

CIRCULAR DATED 15 MARCH 2017

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

This Circular is issued by Mercurius Capital Investment Limited ("**Company**"). If you are in any doubt as to the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all of your shares in the capital of the Company through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular, the notice of the extraordinary general meeting ("**EGM**") of the Company and the attached Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular, the notice of the EGM and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your ordinary shares in the capital of the Company, please forward this Circular, the notice of the EGM and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R & T Corporate Services Pte. Ltd. ("**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this Circular.

This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.

The contact person for the Sponsor is Mr Howard Cheam Heng Haw, R & T Corporate Services Pte. Ltd., at 9 Battery Road, #25-01, Singapore 049910, telephone (65) 62320685.

MERCURIUS CAPITAL INVESTMENT LIMITED

(Company Registration Number: 198200473E)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

- (1) PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT ("PROPOSED DIVERSIFICATION"); AND**
- (2) PROPOSED DISPOSAL OF THE COMPANY'S ENTIRE SHAREHOLDING INTERESTS IN CHINA CHILDREN FASHION HOLDINGS PTE. LTD. AND ITS SUBSIDIARIES ("PROPOSED DISPOSAL")**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	28 March 2017 at 9.30 a.m.
Date and time of Extraordinary General Meeting	:	30 March 2017 at 9.30 a.m.
Place of Extraordinary General Meeting	:	Atrium Suite 3, Mandarin Oriental, 5 Raffles Ave, Marina Square Singapore 039797

CONTENTS

DEFINITIONS.....	2
CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS	9
LETTER TO SHAREHOLDERS	10
1. INTRODUCTION	10
2. PROPOSED DIVERSIFICATION	12
3. PROPOSED JOINT VENTURE	31
4. DEVELOPMENT RIGHTS OF JV PROPERTIES	34
5. OPTION AGREEMENTS	37
6. THE PROPOSED DISPOSAL	42
7. INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS	50
8. DIRECTORS' SERVICE CONTRACTS	50
9. DIRECTORS' RECOMMENDATIONS.....	50
10. EXTRAORDINARY GENERAL MEETING	50
11. ACTION TO BE TAKEN BY SHAREHOLDERS	50
12. DIRECTORS' RESPONSIBILITY STATEMENT	51
13. DOCUMENTS AVAILABLE FOR INSPECTION	51
NOTICE OF EXTRAORDINARY GENERAL MEETING	55
PROXY FORM	

DEFINITIONS

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

- “27 February Announcement”** : The Company’s announcement on 27 February 2017
- “ACG Holdings”** : ACG Holdings Sdn. Bhd. (Company No. 1005056-V), with its registered address at 7B Room A, Jalan Kuning Dua, Taman Pelangi, 80400 Johor Bahru, Johor
- “ACRA”** : Accounting and Corporate Regulatory Authority of Singapore
- “Act”** : The Companies Act (Cap. 50) of Singapore, as amended or modified from time to time
- “Accounts Payable”** : The total outstanding amount of S\$13,212,000 due and owing by the Company to the Entities under the inter-company balances as at 31 December 2016
- “Accounts Receivables”** : The Company’s existing accounts receivables as at 31 December 2016 from various third-party debtors, at book value, of a total amount of S\$10,334,000
- “Associate”** : In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:–
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more
- In relation to a Substantial Shareholder or a Controlling shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Audit Committee”** : The audit committee of the Company as at the date of this Circular
- “Board”** : The board of directors of the Company as at the date of this Circular

