

13 JULY 2016

THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

This Letter (as defined herein) is circulated to Shareholders of Asiatic Group (Holdings) Limited (the “**Company**”) together with the Annual Report 2016 (as defined herein). Its purpose is to explain to Shareholders the rationale and provide information relating to the proposed renewal of the Share Buyback Mandate (as defined herein) to be tabled at the 2016 AGM (as defined herein) to be held at Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on 28 July 2016 at 10:00 a.m.

If you have sold or transferred all your ordinary shares in the capital of the Company, you should immediately forward this Letter together with the notice of Annual General Meeting and the accompanying proxy form immediately to the purchaser or the transferee, or to the bank, stockbroker or agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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

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

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.



Asiatic Group

ASIATIC GROUP (HOLDINGS) LIMITED

(Company Registration Number: 200209290R)
(Incorporated in the Republic of Singapore)

LETTER TO SHAREHOLDERS

in relation to the

PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

DEFINITIONS

For the purpose of this Letter, the following definitions apply throughout, unless the context otherwise requires:

2015 AGM	The annual general meeting of the Company held at Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on 30 July 2015 at 10:00 a.m.
2016 AGM	The annual general meeting of the Company to be convened and held at Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on 28 July 2016 at 10:00 a.m., notice of which is set out on pages 96 to 99 of the Annual Report 2016
AGM	The annual general meeting of the Company
ACRA	The Accounting and Corporate Regulatory Authority of Singapore
Act	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
Annual Report 2016	The annual report of the Company for the financial year ended 31 March 2016
Board	The board of directors of the Company as at the date of this Letter
Catalist	The sponsor-supervised listing platform of the SGX-ST
Catalist Rules	The SGX-ST Listing Manual Section B: Rules of Catalist, as amended or modified from time to time
CDP	The Central Depository (Pte) Limited
Company	Asiatic Group (Holdings) Limited
Constitution	The constitution of the Company, as amended or modified from time to time
Directors	The director(s) of the Company as at the date of this Letter
EPS	Earnings per Share
Group	The Company, its subsidiaries and associates, collectively
Latest Practicable Date	30 June 2016 being the latest practicable date prior to the printing of this Letter
Letter	This letter to Shareholders dated 13 July 2016 in relation to the proposed renewal of the Share Buyback Mandate
Market Day	A day on which the SGX-ST is open for trading in securities
Notice of AGM	The notice of AGM as set out on pages 96 to 99 of the Annual Report 2016
NTA	Net tangible assets per Share
Ordinary Resolution	Ordinary resolution to be passed at the 2016 AGM
Relevant Period	The period as set out in Section 4.2 of this Letter

DEFINITIONS

Share Buyback Mandate	General and unconditional mandate given by the Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, Shares in accordance with the terms set out in this Letter as well as the rules and regulations set forth in the Act and the Catalist Rules
Shares	Ordinary shares in the share capital of the Company
Shareholders	Registered holders of Shares except that where the registered holder is CDP, the term “ Shareholders ” in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and whose securities accounts are credited with those Shares
SIC	Securities Industry Council
Sponsor	PrimePartners Corporate Finance Pte. Ltd.
Take-over Code	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
% or per cent	Per centum or percentage
S\$ and cents	Singapore dollars and cents respectively

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time.

The expressions “**associate**”, “**associated company**”, “**related corporation**”, “**subsidiary**”, “**Controlling Shareholder**” and “**Substantial Shareholder**” shall have the meaning ascribed to them respectively in the Act and the Catalist Rules.

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

Any reference to a date and/or time of day in this Letter shall be a reference to Singapore time unless otherwise stated.

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 Act or Catalist Rules or any statutory or regulatory modification thereof and used in this Letter shall, where applicable, have the meaning assigned to it under the Act or Catalist Rules or such statutory or regulatory modification thereof, as the case may be, unless otherwise provided.

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

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

Any reference to “**we**”, “**us**” and “**our**” in this Letter is a reference to the Group or any member of the Group as the context requires.

