*

The markets in which the Group will operate its New Businesses are 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 above-mentioned factors could adversely impact the performance of the New Businesses, which in turn may affect the Group's fee income, results of operations and/or financial condition.

#### 4.1.2 *The New Businesses are subject to competition risks*

The success of the New Businesses will depend to a large extent on the Group's ability to establish itself in the fund management, corporate finance advisory, and investment markets, and build its clientele on an economically viable scale and in line with the Group's business objectives. The Group will have to compete with other fund management, corporate finance advisory, and investment institutions, some of which may be larger, better capitalised, offer a wider range of services, have access to greater human resources, and have both a stronger presence as well as a longer operating history in these markets. There can be no assurance that the Group's plan to penetrate these markets will be commercially successful. Furthermore, the competitive market environment may increase pressure on the Group's fee income margins for the Fund Management Business and Advisory Business, consequently compromising the Group's fee income and financial performance. If the Group fails to compete effectively in this environment, the Group may lose clients and/or investee companies, and the opportunity to gain new clients and/or investee companies. The Group will need to increase its marketing activities to develop market awareness and relationships with potential clients and/or investee companies. Such activities will increase the Group's expenses, and such expenditure without a corresponding increase in revenue may have an adverse impact on the Group's growth prospects and financial performance.

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## LETTER TO SHAREHOLDERS

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4.1.3 ***The New Businesses are heavily dependent on the Group's reputation and any adverse publicity could have an adverse effect on the Group's business and financial performance***

The New Businesses rely to a large extent on market perception, as the Group will be operating in an industry where the Group's integrity (and the perception thereof) as well as, the trust and confidence of the clients are of critical importance. Negative publicity (whether or not justified) associated with the Group or any of its officers or employees may adversely impact the Group's reputation and result in a loss of clients. Accordingly, any perception of, or alleged mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations may have an adverse effect on the Group's growth prospects, business operations and financial performance.

4.1.4 ***The Group may be subject to exposure to litigation***

The New Businesses will be subject to a complex legal and regulatory environment. Any litigation brought against the Group by its clients or otherwise in the future in relation to the New Businesses could have a material adverse effect on the Group's reputation, business, growth prospects, fee income, results of operations and/or financial condition.

4.1.5 ***The Group's success in the New Businesses depends on the Group's ability to attract highly skilled personnel***

The Group's success in the New Businesses depends on its ability to attract, motivate, train and retain skilled employees and professionals in the relevant fields of expertise for the New Businesses. If the Group is unable to attract, motivate and/or retain the necessary highly skilled personnel, there may be a material adverse effect on the Group's business, growth prospects, fee income, results of operations and/or financial condition.

4.1.6 ***The Group may be affected by the actions of its employees and/or the professionals it engages***

The Group intends to put in place internal policies and guidelines to prevent risks and mitigate liabilities relating to employee misconduct or fraud, including but not limited to situations where material omissions, or false or misleading statements may be made to clients (inadvertently or otherwise), and/or where there is improper use or disclosure of confidential information by the Group's employees. However, such precautions may not be effective in all cases and it may not always be possible to detect employee misconduct. Employee misconduct and/or negligence may result in legal liability, regulatory sanctions and unquantifiable damage to the Group's reputation, and may materially and adversely affect the Group's business operations and financial performance.

Furthermore, the laws, rules and regulations applicable to the professionals engaged by the Group may also impose restrictions and/or penalties on the Group in the event such laws, rules or regulations are breached, or alleged to be breached by the professionals, and the Group's competitiveness and financial performance may consequently be materially and adversely affected.

4.1.7 ***The Group has no prior experience in the New Businesses, and faces integration risk***

Presently, the Group has no significant prior experience in the New Businesses. The Group intends to devote time and management attention to setting up the New Businesses, including but not limited to applying for the requisite registrations and/or licences, hiring skilled professionals and employees, providing the necessary training, know-how, business support, creating new incentive structures for management and staff, establishing the operating infrastructure and internal controls, brand development, and establishing clientele.

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## LETTER TO SHAREHOLDERS

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Nevertheless, there can be no assurance that the Group will be successful in the New Businesses, or that such measures will result in the seamless integration of the New Businesses into the Group's existing operations. Delays in integration or unforeseen or unresolved issues may divert the Group's management attention and resources, delay the commencement of or prevent revenue growth in the New Businesses, which may materially and adversely affect the results of operations or financial position of the Group.