DEFINITIONS

“Catalist”	:	The sponsor-supervised listing platform of the SGX-ST
“Catalist Rules”	:	Section B: Rules of Catalist of the listing manual of the SGX-ST, as amended, modified or supplemented from time to time
“CCFHPL”	:	China Children Fashion Holdings Pte. Ltd. (Company Registration No. 2008115090C) with its registered address at 33 Ubi Avenue 3, #08-38 Vertex Singapore 408868
“CCFHPL Group”	:	CCFHPL and its Subsidiaries, which includes Hong Kong Endi International Trading Co., Ltd, Macao Endi International Trading Company Limited, Shishi Haotian Dress Industry Co., Ltd. and Zhang Zhou Yiwa Garments Weaving Co., Ltd.
“CDP”	:	The Central Depository (Pte) Limited
“Children Fashion Business”	:	Has the meaning ascribed to it in section 2.2 of this Circular
“Circular”	:	This circular to Shareholders dated 15 March 2017 in respect of the Proposed Diversification and the Proposed Disposal
“Company”	:	Mercurius Capital Investment Limited, Company Registration No. 198200473E, with its registered office at 33 Ubi Avenue 3, #08-38 Vertex Singapore 408868
“Company’s Assignment”	:	The assignment of the Accounts Receivables in entirety to CCFHPL, as described in section 6.2(d) of this Circular
“Company’s Deed”	:	Has the meaning ascribed to it in section 6.2(d) of this Circular
“control”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of the issued share capital of the Company; or (b) in fact exercises Control over the Company
“CPF”	:	Central Provident Fund
“Development Rights of JV Properties”	:	Has the meaning ascribed to it in section 1.4 of this Circular

DEFINITIONS

“Directors”	:	The directors of the Company as at the date of this Circular
“Disposal Valuation Report”	:	The valuation report dated 23 February 2017 prepared by RSM Corporate Advisory Pte. Ltd. on the valuation of CCFHPL and its business, assets, liabilities and subsidiaries
“Disposal Valuation Summary Letter”	:	The summary letter dated 23 February 2017 prepared by RSM Corporate Advisory Pte. Ltd. on the valuation of CCFHPL and its business, assets, liabilities and subsidiaries, as appended in Schedule 2
“DRA”	:	The conditional development rights agreement dated 23 February 2017 entered into between MHMR, HM Realty and Goh Siik Mee@Goh Siok Bee (as guarantor of the obligations of HM Realty)
“DRA Conditions Precedent”	:	The conditions precedent to the completion of the DRA, as described in section 4.3 of this Circular
“EGM”	:	The extraordinary general meeting of the Company, notice of which is given on page 55 of this Circular
“Entities”	:	Shishi Haotian Dress Industry Co., Ltd. and Zhang Zhou Yiwa Garments Weaving Co., Ltd.
“Entities’ Assignment”	:	The assignment of the Accounts Payable to the Purchaser, as described in section 6.2(d) of this Circular
“Entities’ Deeds”	:	Has the meaning ascribed to it in section 6.2(d) of this Circular
“Existing Business”	:	Has the meaning ascribed to it in section 2.2 of this Circular
“FY”	:	Financial year of the Company ended or ending 31 December (as the case may be)
“GCA Capital”	:	GCA Capital Sdn. Bhd. (Company No. 1033375-D), with its registered address at 7B Room A, Jalan Kuning Dua, Taman Pelangi, 80400 Johor Bahru, Johor
“GCS Realty”	:	GCS Realty Holdings Sdn. Bhd. (Company No. 982267-D), with its registered address at 7B Room A, Jalan Kuning Dua, Taman Pelangi, 80400 Johor Bahru, Johor
“Grantors”	:	JBL Capital, GCA Capital, GCS Realty and ACG Holdings
“Group”	:	The Company and its Subsidiaries