LETTER TO SHAREHOLDERS

ASIATIC GROUP (HOLDINGS) LIMITED

(Company Registration Number: 200209290R)
(Incorporated in the Republic of Singapore)

Board of Directors

Tay Kah Chye (Independent Chairman)
Tan Boon Kheng (Managing Director)
Tan Boon Yew (Executive Director)
Tan Boon Siang (Executive Director)
Seah Hai Yang (Independent Director)
Liew Ah Choy (Independent Director)
Lee Fang Wen (Independent Director)

Registered Office:

65 Joo Koon Circle
Singapore 629078

Date: 13 July 2016

To: The Shareholders of Asiatic Group (Holdings) Limited

Dear Sir/Madam

1. INTRODUCTION

The renewal of the Company's existing Share Buyback Mandate was approved by Shareholders at the 2015 AGM and the authority conferred by the Share Buyback Mandate will expire on the date of the 2016 AGM. Accordingly, the Directors are proposing to seek Shareholders' approval at the 2016 AGM for the proposed renewal of the Share Buyback Mandate.

The purpose of this Letter is to provide Shareholders with information pertaining to, and to seek their approval for, the proposed renewal of the Share Buyback Mandate. The Notice of AGM is set out on pages 96 to 99 of the Annual Report 2016.

2. THE SHARE BUYBACK MANDATE

It is a requirement under the Act that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at a general meeting of its shareholders. It is also a requirement under the Catalist Rules that an issuer which wishes to purchase its own shares should obtain prior approval of its shareholders at a general meeting. In this regard, approval is being sought from Shareholders at the 2016 AGM for the proposed renewal of the Share Buyback Mandate which was granted on the 2015 AGM and will be expiring on the date of the 2016 AGM.

If approved by Shareholders at the 2016 AGM, the authority conferred by the Share Buyback Mandate will continue to be in force until the conclusion of the next AGM of the Company or the date by which such an AGM is required by law to be held (whereupon it will lapse, unless renewed at such meeting) or the date on which Share purchases or acquisitions have been carried out to the full extent mandated or until it is varied or revoked by the Company in a general meeting (if so varied or revoked prior to the next AGM), whichever is the earliest.

3. RATIONALE

The approval of the proposed renewal of the Share Buyback Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake Share purchases or acquisitions up to the 10% limit described in Section 4 below at any time during the period when the Share Buyback Mandate is in force.

LETTER TO SHAREHOLDERS

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:

- (a) In managing the business of the Group, the management team strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. In addition to growth and expansion of the business, Share buybacks may be considered as one of the ways through which the return on equity of the Group may be enhanced;
- (b) The Company has at present two Share-based incentive schemes, namely the Asiatic Share Option Scheme 2008 and the Asiatic Performance Share Plan. Share buybacks by the Company will enable the Directors to utilise the Shares which are purchased or acquired and held as treasury shares to satisfy the Company's obligation to furnish Shares to participants under the these schemes, thus giving the Company greater flexibility to select the method of providing Shares to its employees which would be most beneficial to the Company and its Shareholders;
- (c) The Share Buyback Mandate would provide the Company with the flexibility to purchase or acquire the Shares if and when circumstances permit, during the period when the Share Buyback Mandate is in force. It is an expedient, effective and cost-efficient way for the Company to return surplus cash/funds over and above its ordinary capital requirements, if any, which are in excess of its financial requirements, taking into account its growth and expansion plans, to its Shareholders. In addition, the Share Buyback Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure and its dividend policy; and
- (d) The purchase or acquisition of Shares under the Share Buyback Mandate will help mitigate short-term share price volatility (by way of stabilising the supply and demand of issued Shares) and offset the effects of short-term share price speculation, supporting the fundamental value of the issued Shares, thereby bolstering Shareholders' confidence and employees' morale.

While the Share Buyback Mandate would authorise a purchase or acquisition of Shares up to the said 10% limit during the period referred to in Section 4 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full 10% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate will be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from Catalist. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on Catalist.

