

## **LETTER TO SHAREHOLDERS DATED 13 APRIL 2017**

This Letter is circulated to the Shareholders (as defined in this Letter) together with the 2016 Annual Report (as defined in this Letter). Its purpose is to explain to the Shareholders the rationale and provide information to the Shareholders for the proposed renewal of the Share Purchase Mandate (as defined in this Letter) to be tabled at the 2017 AGM (as defined in this Letter) to be held at Level 2, Anson I & II, M Hotel, 81 Anson Road Singapore 079908, on 28 April 2017 at 9:30 a.m..

The Notice of the 2017 AGM (as defined in this Letter) and a proxy form are enclosed with the 2016 Annual Report. If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all your Shares (as defined in this Letter), you should hand this Letter, the 2016 Annual Report and the proxy form immediately to the purchaser or to the stockbroker or to the bank or to the agent through whom you effected the sale for onward transmission to the purchaser.

The SGX-ST (as defined in this Letter) assumes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this Letter.



## **ANCHUN INTERNATIONAL HOLDINGS LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200920277C)

### **LETTER TO SHAREHOLDERS**

in relation to

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

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## CONTENTS

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	<b>PAGE</b>
<b>DEFINITIONS</b> .....	3
<b>LETTER TO SHAREHOLDERS</b>	
1. INTRODUCTION.....	6
2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE.....	6
3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS .....	16
4. SHARES BOUGHT BY THE COMPANY IN THE PAST TWELVE MONTHS .....	17
5. DIRECTORS' RECOMMENDATION .....	17
6. DIRECTORS' RESPONSIBILITY STATEMENT .....	17
7. DOCUMENTS AVAILABLE FOR INSPECTION.....	17

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## DEFINITIONS

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

### **General**

<b>“AGM”</b>	The annual general meeting of the Company
<b>“Board”</b>	The board of Directors of the Company for the time being
<b>“CDP”</b>	The Central Depository (Pte) Limited
<b>“Company”</b>	Anchun International Holdings Ltd
<b>“Companies Act”</b>	Companies Act (Chapter 50) of Singapore (as may be amended from time to time)
<b>“Constitution”</b>	The Constitution of the Company
<b>“Directors”</b>	The directors of the Company as at the date of this Letter
<b>“EPS”</b>	Earnings per Share
<b>“FY2016”</b>	Financial year ended 31 December 2016
<b>“Group”</b>	The Company and its subsidiaries
<b>“Latest Practicable Date”</b>	The latest practicable date prior to the printing of this Letter, being 17 March 2017
<b>“Letter”</b>	This letter to Shareholders dated 13 April 2017 in relation to the proposed renewal of the Share Purchase Mandate to be despatched to Shareholders for approval at the 2017 AGM
<b>“Listing Manual”</b>	The listing manual of the SGX-ST, as the same may be amended, varied or supplemented from time to time
<b>“Market Day”</b>	A day on which the SGX-ST is open for trading in securities
<b>“Market Purchase”</b>	As defined in paragraph 2.3.3(i) of this Letter
<b>“month”</b>	Calendar month
<b>“NAV”</b>	Net asset value
<b>“Notice of the 2017 AGM”</b>	The notice of the 2017 AGM as set out in pages 88 to 92 of the 2016 Annual Report
<b>“Off-Market Purchase”</b>	As defined in paragraph 2.3.3(ii) of this Letter
<b>“Ordinary Resolution 8”</b>	Ordinary Resolution 8 as set out in the Notice of the 2017 AGM
<b>“ROE”</b>	Return on equity