### 4.2 Additional risks associated with the Investment Business

#### 4.2.1 *The Group's investment activities may be adversely affected by macro and micro-economic factors*

Given that the Group's investment activities will involve investments in listed and unlisted companies, the Group's investment activities may be affected by adverse movements in the share prices of or any changes in the business, operations, and/or financial performance of the investee companies. These adverse movements or changes may be due to macro-economic factors (such as those described in Section 4.1.1 above) or micro-economic factors that relate to the business or operations of the investee companies.

#### 4.2.2 *The Group's investments in unlisted companies may potentially be illiquid*

The Group may, from time to time, invest in unlisted companies. The Group could incur greater investment realisation risks than investments in listed securities, as there may be limited methods available to the Group for the sale of such investments, such as by way of an IPO. However, there can be no assurance that all or any of the investee companies would be able to comply with or meet the requirement(s) for an IPO. Even if the investee companies are able to undertake an IPO, the securities held by the Group may be subject to certain restrictions, including the requirement to retain a certain level of shareholding in the investee company for a certain period of time. There can be no assurance that the Group will be able to successfully realise its investments in unlisted companies by way of an IPO or otherwise.

#### 4.2.3 *Changes in general economic, political and social conditions may adversely affect the investee companies*

The businesses of the investee companies will be subject to the prevailing economic, political and social conditions in the markets and/or countries in which they operate. The business, earnings, asset values, prospects and valuations of the investee companies may be materially and/or adversely affected by developments with respect to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, taxation, expropriation, social instability and other political, economic or diplomatic developments in or affecting the countries in which the investee companies operate.

In addition, investee companies may, from time to time, undertake activities that may cause damage and/or harm to third parties or the environment. If damage and/or harm to third parties or the environment arise from the direct or indirect activities of investee companies, these companies may face legal action and/or other claims which may adversely affect their financial position. In some jurisdictions, the liability for the harm and/or damage caused to third parties or the environment may extend beyond the immediate businesses to their ultimate shareholders.

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## LETTER TO SHAREHOLDERS

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4.2.4 ***The Group may be exposed to a higher level of risk though its investments in companies with business(es) in the early stages of development***

The Group may invest in the quoted and/or unquoted securities of companies with business(es) in the early stages of development that have high growth potential. While investments in these companies may present greater opportunities for growth, they may also involve greater business risks than are customarily associated with companies with more established business(es), and there can be no assurance that the Group may be able to reap its envisaged or any returns, or even recover its investment. Given the nature of such investments, the Company will regularly assess the financial and operational performance of such investee companies.

4.2.5 ***The performance of the Group's investments may be affected by its lack of influence or management control over the investee companies***

Although the Group may seek to take an active role in investee companies by participating at the board level, it does not presently intend to become actively involved with the day-to-day management of any investee company. Additionally, where the Group takes a strategic but non-controlling stake in an investee company, it may have limited control or influence in terms of the investee company's business and operations.

Accordingly, the management or mismanagement of any investee company may be beyond the control of the Group. Such management or mismanagement may adversely affect the financial performance of the investee company, which may in turn affect the returns on the Group's investments. The impact of any negative publicity or announcements relating to management of an investee company may also adversely affect the Group's reputation, whether or not justified, and ultimately the value of the Shares.

4.2.6 ***The Group's investment activities may be subject to risks due to fluctuations in foreign exchange rates***

To the extent that the investee companies may be located in different geographic jurisdictions and the investments may be denominated in currencies other than Singapore dollars, the Group's investments may be adversely affected by fluctuations in foreign exchange rates, and such fluctuations may be unpredictable.

4.2.7 ***The Group's investment activities may be subject to risks due to fluctuations in interest rates***

To the extent that the Group obtains borrowings for investments or other purposes and the borrowings are at floating rates of interest, the cost of servicing such debt will increase if the interest rates for the borrowings increase significantly. Any significant increase in interest rates may adversely impact the performance of the Group's investment activities if the Group's borrowings are made under floating rates of interest.

4.2.8 ***The Group may not, and may not be able to hedge effectively against certain risks***

The Group may, from time to time, undertake various transactions (such as transacting in options and warrants, or entering into futures contracts) to hedge its foreign exchange exposure and interest rate exposure. There can be no assurance that the Group will, or will be able to hedge successfully or effectively against such exposures and the Group may be unable to avoid losses therefrom.