4. AUTHORITY AND LIMITS OF THE SHARE BUYBACK MANDATE

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:

4.1 Maximum number of Shares

Only Shares which are issued and fully paid may be purchased or acquired by the Company. The total number of Shares that may be purchased or acquired pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares of the Company as at the date of the 2016 AGM at which the proposed renewal of the Share Buyback Mandate is approved, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable

LETTER TO SHAREHOLDERS

provisions of the Act, in which event the total number of Shares shall be taken to be the total number of Shares as altered. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

For illustrative purposes only, on the basis of 1,324,462,688 Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the 2016 AGM, not more than 132,446,268 Shares (representing 10% of the total number of issued Shares as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

4.2 Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2016 AGM at which the proposed renewal of the Share Buyback Mandate is approved, up to:

- (a) the date on which the next AGM of the Company is held or required by law to be held;
- (b) the date on which the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest ("**Relevant Period**").

The authority conferred on the Directors by the Share Buyback Mandate to purchase or acquire Shares may be renewed by the Shareholders in a general meeting of the Company, such as at the next AGM or at an extraordinary general meeting to be convened immediately after the conclusion or adjournment of the next AGM. When seeking the approval of the Shareholders for the proposed renewal of the Share Buyback Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the Share Buyback Mandate made during the previous 12 months, including the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for such purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions.

4.3 Manner of purchase or acquisition of Shares

Purchases or acquisitions of Shares can be effected by the Company by way of:

- (a) market purchases transacted on Catalist through the ready market, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose of the share buyback ("**Market Purchases**"); and/or
- (b) off-market purchases effected otherwise than on Catalist pursuant to an equal access scheme as defined in Section 76C of the Act ("**Off-Market Purchase**").

The Directors may impose such terms and conditions, which are consistent with the Share Buyback Mandate, the Catalist Rules, the Act and the Constitution, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes.

Under the Act, an equal access scheme has to satisfy all the following conditions:

- (a) offers for the purchase or acquisition of issued Shares shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;
- (b) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made to them; and

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- (c) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable:
 - (i) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;
 - (ii) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
 - (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company must, as required by the Catalist Rules, issue an offer document to all Shareholders containing at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed purchase or acquisition of Shares;
- (d) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on Catalist;
- (f) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether by way of Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions, where relevant, and the total consideration paid for the purchases or acquisitions; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

4.4 Maximum price to be paid for the Shares

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Buyback Mandate.

However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined below),

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

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For the above purposes of determining the Maximum Price:

“Average Closing Price” means the average of the closing market prices of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days period; and

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

5. SOURCES OF FUNDS

The Company may only apply funds legally available for the purchase or acquisition of its Shares as provided in the Constitution and in accordance with the applicable laws in Singapore. The Company may not purchase or acquire its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Any payment made by the Company in consideration of the purchase or acquisition of its Shares may be made out of the Company's distributable profits or capital so long as the Company is solvent (as defined in Section 76F(4) of the Act).

The Company intends to use internal sources of funds or borrowings or a combination of both to finance the Company's purchase or acquisition of Shares pursuant to the Share Buyback Mandate. In purchasing or acquiring Shares pursuant to the Share Buyback Mandate, the Directors will principally consider the availability of internal resources. In addition, the Directors will also consider the availability of external financing. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group and the costs of such financing.

The Directors will only make purchases or acquisitions pursuant to the Share Buyback Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

6. STATUS OF PURCHASED OR ACQUIRED SHARES

Under Section 76B of the Act, any Shares purchased or acquired by the Company through a Share buyback shall be deemed to be cancelled immediately on purchase or acquisition unless such Shares are held by the Company as treasury shares to the extent permitted under the Act. Upon such cancellation, all rights and privileges attached to that Share will expire. 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.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Act) will be automatically de-listed by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

6.1 Treasury Shares

Under the Act, the Shares purchased or acquired by the Company may be held or dealt with as treasury shares.