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## DEFINITIONS

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<b>“Securities Accounts”</b>	The securities accounts maintained with CDP, but not including the securities accounts maintained with a Depository Agent (as defined in Section 130A of the Companies Act)
<b>“SGX-ST”</b>	Singapore Exchange Securities Trading Limited
<b>“Share Purchase”</b>	Purchase by the Company of Shares pursuant to the Share Purchase Mandate
<b>“Share Purchase Mandate”</b>	General mandate authorising Directors to exercise all powers of the Company to purchase or otherwise acquire its issued Shares upon and subject to the terms of such mandate set out in this Letter
<b>“Shareholders”</b>	Registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the Depositors whose direct securities accounts maintained with CDP are credited with Shares
<b>“Shares”</b>	The issued ordinary shares in the capital of the Company
<b>“Subsidiary”</b>	Shall have the meaning ascribed to it in Section 5 of the Companies Act
<b>“Substantial Shareholder”</b>	A person who has an interest in the Shares the nominal amount of which is not less than 5% of the nominal amount of all the voting shares of the Company
<b>“Take-over Code”</b>	The Singapore Code on Take-over and Mergers, as amended and modified from time to time
<b>“treasury shares”</b>	Has the meaning ascribed to it in Section 4 of the Companies Act
<b>“2016 EGM”</b>	The extraordinary general meeting of the Company held on 27 April 2016 at 10.30 a.m.
<b>“2017 AGM”</b>	The annual general meeting of the Company to be held on 28 April 2017 at 9.30 a.m.
<b>“2016 Annual Report”</b>	The annual report of the Company for FY2016
<b><u>Currencies, units and others</u></b>	
<b>“\$” or “S\$”</b>	Singapore dollars
<b>“%” or “per cent.”</b>	percentage or per centum

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

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

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

Any discrepancies in the tables in this Letter between the listed amounts and the totals thereof are due to rounding.

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## DEFINITIONS

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

Any reference in this Letter to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Companies Act or the Listing Manual or any statutory modification thereof and used in this Letter shall, where applicable, have the meaning ascribed to it under the Companies Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

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## LETTER TO SHAREHOLDERS

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### ANCHUN INTERNATIONAL HOLDINGS LTD.

(Incorporated in Singapore)  
(Company Registration No. 200920277C)

## LETTER TO SHAREHOLDERS

#### Directors:

Xie Ding Zhong	Non-executive Chairman
Xie Ming	Executive Director and Chief Executive Officer
Zheng Zhi Zhong	Executive Director and Chief Operating Officer
Dai Feng Yu	Executive Director
Lee Gee Aik	Lead Independent Director
Tan Min-Li	Independent Director
Yang Chun Sheng	Independent Director
Andrew Bek	Independent Director

#### Registered Office:

81 Anson Road  
Suite 8.20  
Singapore 079908

Date: 13 April 2017

To: The Shareholders of Anchun International Holdings Ltd.

Dear Sir/Madam

#### 1. INTRODUCTION

- 1.1 Reference is made to the Notice of the 2017 AGM convening the 2017 AGM.
- 1.2 Ordinary Resolution 8 in the Notice of the 2017 AGM relates to Shareholders' approval for the proposed renewal of the Share Purchase Mandate.

#### 2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

##### 2.1 Background

The Companies Act allows a company incorporated in Singapore to purchase or otherwise acquire its issued shares, stocks and preference shares if the purchase or acquisition is permitted under the Constitution of the company. Any purchase of Shares by our Company will have to be made in accordance with, and in the manner prescribed by the Companies Act, our Constitution and the rules of the Listing Manual and such other laws and regulations as may, for the time being, be applicable.

It is a requirement that a company which wishes to purchase or acquire its own shares should obtain the approval of its shareholders to do so at a general meeting of the shareholders. The Shareholders had previously approved a Share Purchase Mandate at the 2016 EGM authorising the Directors to purchase or otherwise acquire issued Shares on the terms of the Share Purchase Mandate. The authority conferred by the Share Purchase Mandate approved at the 2016 EGM will expire at the 2017 AGM. The Company now proposes to renew the Share Purchase Mandate at the 2017 AGM.

##### 2.2 Rationale for the Share Purchase Mandate

The Share Purchase Mandate will give the Board the flexibility to purchase Shares when the circumstances are deemed appropriate. The Board believes that Share purchases provide the Company and the Board with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. It also allows the Board to exercise greater control over the Company's share capital structure, dividend payout and cash reserves.