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## LETTER TO SHAREHOLDERS

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### 4.3 Risks associated with the Fund Management Business and Advisory Business

#### 4.3.1 ***The Group may not be able to obtain the requisite registration and/or licences to engage in fund management and/or advising on corporate finance***

Upon Shareholders' approval for the Proposed Business Diversification, the Group intends to apply to MAS for the registration of Company B as a RFMC, and for Company C to obtain the capital markets services licence to carry out the regulated activity of advising on corporate finance. The Group also intends to apply for various other requisite licences, approvals or exemptions from the relevant authorities in the jurisdictions in which the Group may operate, in order to conduct the Fund Management Business and/or the Advisory Business. Any failure to obtain, maintain and/or renew the Group's licenses, approvals or exemptions may impede or hinder operations for the Group's Fund Management Business and/or Advisory Business, and may adversely affect its prospects and financial condition.

#### 4.3.2 ***The Group will be subject to strict regulation and supervision by MAS for the Fund Management Business and/or Advisory Business***

MAS is empowered to establish standards, codes, rules and regulations to be observed by capital markets services providers, and regulate the conduct of these registrants and licensees in the provision of capital markets services. If a registrant or licensee is found to be in breach of any condition of its registration or licence, or any provision of any code, practice, standard of performance, regulation, or directive, MAS may issue a written order for compliance, impose a financial penalty, cancel the registration or licence or part thereof, suspend the registration or licence or part thereof for a specified period, or reduce the term of the registration or licence. In the event that the Group engages in, *inter alia*, the Fund Management Business and/or Advisory Business, the Group will be subject to strict regulation and supervision by MAS. MAS may require Company B and/or Company C to hold certain levels of assets or monies, to meet any risk-based capital adequacy requirements imposed by MAS. Further, MAS may impose requirements on the Company itself in its capacity as parent company, such as having the Company provide a Letter of Responsibility or a Letter of Undertaking to MAS, and in such event the Company may be required to devote significant time and resources to overseeing Company B and/or Company C's operations, financial position, compliance with laws, management, and other issues, and/or provide financial support for Company B and/or Company C's liquidity requirements or financial obligations. Also, in the event of any breach or alleged breach of any applicable law, rules, regulation, policy, practice, note or directive, the Group may be subject to various measures imposed by MAS, including but not limited to extended investigations, revocation or suspension of the Group's registrations and/or licences and/or substantial financial penalties. In such event, the Group's growth prospects, business operations and financial performance may be materially and adversely affected.

#### 4.3.3 ***Regulatory changes may limit the Group's activities in the Fund Management Business and/or Advisory Business and subject the Group to regulatory risk***

Any changes in the applicable regulatory framework may restrict or modify the range of services the Group is able to offer, or the fees the Group is able to charge for its Fund Management Business and/or Advisory Business. The Group may need to increase expenditure and/or change its operations to maintain regulatory compliance. If any of these events occur, it may have an adverse effect on the Group's growth prospects, results of operations and/or financial condition.

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## LETTER TO SHAREHOLDERS

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### 4.4 Additional risks associated with the Fund Management Business

#### 4.4.1 *Management fees and/or performance fees derived from the Fund Management Business may decline*

The Fund Management Business substantially derives its revenue from management fees and performance fees, which may be partly based on the performance of the funds managed by the Group. A decline in the funds' performance may result in a reduction in fees payable to the Group, which in turn may have a material adverse effect on the Group's business, growth prospects, fee income, results of operations and/or financial condition.

#### 4.4.2 *Fluctuations in stock markets could affect the performance of the funds managed by the Group*

Fluctuations in stock markets could affect the performance of the funds managed by the Group. Unstable and/or unfavourable market conditions may affect the value of the investments held by the funds managed by the Group. Lack of liquidity or price volatility may reduce the value of the funds managed by the Group, which in turn may result in a material adverse effect on the business, growth prospects, fee income, results of operations and/or financial condition of the Group's Fund Management Business.