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Some of the provisions on treasury shares under the Act are summarised below:

- (a) The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with the applicable provisions of the Act.
- (b) 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 Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.
- (c) In addition, no dividend 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. Also, a subdivision or consolidation of any treasury shares into treasury shares of a larger or smaller amount (as the case may be), is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.
- (d) Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:
 - (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;
 - (iv) cancel the treasury shares; or
 - (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister of Finance of Singapore.

The Directors will also consider and decide whether to purchase or acquire Shares to satisfy the Company's obligation to furnish Shares to participants under the Asiatic Share Option Scheme 2008 and the Asiatic Performance Share Plan.

The Shares purchased or acquired under the Share Buyback Mandate will be held as treasury shares or cancelled by the Company taking into consideration the then prevailing circumstances and requirements of the Company at the relevant time.

7. REPORTING REQUIREMENTS

The Company shall notify the ACRA in the prescribed form within 30 days of a purchase or acquisition of Shares on Catalist or otherwise. Such notification shall include, *inter alia*, details of the purchases or acquisitions and the total number of Shares purchased or acquired by the Company, the Company's issued ordinary share capital before and after the purchase or acquisition of Shares, and the amount of consideration paid by the Company for the purchases or acquisitions.

Within 30 days of the passing of a Shareholders' resolution to approve or renew the Share Buyback Mandate, the Company shall lodge a copy of such resolution with the ACRA.

Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Act, the Directors shall lodge with ACRA the notice of cancellation or disposal of treasury shares in the prescribed form as required by ACRA.

LETTER TO SHAREHOLDERS

Pursuant to the Catalist Rules, the Company shall announce all purchases or acquisitions of its Shares via SGXNet not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (b) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The announcement of such purchases or acquisition of Shares via the SGXNet shall be in such form and shall include such details that the SGX-ST may prescribe.

The Company, upon undertaking any sale, transfer, cancellation and/or use of treasury shares, will comply with Rule 704(31) of the Catalist Rules, which provides that an issuer has to make an immediate announcement thereof, stating the following:

- (a) the date of the sale, transfer, cancellation and/or use;
- (b) the purpose of such sale, transfer, cancellation and/or use;
- (c) the number of treasury shares sold, transferred, cancelled and/or used;
- (d) the number of Shares before and after such sale, transfer, cancellation and/or use;
- (e) the 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
- (f) the value of the treasury shares if they are used for a sale or transfer, or cancelled.

8. FINANCIAL EFFECTS

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Buyback Mandate on the NTA and EPS of the Company and the Group as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund such purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The repurchased Shares may be cancelled or held as treasury shares. Any Share buyback will:

- (a) reduce the amount of the Company's share capital where the Shares were purchased or acquired out of the capital of the Company;
- (b) reduce the amount of the Company's profits where the Shares were purchased or acquired out of the profits of the Company; or
- (c) reduce the amount of the Company's share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled. Where the purchased Shares are held as treasury shares, the total number of issued Shares of the Company will remain unchanged.

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Under the Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent (as defined in Section 76F(4) of the Act). Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (including brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Buyback Mandate to such an extent that it would have a material adverse effect on the working capital requirements and/or gearing of the Group. The purchase or acquisition of Shares will only be effected after considering relevant factors such as the working capital requirements, the availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The Share Buyback Mandate will be exercised with a view to enhancing the EPS and/or the NTA per Share of the Group.

For illustrative purposes only, the financial effects of the Share Buyback Mandate on the Group and the Company, based on the audited financial statements of the Group and the Company for the financial year ended 31 March 2016 and based on the assumptions set out below:

- (a) based on 1,324,462,688 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2016 AGM, not more than 132,446,268 Shares (representing 10% of the total number of issued Shares (excluding treasury shares) as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate;
- (b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires 132,446,268 Shares at the Maximum Price of S\$0.0132 (being the price equivalent to 105% of the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on Catalist immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 132,446,268 Shares is approximately S\$1.75 million; and
- (c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires the 132,446,268 Shares at the Maximum Price of S\$0.0151 (being the price equivalent to 120% of the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on Catalist immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase of the 132,446,268 Shares is approximately S\$2.00 million.