DEFINITIONS

“HM Realty”	:	HM Realty Holdings Sdn. Bhd. (Company No. 1011753-M) with its registered address at 7B Room A, Jalan Kuning Dua, Taman Pelangi, 80400 Johor Bahru, Johor
“JBL Capital”	:	JBL Capital Sdn. Bhd. (Company No. 1041925-K), with its registered address at 7B Room A, Jalan Kuning Dua, Taman Pelangi, 80400 Johor Bahru, Johor
“JVA”	:	The conditional joint venture agreement dated 23 February 2017 entered into between MCSB, HM Realty, MHMR and Goh Siik Mee@Goh Siok Bee (as guarantor of the obligations of HM Realty)
“JVA Conditions Precedent”	:	The conditions precedent to the completion of the JVA, as described in section 3.4 of this Circular
“JV Properties”	:	All those parcel of lands held under (a) GRN 529906 Lot 2785, Mukim of Tebrau, District of Johor Bahru, State of Johor (measuring approximately 1.944 hectares), and (b) GRN 52438, Lot 2786, Mukim of Tebrau, District of Johor Bahru, State of Johor (measuring approximately 1.1461 hectares)
“JV Properties Valuation Report”	:	The valuation report dated 20 February 2017 conducted by Cheston International (Johor) Sdn. Bhd. on the JV Properties
“Latest Practicable Date” or “LPD”	:	6 March 2017, being the latest practicable date prior to the printing of this Circular
“Major Transaction”	:	Has the meaning ascribed in section 2.9 of this Circular
“MCSB”	:	Mercurius Capital Sdn. Bhd. (Company No. 1218587-V) with its registered address at 7B Room A, Jalan Kuning Dua, Taman Pelangi, 80400 Johor Bahru, Johor
“MHMR”	:	Mercurius HM Realty Sdn. Bhd. (Company No. 1219404-A) with its registered address at 7B Room A, Jalan Kuning Dua, Taman Pelangi, 80400 Johor Bahru, Johor
“NAV”	:	Net asset value
“New Subsidiaries”	:	MCSB and MHMR
“NTA”	:	Net tangible asset
“ODM”	:	Original design manufacturer
“Option Agreements”	:	The option agreements described in section 1.5 and Schedule 1 of this Circular

DEFINITIONS

“Option Fee”	:	The option fee described in section 1.5 of this Circular
“Option Properties”	:	The properties described in section 5.1 and Schedule 1 of this Circular
“Outstanding Receivables”	:	All amounts owing by each and all of the companies of the CCFHPL Group to the Company (if any), as described in section 6.2(d) of this Circular
“Power of Attorney”	:	The power of attorney dated 23 February 2017 granted by HM Realty to MHMR in respect of the development of the JV Properties
“PRC”	:	People’s Republic of China, excluding Hong Kong Special Administrative Region and Macau Administrative Region
“Proposed Diversification”	:	The proposed diversification of the Group’s business to include the Proposed New Business
“Proposed Disposal”	:	The proposed disposal of the Company’s entire shareholding interests in CCFHPL
“Proposed Joint Venture”	:	The joint venture between MCSB, HM Realty and Goh Siik Mee@Goh Siok Bee (as guarantor of the obligations of HM Realty) pursuant to the JVA, as described in section 1.3 of this Circular
“Proposed New Business”	:	The business comprising property development and property investment, which involves activities such as property-related investments, holding of investments in Property Related Assets, trading in and the development of property for sale and for long term investment purposes, as further described in section 2.3 of this Circular
“Property Related Assets”	:	Real estate and residential, hospitality (including hotels and/or serviced residences), commercial (retail and office), industrial and any other suitable types of properties (including mixed development properties)
“Proposed Subscription”	:	The proposed subscription of shares by MCSB and HM Realty in MHMR, as described in section 3.3 of this Circular
“Purchaser”	:	Guo Jindian
“Purchase Consideration”	:	The aggregate cash consideration of S\$2,000,000, as described in section 1.6 of this Circular