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## LETTER TO SHAREHOLDERS

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Depending on market conditions and available funding arrangements at the time, Share Purchases may lead to an enhancement of the EPS and/or NAV per Share. Share Purchases will only be made when the Board believes that such purchases would benefit the Company and the Shareholders.

### 2.3 Terms of the Share Purchase Mandate

The authority and limitations placed on the purchase or acquisition of Shares by the Company under the Share Purchase Mandate, if renewed at the 2017 AGM, are substantially the same as previously approved by Shareholders at the 2016 EGM. The authority and limitations on the Share Purchase Mandate, including the information required under Rule 883(1) of the Listing Manual, are summarised below.

#### 2.3.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

In accordance with Rule 882 of the Listing Manual, the total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate shall not exceed ten per cent (10%) of the issued ordinary share capital of the Company as at the date on which the resolution authorising the renewal of the Share Purchase Mandate is passed ("**Maximum Limit**"), unless the Company has effected a cancellation of Shares pursuant to a reduction of its issued share capital, in accordance with the applicable provisions of the Act, at any time during the relevant period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares as so altered.

Whilst the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the full 10% threshold, it should be noted that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out up to the full 10% limit as authorised or at all and that no purchases or acquisitions of Shares will be made in circumstances which would or may have a material adverse effect on the financial position of the Company.

For illustration purposes only, based on 50,500,000 Shares, being the total number of Shares as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the 2017 AGM, not more than 5,050,000 Shares (representing 10% of the issued share capital of the Company) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

#### 2.3.2 Duration of authority

The authority conferred on the Directors pursuant to the Share Purchase Mandate proposed to be renewed, unless varied or revoked by the Company in general meeting, may be exercised by the Directors at any time and from time to time during the "**Relevant Period**", which is the period commencing from the passing of the aforesaid Share Purchase Mandate and expiring on the earliest of:

- (i) the conclusion of the next AGM of the Company or the date by which such AGM is required by law to be held;
- (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or
- (iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by ordinary resolution of the Company in general meeting.

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## LETTER TO SHAREHOLDERS

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### 2.3.3 Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares may be by way of the following:

- (i) a market purchase, transacted on the SGX-ST through the ready market or the special trading counter on SGX-ST trading system, through one or more duly licensed stock brokers appointed by the Company for the purpose (“**Market Purchase**”); and/or
- (ii) an off-market purchase effected pursuant to an equal access scheme (“**Off-Market Purchase**”) in accordance with Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

- (i) offers for the Share Purchase shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company shall, as required by Rule 885 of the Listing Manual in accordance with an equal access scheme as defined in Section 76C of the Companies Act, issue an offer document to all Shareholders. The offer document shall contain, *inter alia*, the following information:

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



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## LETTER TO SHAREHOLDERS

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### 2.3.4 Purchase price

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

- (i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below) of the Shares; and
- (ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares,

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

For the above purposes:

“**Average Closing Price**” means the average of the Closing Market Prices of the Shares over the last five Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

“**Closing Market Price**” means the last dealt price for a Share transacted through the SGX-ST’s Central Limit Order Book trading system as shown in any publication of the SGX-ST or other sources; and

“**date of the making of the offer**” means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

### 2.4 Status of Purchased Shares

A Share when purchased or acquired by the Company is treated as cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase) unless such Shares are held by the Company as treasury shares. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

### 2.5 Treasury Shares

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

#### 2.5.1 Maximum Holdings

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

#### 2.5.2 Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

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## LETTER TO SHAREHOLDERS

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In addition, no dividends may be paid, and no other distribution of the Company's assets may be made to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury shares into treasury shares of smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

Under Rule 704(28) of the Listing Manual, the Company must immediately announce any sale, transfer, cancellation and/or use of treasury shares held by it and state the following:-

- (i) Date of the sale, transfer, cancellation and/or use;
- (ii) Purpose of such sale, transfer, cancellation and/or use;
- (iii) Number of treasury shares sold, transferred, cancelled and/or used;
- (iv) Number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (v) Percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (vi) Value of the treasury shares if they are used for a sale or transfer, or cancelled.