For illustrative purposes only, and based on the assumptions set out in subparagraphs (a), (b) and (c) above and assuming that:

- (i) such purchase or acquisition of Shares is financed by a combination of the Group's internal sources of funds available as at 31 March 2016 and external borrowings;
- (ii) the Share Buyback Mandate had been effective on 1 April 2015;
- (iii) the Company had purchased or acquired 132,446,268 Shares (representing 10% of its total number of issued Shares at the Latest Practicable Date) on the Latest Practicable Date; and
- (iv) the transaction costs incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate are assumed to be insignificant and have been ignored for the purpose of computing the financial effects,

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the financial effects of the purchase or acquisition of the 132,446,268 Shares by the Company pursuant to the Share Buyback Mandate:

- (1) by way of purchases made entirely out of capital and held as treasury shares; and
- (2) by way of purchases made entirely out of capital and cancelled,

on the audited financial statements of the Group and the Company for the financial year ended 31 March 2016 pursuant to the Share Buyback Mandate are set out on pages 12 and 13 of this Letter.

Purchases made out of capital and held as treasury shares

	← Group →			← Company →		
	Before Share buyback (S\$'000)	After Share buyback assuming Market Purchase (S\$'000)	After Share buyback assuming Off-Market Purchase (S\$'000)	Before Share buyback (S\$'000)	After Share buyback assuming Market Purchase (S\$'000)	After Share buyback assuming Off-Market Purchase (S\$'000)
As at 31 March 2016						
Share capital	46,757	46,757	46,757	46,757	46,757	46,757
Translation reserves	(3,163)	(3,163)	(3,163)	–	–	–
Fair value reserve	(44)	(44)	(44)	–	–	–
Revenue reserve	13,118	13,118	13,118	6,856	6,856	6,856
Treasury shares	–	(1,752)	(2,003)	–	(1,752)	(2,003)
Equity attributable to the owners of the parent	56,668	54,916	54,665	53,613	51,861	51,610
NTA ⁽¹⁾	62,159	60,407	60,156	53,613	51,861	51,610
Cash and cash equivalents	270	–	–	37	–	–
Current assets	35,632	35,362	35,362	27,334	27,297	27,297
Current liabilities	43,742	45,224	45,475	11,860	13,575	13,826
Working capital	(8,110)	(9,862)	(10,113)	15,474	13,722	13,471
Total borrowings ⁽²⁾	34,540	36,022	36,273	4,000	5,715	5,966
Profit for the financial year	265	265	265	54	54	54
Number of issued Shares ('000)	1,324,463	1,324,463	1,324,463	1,324,463	1,324,463	1,324,463
Treasury shares ('000)	–	132,446	132,446	–	132,446	132,446
Number of issued Shares, net of treasury shares ('000)	1,324,463	1,192,016	1,192,016	1,324,463	1,192,016	1,192,016
Financial Ratios						
NTA per Share (Singapore cents) ⁽³⁾	4.69	5.07	5.05	4.05	4.35	4.33
EPS (Singapore cents) ⁽⁴⁾	0.02	0.02	0.02	0.00	0.00	0.00
Current ratio (times) ⁽⁵⁾	0.81	0.78	0.78	2.30	2.01	1.97
Gearing ratio (times) ⁽⁶⁾	0.61	0.66	0.66	0.07	0.11	0.12
Return on equity (%) ⁽⁷⁾	0.47	0.48	0.48	0.10	0.10	0.10

Notes:

- (1) NTA refers to total net assets less intangible assets.
- (2) Total borrowings refer to the total of short term and long term borrowings, and finance lease obligations.
- (3) NTA per Share is calculated based on NTA and 1,324,462,688 Shares in issue as at the Latest Practicable Date net of treasury shares.
- (4) EPS is calculated based on 1,324,462,688 Shares in issue as at the Latest Practicable Date net of treasury shares.
- (5) Current ratio equals current assets divided by current liabilities.
- (6) Gearing ratio equals total borrowings divided by equity attributable to the owners of the parent.
- (7) Return on equity equals profit for the financial year divided by equity attributable to the owners of the parent.