DEFINITIONS

“Sale Shares”	:	The 57,472 Shares of CCFHPL, representing 100% of the entire issued and paid-up share capital, as described in section 1.6 of this Circular
“Securities Account”	:	The securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
“SFA”	:	The Securities and Futures Act (Cap. 289) of Singapore, as amended or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”	:	B.A.C.S Private Limited
“Share(s)”	:	Ordinary share(s) in the share capital of the Company
“Shareholders”	:	The registered holders of the Shares in the register of members of the Company, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with such Shares
“SPA”	:	The conditional sale and purchase agreement dated 23 February 2017 between the SPA Parties
“SPA Closing Date”	:	A date to be agreed in writing between the SPA Parties, falling not later than four (4) weeks after all the SPA Conditions have been satisfied, provided that the such date shall not be later than the SPA Long Stop Date or such later date as may be agreed between the SPA Parties
“SPA Conditions”	:	The conditions precedent to the completion of the Proposed Disposal and the SPA, as described in section 6.2(c) of this Circular
“SPA Long Stop Date”	:	Has the meaning ascribed to it in section 6.2(c) of this Circular
“SPA Parties”	:	The parties to the SPA, being the Company and Guo Jindian
“Sponsor”	:	R & T Corporate Services Pte. Ltd.
“Substantial Shareholder”	:	A person (including a corporation) who holds directly or indirectly 5% or more of the issued capital in the Company
“Subsidiary”	:	A subsidiary of the Company within the definition of Section 5 of the Act and “Subsidiaries” shall be construed accordingly
“Target Area”	:	Malaysia and Australia

DEFINITIONS

Currencies, Units and Others

“HK\$”	:	Hong Kong Dollar and cents respectively, the lawful currency of Hong Kong
“MOP\$”	:	Macau Pataca and avos respectively, the lawful currency of Macau
“RM”	:	Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
“S\$”	:	Singapore Dollar and cents respectively, the lawful currency of Singapore
“US\$”	:	United States Dollar and cents respectively, the lawful currency of the United States of America
“%” or “per cent”	:	Per centum or percentage

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the same meanings ascribed to them, respectively, in Section 81SF of the SFA. The term “**Direct Account Holder**” shall have the same meaning ascribed to the term “account holder” in Section 81SF of the SFA.

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

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Act or any statutory modification thereof, as the case may be.

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

Any discrepancies in this Circular between the sum of the figures stated and the total thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures which precede them.

CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements.

Shareholders should not place undue reliance on such forward-looking statements. Further, the Company and the Sponsor disclaim any responsibility to update or revise any forward-looking statements for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

LETTER TO SHAREHOLDERS

MERCURIUS CAPITAL INVESTMENT LIMITED

(Company Registration Number: 198200473E)
(Incorporated in the Republic of Singapore)

Board of Directors

Chang Wei Lu
(Executive Chairman and Chief Executive Officer)
Mah Seong Kung
(Lead Independent Non-executive Director)
Wong Leong Chui
(Independent Non-executive Director)

Registered Office

33 Ubi Avenue 3
#08-38, Vertex
Singapore 408868

15 March 2017

To: The Shareholders of Mercurius Capital Investment Limited

Dear Sir/Madam

- (1) **PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT; AND**
- (2) **PROPOSED DISPOSAL OF THE COMPANY'S ENTIRE SHAREHOLDING INTERESTS IN CHINA CHILDREN FASHION HOLDINGS PTE. LTD. AND ITS SUBSIDIARIES**

1. INTRODUCTION

1.1 Proposed Diversification

On 27 February 2017, the Company announced its intention to diversify the Group's Existing Business to include the Proposed New Business. As there will be a change to the risk profile of the Group, the Company is seeking approval from the Shareholders for the Proposed Diversification.

1.2 Incorporation of New Subsidiaries

On 27 February 2017, the Company announced that in connection with the Proposed Diversification and to undertake the Proposed New Business:

- (a) the Company had on 22 February 2017 incorporated a wholly-owned subsidiary, MCSB, in Malaysia as an investment holding vehicle, with an issued and paid-up share capital of RM2.00 comprising 2 ordinary shares. The principal activity of MCSB is investment holdings; and
- (b) MCSB had in turn on 23 February 2017 incorporated a wholly-owned subsidiary, MHMR, in Malaysia as a joint venture vehicle for the purpose of the Proposed Joint Venture. MHMR has an issued and paid-up capital of RM2.00 comprising 2 ordinary shares, and the principal activity of MHMR is to engage in real estate activities.