### **2.6 Disposal and Cancellation**

Shares which are purchased or acquired by the Company may be cancelled or held by the Company as treasury shares. All cancelled shares will automatically be delisted by the SGX-ST. If cancelled, all rights and privileges attached to that Share shall expire on cancellation and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase.

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

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

### **2.7 Source of Funds**

The Company may use internal resources and/or external borrowings to finance the Company's purchase or acquisition of its Shares pursuant to the Share Purchase Mandate. The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would materially affect the working capital requirements or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

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## LETTER TO SHAREHOLDERS

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When Shares are purchased or acquired, and cancelled:

- (a) if the Shares are purchased or acquired entirely out of the capital of the Company, the Company shall reduce the amount of its share capital by the total amount of the purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax, clearance fees and other related expenses) (the “**Purchase Price**”);
- (b) if the Shares are purchased or acquired entirely out of profits of the Company, the Company shall reduce the amount of its profits by the total amount of the Purchase Price; or
- (c) where the Shares are purchased or acquired out of both the capital and the profits of the Company, the Company shall reduce the amount of its share capital and profits proportionately by the total amount of the Purchase Price.

### 2.8 Solvency Test

Under the Companies Act, the Company may not enter into any share buy-back transaction unless it is solvent. Pursuant to the Companies Act, a company is solvent if:

- (a) the company is able to pay its debts in full at the time of the payment referred to in subsection (1) of Section 76F of the Companies Act and will be able to pay its debts as they fall due in the normal course of business during the period of twelve (12) months immediately following the date of the payment; and
- (b) the value of the company’s assets is not less than the value of its liabilities (including contingent liabilities) and will not after the proposed purchase, acquisition or release, become less than the value of its liabilities (including contingent liabilities).

### 2.9 Financial Effects

The financial effects arising from a purchase or acquisition of Shares pursuant to the Share Purchase Mandate on the Group and the Company will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the consideration paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the audited financial accounts of the Group and the Company will depend, *inter alia*, on the factors set out below.

#### 2.9.1 Number of Shares Acquired or Purchased

Purely for illustrative purposes, on the basis of there being 50,500,000 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as treasury shares on or prior to the 2017 AGM, not more than 5,050,000 Shares representing 10% of the 50,500,000 Shares in issue as at the Latest Practicable Date may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

#### 2.9.2 Based on Maximum Price Paid for Shares Acquired or Purchased

- (i) In the case of a Market Purchase by the Company and assuming that the Company purchases or acquires the 5,050,000 Shares at the Maximum Price of S\$0.33 per Share (being the price equivalent to 5% above the average of the closing market prices of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 5,050,000 Shares is S\$1,666,500 (excluding brokerage, commission, applicable goods and services tax and other related expenses).

## LETTER TO SHAREHOLDERS

- (ii) In the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires the 5,050,000 Shares at the Maximum Price of S\$0.38 per Share (being the price equivalent to 20% above the average of the closing market prices of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 5,050,000 Shares is S\$1,919,000 (excluding brokerage, commission, applicable goods and services tax and other related expenses).

### 2.9.3 Illustrative Financial Effects

For illustrative purposes only and on the basis of the above assumptions set out above as well as the following:

- (i) the Share Purchase Mandate had been effective on 1 January 2016; and
- (ii) such Share purchases are funded solely by the internal resources within the Group and/or borrowings,

the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for FY2016 are presented below:

(RMB'000)	Market Purchase		Off-Market Purchase	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
<b>As at 31 December 2016</b>				
Share capital and Reserves	309,031	309,031	309,031	309,031
Treasury Shares	–	(8,042)	–	(9,191)
Total Shareholders' Equity	309,031	300,989	309,031	299,840
NTA <sup>(1)</sup>	308,433	300,391	308,433	299,242
Current assets	291,882	283,840	291,882	282,691
Current liabilities	98,258	98,258	98,258	98,258
Working capital	193,624	185,582	193,624	184,433
Total borrowings	17,990	17,990	17,990	17,990
<b>Number of Shares ('000)</b>	50,500	45,450	50,500	45,450
<b>Financial ratios</b>				
NTA per Share <sup>(2)</sup> (cents)	611	661	611	658
Gearing ratio <sup>(3)</sup> (times)	0.06	0.06	0.06	0.06
Current ratio <sup>(4)</sup> (times)	2.97	2.89	2.97	2.88
Basic EPS (cents)	(37.29)	(41.43)	(37.29)	(41.43)