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Purchases made out of capital and cancelled

	Group			Company		
	Before Share buyback (\$'000)	After Share buyback assuming Market Purchase (\$'000)	After Share buyback assuming Off-Market Purchase (\$'000)	Before Share buyback (\$'000)	After Share buyback assuming Market Purchase (\$'000)	After Share buyback assuming Off-Market Purchase (\$'000)
As at 31 March 2016						
Share capital	46,757	46,757	46,757	46,757	46,757	46,757
Translation reserves	(3,163)	(3,163)	(3,163)	–	–	–
Fair value reserve	(44)	(44)	(44)	–	–	–
Revenue reserve	13,118	13,118	13,118	6,856	6,856	6,856
Reserve	–	(1,752)	(2,003)	–	(1,752)	(2,003)
Equity attributable to the owners of the parent	56,668	54,916	54,665	53,613	51,861	51,610
NTA ⁽¹⁾	62,159	60,407	60,156	53,613	51,861	51,610
Cash and cash equivalents	270	–	–	37	–	–
Current assets	35,632	35,362	35,362	27,334	27,297	27,297
Current liabilities	43,742	45,224	45,475	11,860	13,575	13,826
Working capital	(8,110)	(9,862)	(10,113)	15,474	13,722	13,471
Total borrowings ⁽²⁾	34,540	36,022	36,273	4,000	5,715	5,966
Profit for the financial year	265	265	265	54	54	54
Number of issued Shares ('000)	1,324,463	1,192,016	1,192,016	1,324,463	1,192,016	1,192,016

Financial Ratios

NTA per Share (Singapore cents) ⁽³⁾	4.69	5.07	5.05	4.05	4.35	4.33
EPS (Singapore cents) ⁽⁴⁾	0.02	0.02	0.02	0.00	0.00	0.00
Current ratio (times) ⁽⁵⁾	0.81	0.78	0.78	2.30	2.01	1.97
Gearing ratio (times) ⁽⁶⁾	0.61	0.66	0.66	0.07	0.11	0.12
Return on equity (%) ⁽⁷⁾	0.47	0.48	0.48	0.10	0.10	0.10

Notes:

- (1) NTA refers to total net assets less intangible assets.
- (2) Total borrowings refer to the total of short term and long term borrowings, and finance lease obligations.
- (3) NTA per Share is calculated based on NTA and 1,324,462,688 Shares in issue as at the Latest Practicable Date and adjusted for the effect of the Share buyback.
- (4) EPS is calculated based on 1,324,462,688 Shares in issue as at the Latest Practicable Date and adjusted for the effect of the Share buyback.
- (5) Current ratio equals current assets divided by current liabilities.
- (6) Gearing ratio equals total borrowings divided by equity attributable to the owners of the parent.
- (7) Return on equity equals profit for the financial year divided by equity attributable to the owners of the parent.

Shareholders should note that the financial effects illustrated above are based on certain assumptions and for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited accounts of the Company and the Group for the financial year ended 31 March 2016, and is not necessarily representative of the future financial performance of the Company or the Group.

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The Company will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a Share purchase or acquisition before execution. Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the total number of issued Shares (excluding treasury shares), the Company may not necessarily purchase or be able to purchase the entire 10% of the total number of its issued Shares. In addition, the Company may cancel, or hold in treasury, all or part of the Shares repurchased.

Shareholders who are in doubt as to their tax positions or any tax implications arising from the Share Buyback Mandate in their respective jurisdictions should consult their own professional advisers.

9. CATALIST RULES AND TAKE-OVER CODE

9.1 Catalist Rules

While the Catalist Rules do not expressly prohibit purchase or acquisition of shares by a Catalist company during any particular time(s), because a company would be considered an “**insider**” in relation to any proposed purchase or acquisition of its issued shares, the Company will not purchase any Shares pursuant to the Share Buyback Mandate after a development which could have a material effect on the price of the Shares has occurred or has been the subject of a consideration and/or a decision of the Board until such time when such information has been publicly announced. In particular, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

- (a) one (1) month immediately preceding the announcement of the Company’s full-year results; and
- (b) two (2) weeks (if the Company is required to announce quarterly financial statements) or one (1) month (if the Company is not required to announce quarterly financial statements) immediately preceding the announcement of the Company’s financial period results for each of the financial periods of its financial year.