#### 4.4.3 *There can be no guarantee that the funds managed by the Group will perform as envisioned*

The success of the Group's investment approach in respect of the funds it manages depends, in part, on the Group's ability to correctly interpret market data and other information. It also depends on the Group's ability to conduct or obtain relevant investment research analysis and/or accurately predict market conditions and developments. There can be no assurance that the Group's investment strategies will be successful under all or any market conditions. In the event that the funds do not perform as envisioned, there may be a material adverse effect on the Group's reputation, fee income, financial performance and business operations.

### 4.5 Additional risks associated with the Advisory Business

#### 4.5.1 *Macro-economic risks*

The Group's results of operations from the Advisory Business are likely to have a direct correlation with the overall performance of local and global economics, which may, in turn, be affected by many unpredictable factors including, among others, those described in Section 4.1.1 above. Fluctuations in market and economic sentiments may also result in periods of unfavourable market behaviour which may in turn reduce the number of transactions, size of transactions, and fees which may be charged by the Group for its services offered under the Advisory Business. The Group's revenue from its Advisory Business is likely to be directly related to the number and size of transactions for which the Group provides its corporate finance advisory services. The Group may be adversely affected by a sustained market downturn where the volume of financial transactions, such as mergers and acquisitions, decline. In such event, the Group's business operations and financial performance may be adversely affected.

#### 4.5.2 *Unpredictable nature of revenue and profitability*

The Group's revenue from its Advisory Business is likely to be primarily generated from transactions which are of a non-recurring nature and on a transaction-by-transaction basis, and is also subject to the size of the transactions and the scope of services to be rendered. In addition, terms and conditions of each mandate, including its payment schedule, are to be negotiated and determined on a case-by-case basis. The non-recurring nature of the revenue for the Advisory Business makes the profitability of the Advisory Business

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## LETTER TO SHAREHOLDERS

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unpredictable. If a transaction cannot be completed after a substantial amount of time and effort has been spent by the Group, the Group may have difficulties seeking compensation or full payment pursuant to the mandate from the client. Consequently, the Group's revenue and profitability may be adversely affected. As the Advisory Business is largely based on non-recurring transactions, the Group may have difficulties attaining or achieving future mandates or fee income which will generate fee revenue and income at levels previously received by the Group.

### **5. PROPOSED RISK MANAGEMENT MEASURES AND SAFEGUARDS**

#### **5.1 Proposed risk management measures and safeguards for the New Businesses**

- 5.1.1 To address the risks presented by the New Businesses to the Group, the Group intends to establish Risk Management Committee(s), which will be tasked with the responsibility of overseeing the risk management activities of the New Businesses, approving appropriate risk management procedures and measurement methodologies, as well as identifying and managing the various business risks for the New Businesses.
- 5.1.2 Mr. Foo and the Company's senior management will oversee the hiring, and will review the suitability, of potential employees and professionals to be engaged for the New Businesses.
- 5.1.3 The Group will, in consultation with the Risk Management Committee(s), implement measures to assess the risk profiles of (i) its proposed investee companies for the Investment Business; and (ii) its proposed clients for the Fund Management Business and Advisory Business.
- 5.1.4 The Group will also comply with the risk management requirements imposed by MAS, including but not limited to MAS's Guidelines on Risk Management Practices, in relation to activities relating to the New Businesses. The Group will endeavour to ensure that the risk management systems implemented are commensurate with the risk and business profile, nature, size and complexity of operations and business activities of each of its subsidiaries engaged in the respective New Businesses, and will review such risk management systems periodically to assess adequacy.

#### **5.2 Additional proposed risk management measures and safeguards for the Investment Business**

- 5.2.1 The Group will adopt internal policies and procedures (which will establish guidelines for the Company's investment objectives, strategies, approaches, and restrictions) to evaluate each investment and ensure that there are safeguards in place to manage risk.

#### **5.3 Additional proposed risk management measures and safeguards for the Fund Management Business and Advisory Business**

- 5.3.1 The Group will ensure that each of its subsidiaries engaged in the Fund Management Business and Advisory Business will:
  - (a) have its risk management policies and the implementation of such policies be subject to adequate oversight by the board of each of the relevant subsidiaries;
  - (b) have senior management ensuring that appropriate policies, procedures and systems are in place;
  - (c) have in place risk management processes and operating procedures that integrate prudent risk limits with appropriate risk measurement, monitoring and reporting; and
  - (d) have competent personnel in the risk management, control and audit functions.