**Notes:**

1. NTA is computed based on net asset value less intangible assets.
2. NTA per Share is computed based on total issued Shares (excluding treasury shares).
3. Gearing ratio equals to total borrowings divided by Shareholders' funds.
4. Current ratio equals to current assets divided by current liabilities.

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## LETTER TO SHAREHOLDERS

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Shareholders should note that the financial effects, based on the respective aforementioned assumptions, are only for illustrative purposes. In particular, it is important to note that it is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions that may be made pursuant to the Share Purchase Mandate on the NTA per Share and earnings/(loss) per Share as the resultant effect would depend on factors such as the aggregate number of Shares purchased, the purchase price paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases or acquisitions. The above analysis is based on historical numbers as at 31 December 2016, and is not necessarily representative of future financial performance.

It should also be noted that purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate would only be made in circumstances where it is considered to be in the best interest of the Company, and the purchases or acquisitions of Shares may not be carried out to the full 10% as mandated. Further, the Directors would emphasise that they do not propose to carry out Share Purchases to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Company or the Group, or results in the Company being delisted from the SGX-ST.

### 2.10 Listing Rules

#### 2.10.1 Listing Status of the Shares

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed, is at all times held by the public. As at the Latest Practicable Date, approximately 33.42% of the total Shares in issue are held by public Shareholders.

The Company is of the view that there is a sufficient number of Shares in issue held by public shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, causing market illiquidity or affecting orderly trading.

#### 2.10.2 Reporting Requirements

The Listing Manual also specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) shall include, inter alia, details of the total number of shares authorised for purchase, the date of purchase, the total number of shares purchased, the purchase price per share or (in the case of Market Purchases) the purchase price per share or the highest price and lowest price per share, the total consideration paid for the shares and the number of issued shares after purchase, in the form prescribed under the Listing Manual.

Within 30 days of a purchase of Shares on the SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including inter alia, details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before the purchase and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

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## LETTER TO SHAREHOLDERS

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### 2.10.3 No Purchases during Price Sensitive Developments

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced.

Further, in conformity with the best practices on dealing with securities under the Listing Manual, the Company will not purchase or acquire any Shares during the period commencing two weeks before the announcement of the Company’s financial statements for each of the first three quarters of its FY and one month immediately preceding the announcement of the Company’s annual (full-year) results.

### 2.11 Take-over Code Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

#### 2.11.1 Obligation to Make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Takeover Code.

#### 2.11.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the Take-over Code presumes, inter alia, the following individuals and companies to be persons acting in concert:

- (a) the following companies:
  - (i) a company;
  - (ii) the parent company of (i);
  - (iii) the subsidiaries of (i);
  - (iv) the fellow subsidiaries of (i);
  - (v) the associated companies of any of (i), (ii), (iii) or (iv);
  - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
  - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and

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## LETTER TO SHAREHOLDERS

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- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

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

### **2.11.3 Effect of Rule 14 and Appendix 2**

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares:

- (i) the percentage of voting rights held by such Directors and their concert parties in the Company would increase to 30% or more; or
- (ii) if the Directors and their concert parties hold between 30% and 50% of the Company's voting rights and their voting rights increase by more than 1% in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the proposed Share Purchase.

The interests of the Directors and Substantial Shareholders of the Company in the Shares are disclosed in paragraph 3 below.

As at the Latest Practicable Date, assuming (a) the Company purchases the maximum amount of 10% of the issued ordinary share capital of the Company, and (b) there is no change in the number of Shares held or deemed to be held by the Directors and substantial Shareholders prior to and after the exercise of the Share Purchase Mandate, none of the Directors and substantial Shareholders would become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code in the event the Company purchases the maximum limit of 10% of its issued ordinary share capital (excluding treasury shares).