The Company is required under Rule 723 of the Catalist Rules to ensure that at least 10% of its Shares are in the hands of the public. The term “**public**”, as defined under the Catalist Rules, are persons other than the Directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company and its subsidiaries, as well as the associates of such persons.

9.2 Listing Status

Based on the Register of Directors’ shareholdings and the Register of Substantial Shareholders’ shareholdings maintained by the Company as at the Latest Practicable Date, approximately 507,604,144 Shares, representing 38.33% of the issued Shares (excluding treasury shares), are in the hands of the public.

Assuming that the Company purchases or acquires its Shares through Market Purchase up to the full 10% limit pursuant to the Share Buyback Mandate, the number of Shares in the hands of the public would be reduced to 375,157,876 Shares, representing 31.47% of the reduced issued share capital of the Company. Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10% limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to adversely affect the orderly trading of Shares.

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In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that a sufficient float in the hands of the public will be maintained so that such purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on Catalyst, cause market illiquidity or adversely affect the orderly trading of the Shares.

9.3 Take-over Code implications

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

9.4 Obligations to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of the 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 Take-over Code.

Shareholders are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity as to whether an obligation on their part, if any, to make a mandatory take-over offer under the Take-over Code would arise by reason of any Share buyback by the Company.

9.5 Persons acting in concert

Under the Take-over Code, persons acting in concert ("**concert parties**") comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of the 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) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

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- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a *bona fide* offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

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

9.6 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and their concert parties will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

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 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 one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

Application of the Take-over Code

Based on the information in the Company's Register of Directors' shareholdings and the Register of Substantial Shareholders' shareholdings, as at the Latest Practicable Date, the Mr Tan Boon Kheng, Mr Tan Boon Yew, Mr Tan Boon Siang ("**Concert Directors**") and their concert parties¹ ("**Concert Group**"), collectively hold 324,423,000 Shares representing approximately 24.49% of the total number of issued Shares of the Company.

Assuming that (i) the Company purchases the maximum of 132,446,268 Shares (being 10% of its issued Shares excluding treasury shares as at the Latest Practicable Date) pursuant to the Share Buyback Mandate and that such Shares are cancelled upon purchase, and (ii) there is no change in the number of Shares held by each member of the Concert Group, the Directors and Substantial Shareholders, the shareholdings interests of the Concert Group, Directors and Substantial Shareholders before and after the Share buyback is set out in Section 13 of this Letter.

¹ Other members of the Concert Group include Tan Ah Kan @ Tan Kow La, Tan Ah Soi, Tan Ah Bah, Tan Chee Meng and Tan Tze Wee.

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Accordingly, each member of the Concert Group, the Directors and Substantial Shareholders is not expected to incur an obligation to make a general offer under Rule 14 of the Take-over Code as a result of a purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate.

Save as disclosed, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of shares by the Company pursuant to the Share Buyback Mandate.

10. SHARE BUYBACKS IN THE PREVIOUS 12 MONTHS

The Company has not purchased or acquired any Shares during the 12-month period immediately preceding the Latest Practicable Date.

11. ANNUAL GENERAL MEETING

The 2016 AGM, notice of which is circulated together with the Annual Report 2016 and this Letter, will be held at Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on 28 July 2016 at 10:00 a.m. for, *inter alia*, the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution 9 as set out in the Notice of AGM.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the 2016 AGM and wish to appoint a proxy to attend and vote on their behalf, will find a proxy form attached to the Annual Report 2016 which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at 65 Joo Koon Circle, Singapore 629078 not less than forty-eight (48) hours before the time fixed for the 2016 AGM.