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## LETTER TO SHAREHOLDERS

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### 6. DIRECTORS' RECOMMENDATIONS

Having considered, *inter alia*, the rationale for the Proposed Business Diversification, the Directors are of the opinion that the Proposed Business Diversification is in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the Proposed Business Diversification to be proposed at the EGM.

### 7. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 24 of this Circular, will be held at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, on Tuesday, 2 September 2014 at 2.00 p.m. for the purpose of considering and if thought fit, passing the resolution (with or without modifications) set out in the notice of EGM.

### 8. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote on their behalf should complete and sign the Proxy Form which is attached to this Circular in accordance with the instructions printed thereon and return the same to the Company's registered office at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, as soon as possible and in any event so as to arrive at the Company's registered office not less than 48 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Shareholder will not preclude him from attending the EGM and voting in person should he subsequently decide to do so.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register, as certified by CDP, at least 48 hours before the EGM.

### 9. 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 Business 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 those sources and/or reproduced in this Circular in its proper form and context.

### 10. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection by Shareholders at the Company's registered office at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Memorandum and Articles of Association of the Company; and
- (b) the Annual Report of the Company for FY2013.

Yours faithfully  
For and on behalf of the Board of Directors

Douglas Foo Peow Yong  
Executive Chairman  
Sakae Holdings Ltd.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**SAKAE HOLDINGS LTD.**  
(Company Registration No. 199604816E)  
(Incorporated in the Republic of Singapore)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

*All capitalised terms in this Notice shall have the meanings as ascribed to them in the Circular dated 18 August 2014 to Shareholders, unless otherwise defined herein.*

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of Sakae Holdings Ltd. (the “**Company**”) will be held at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, on Tuesday, 2 September 2014 at 2.00 p.m. for the purposes of considering and if thought fit, passing (with or without modification) the following resolution:

#### ORDINARY RESOLUTION

##### THE PROPOSED BUSINESS DIVERSIFICATION

That:

- (a) approval be and is hereby given for the Proposed Business Diversification and for the Company and its subsidiaries to engage in the Investment Business, Fund Management Business, and Advisory Business, and any other activities necessary or desirable in connection therewith; and
- (b) the Directors (or any one of them) be and are hereby authorised to take such steps and do all such acts and things (including without limitation, to sign, seal, execute and deliver all such documents and deeds), and to exercise such discretion in relation to the Proposed Business Diversification as they or he may deem fit, with such modifications thereto (if any) as they or he may consider necessary, desirable or expedient, in order to give full effect to this resolution.

By Order of the Board

Douglas Foo Peow Yong  
Executive Chairman  
**Sakae Holdings Ltd.**

18 August 2014

#### Notes:

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting (the “**EGM**”) is entitled to appoint not more than two (2) proxies to attend and vote in his/its stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies shall, in the case of an individual, be signed by the appointor or his attorney. If the appointor is a corporation, the instrument appointing a proxy or proxies must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy or proxies must be deposited at the Company’s registered office at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, not less than 48 hours before the time appointed for the holding the EGM.

## SAKAE HOLDINGS LTD.

(Company Registration No. 199604816E)  
(Incorporated in the Republic of Singapore)

### IMPORTANT:

1. For investors who have used their CPF monies to buy the Company's ordinary shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Extraordinary General Meeting as observers must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_ (name)

of \_\_\_\_\_ (address)

being a member/members of **Sakae Holdings Ltd.** (the "Company"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%
and/or (delete as appropriate)				

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, on Tuesday, 2 September 2014 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution to be proposed at the Meeting as hereunder indicated. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/their discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

	To be used on a show of hands		To be used in the event of a poll	
	For*	Against*	Number of Votes For**	Number of Votes Against**
<b>ORDINARY RESOLUTION</b> To approve the Proposed Business Diversification				

\* Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.

\*\* If you wish to exercise all your votes "For" or "Against", please indicate with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Number of Shares Held	
(a) CDP Register	
(b) Register of Members	

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



**Notes:**

1. Please insert in the box at the bottom right hand corner on the reverse of this form, the number of shares entered against your name in the Depository Register maintained by The Central Depository (Pte) Limited (“**CDP**”) in respect of shares in your Securities Account with CDP and the number of shares registered in your name in the Register of Members in respect of share certificates held by you. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act (Chapter 50) of Singapore.
6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, not less than 48 hours before the time set for the Extraordinary General Meeting.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting as certified by CDP to the Company.

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