**Shareholders who are in doubt as to their obligations, if any, to make a mandatory takeover offer under the Take-over Code as a result of any Share Purchase by the Company should consult the SIC and/or their professional advisers at the earliest opportunity.**

### **2.12 Tax Implications**

Shareholders who are in doubt as to their respective tax positions or any tax implications arising from the purchase or acquisition of Shares by the Company, including those who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional advisers.



## LETTER TO SHAREHOLDERS

### 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date are set out below:

	Direct Interest (Number of Shares)	Deemed Interest (Number of Shares)	Total Interest <sup>(1)</sup> (%)
<b>Directors</b>			
Xie Ding Zhong	120,000	–	0.24
Xie Ming	–	10,800,000 <sup>(2)</sup>	21.39
Dai Feng Yu	–	4,082,200 <sup>(3)</sup>	8.08
Zheng Zhi Zhong	–	–	–
Andrew Bek	–	1,600,000 <sup>(4)</sup>	3.17
Lee Gee Aik	–	–	–
Tan Min-Li	–	–	–
Yang Chun Sheng	–	–	–
<b>Substantial Shareholders</b>			
Liang Gong Zeng	–	4,470,000 <sup>(5)</sup>	8.85
Li Chun Yang	–	5,199,500 <sup>(6)</sup>	10.30
Li Bin	–	4,097,500 <sup>(7)</sup>	8.11
Xie Xing	–	10,800,000 <sup>(8)</sup>	21.39
Ma Ong Kee	–	3,255,400 <sup>(9)</sup>	6.45
Giant Yield Global Limited	4,470,000	–	8.85
Dawn Vitality International Limited	4,252,200	–	8.42
Ace Sense Holdings Limited	10,800,000	–	21.39
Oriental Eagle Holdings Limited	5,110,000	–	10.12
Inventive Result Enterprises Limited	4,097,500	–	8.11

**Notes:-**

- (1) Percentage calculated based on 50,500,000 Shares of the Company as at the Latest Practicable Date.
- (2) Xie Ming is deemed to be interested in 10,800,000 Shares held by Ace Sense Holdings Limited.
- (3) Dai Feng Yu is deemed to be interested in 4,082,200 Shares held by Dawn Vitality International Limited.
- (4) Andrew Bek is deemed to be interested in 1,600,000 Shares held by Able Gallery Ltd.
- (5) Liang Gong Zeng is deemed to be interested in 4,470,000 Shares held by Giant Yield Global Limited.
- (6) Li Chun Yang is deemed to be interested in 5,110,000 Shares held by Oriental Eagle Holdings Limited and 89,500 Shares held in the name of a nominee account.
- (7) Li Bin is deemed to be interested in 4,097,500 Shares held by Inventive Result Enterprises Limited.
- (8) Xie Xing is deemed to be interested in 10,800,000 Shares held by Ace Sense Holdings Limited.
- (9) Ma Ong Kee is deemed to be interested in 3,255,400 Shares held by Morgan Stanley Asia (S) Securities Pte Ltd.

Save for their respective interests in the Company, none of the Directors or the Substantial Shareholders has any direct or indirect interest in the renewal of the Share Purchase Mandate.



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## LETTER TO SHAREHOLDERS

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### 4. SHARES BOUGHT BY THE COMPANY IN THE PAST TWELVE MONTHS

No Share Purchases were undertaken by the Company pursuant to the Share Purchase Mandate approved by the Shareholders at the 2016 EGM in the previous twelve months.

### 5. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 8 to approve the proposed renewal of the Share Purchase Mandate.

### 6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Letter in its proper form and context.

### 7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company during normal business hours from the date of this Letter up to the date of the 2017 AGM:

- (a) the Constitution of the Company; and
- (b) the 2016 Annual Report.

Yours faithfully,  
For and on behalf of the Board  
**ANCHUN INTERNATIONAL HOLDINGS LTD.**

Xie Ming  
Executive Director