The completion and return of a proxy form by a Shareholder does not preclude him from attending the 2016 AGM and voting in person in place of his proxy should he subsequently wish to do so.

A Depositor shall not be regarded as a Shareholder entitled to attend the 2016 AGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by the CDP, at least seventy-two (72) hours before the time fixed for the 2016 AGM.

13. DIRECTORS', SUBSTANTIAL SHAREHOLDERS' AND THE CONCERT GROUP'S INTERESTS

Based on the Register of Directors' shareholdings and the Register of Substantial Shareholders' shareholdings maintained by the Company and assuming that (i) the Company purchases the maximum of 132,446,268 Shares (being 10% of its issued Shares as at the Latest Practicable Date) pursuant to the Share Buyback Mandate and (ii) there is no change in the number of Shares held by each member of the Concert Group, the Directors and Substantial Shareholders, the shareholdings interests of the Concert Group, Directors and Substantial Shareholders before and after the Share buyback are set out below:

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	Before Share buyback (as at the Latest Practicable Date)			Before Share buyback (%)	After Share buyback (%)
Name	Direct Interest	Deemed Interest	Total Interest		
<u>Directors</u>					
Tan Boon Kheng	106,656,004	—	106,656,004	8.05	8.95
Tan Boon Yew	60,336,000	—	60,336,000	4.56	5.06
Tan Boon Siang	62,872,000	—	62,872,000	4.75	5.27
Tay Kah Chye	—	—	—	—	—
Seah Hai Yang	—	—	—	—	—
Liew Ah Choy	—	—	—	—	—
Lee Fang Wen	—	184,000	184,000	0.01	0.02
<u>Concert Group</u>					
Concert Directors ⁽¹⁾	229,864,004	—	229,864,004	17.36	19.28
Concert parties ⁽²⁾	94,558,996	—	94,558,996	7.14	7.93
Aggregate Interest of the Concert Group	324,423,000	—	324,423,000	24.49	27.22
<u>Substantial Shareholders (other than Directors)</u>					
Lim Boon Hock, Bernard	130,000,000	—	130,000,000	9.82	10.91
Lim Chye Huat @ Bobby Lim Chye Huat	186,000,000	—	186,000,000	14.04	15.60
Brian Chang Holdings (S) Pte Ltd	176,435,544	—	176,435,544	13.32	14.80
Brian Chang ⁽³⁾	—	176,435,544	176,435,544	13.32	14.80
Tracy Chang ⁽³⁾	—	176,435,544	176,435,544	13.32	14.80

Notes:

(1) The Concert Directors comprise the siblings Tan Boon Kheng, Tan Boon Yew and Tan Boon Siang.

(2) The concert parties comprise the following:

- Tan Ah Kan @ Tan Kow La, the father of Tan Boon Kheng, Tan Boon Yew and Tan Boon Siang, and the brother of Tan Ah Soi and Tan Ah Bah;
- Tan Ah Soi, the brother of Tan Ah Kan @ Tan Kow La;
- Tan Ah Bah, the brother of Tan Ah Kan @ Tan Kow La;
- Tan Chee Meng, the son of Tan Ah Soi; and
- Tan Tze Wee, the son of Tan Ah Soi.

(3) Brian Chang and Tracy Chang are deemed interested in the Shares held by Brian Chang Holdings (S) Pte Ltd by virtue of their shareholding interest in Brian Chang Holdings (S) Pte Ltd.

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14. DIRECTORS' RECOMMENDATIONS

After having considered the rationale and the information relating to the proposed renewal of Share Buyback Mandate, the Directors are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company, and accordingly, recommend that Shareholders vote in favour of Ordinary Resolution 9 relating to the proposed renewal of the Share Buyback Mandate as set out in the Notice of AGM.

15. 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 Buyback 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 the 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.

16. DOCUMENTS FOR INSPECTION

A copy of each of the following documents may be inspected at the Company's registered office at 65 Joo Koon Circle, Singapore 629078 during normal business hours from the date of this Letter up to and including the date of the 2016 AGM:

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