LETTER TO SHAREHOLDERS

1.3 Proposed Joint Venture

On 27 February 2017, the Company announced that MCSB had on 23 February 2017 entered into the JVA with HM Realty, MHMR and Goh Siik Mee@Goh Siok Bee (as guarantor of the obligations of HM Realty), pursuant to which MHMR shall act as the joint venture vehicle through which HM Realty and MCSB shall jointly develop the JV Properties (“**Proposed Joint Venture**”).

1.4 Development Rights of JV Properties

On 27 February 2017, the Company announced that in connection with the Proposed Joint Venture, MHMR had on 23 February 2017 entered into the DRA with HM Realty, registered proprietor of the JV Properties, and Goh Siik Mee@Goh Siok Bee (as guarantor of the obligations of HM Realty) in relation to the grant of the exclusive rights by HM Realty to MHMR for the development of the JV Properties (“**Development Rights of JV Properties**”).

1.5 Option Agreements

On 27 February 2017, the Company announced that in connection with the Proposed New Business, MCSB had on 23 February 2017 entered into the following option agreements (“**Option Agreements**”):

- (a) with JBL Capital Sdn. Bhd. (“**JBL Capital**”) as option grantor and Chieng Leek Chee (as guarantor for the obligations of JBL Capital);
- (b) with GCA Capital Sdn. Bhd. (“**GCA Capital**”) as option grantor and Chieng Leek Chee (as guarantor for the obligations of GCA Capital);
- (c) with GCS Realty Holdings Sdn. Bhd. (“**GCS Realty**”) as option grantor and Leu Huang Ding (as guarantor for the obligations of GCS Realty); and
- (d) with ACG Holdings Sdn. Bhd. (“**ACG Holdings**”) as option grantor and Goh Siik Mee@Goh Siok Bee (as the guarantor for the obligations of ACG Holdings).

(JBL Capital, GCA Capital, GCS Realty and ACG Holdings shall hereinafter be collectively known as the “**Grantors**”).

Pursuant to the Option Agreements, MCSB is granted the option for the rights to jointly develop in the future, with the respective Grantors, real estate properties in Malaysia owned by the Grantors at the option fee of RM1,000.00 for each Option Agreement (“**Option Fee**”).

1.6 Proposed Disposal

On 27 February 2017, the Company also announced that it had entered into the SPA with the Purchaser, pursuant to which the Company has agreed to dispose of its entire shareholding interests of 57,472 shares, representing 100% of the entire issued and paid-up share capital of CCFHPL (“**Sale Shares**”) to the Purchaser for an aggregate cash consideration of S\$2,000,000 (“**Purchase Consideration**”), on the terms and subject to the conditions of the SPA.

LETTER TO SHAREHOLDERS

As the Proposed Disposal is deemed as a “major transaction” under Chapter 10 of the Catalyst Rules, the Company is seeking approval of the Shareholders for the Proposed Disposal.

1.7 Sequence of Events

Upon approval of the Shareholders at the EGM for the Proposed Diversification and Proposed Disposal, the Company will, through the New Subsidiaries, proceed to complete the Proposed Subscription in order to implement the Proposed Joint Venture and conduct the Proposed New Business. Thereafter, the Company will, through MHMR, begin the process of developing the JV Properties pursuant to the DRA. Subsequent to this, the Company proposes to complete the Proposed Disposal on or before the SPA Long Stop Date.

1.8 Purpose of this Circular

The Directors are convening the EGM to be held on 30 March 2017 to seek the approval of the Shareholders for the Proposed Diversification and the Proposed Disposal. The Notice of the EGM is set out in page 55 of this Circular.

The purpose of this Circular is to provide Shareholders with information relating to, and explain the rationale for the Proposed Diversification and the Proposed Disposal at the forthcoming EGM.

The SGX-ST takes no responsibility for the accuracy or correctness of any statements or opinions made, or reports contained in this Circular.

2. PROPOSED DIVERSIFICATION

2.1 Introduction

The Group proposes to engage in real estate activities with a focus on the development of residential, commercial and industrial properties. The Group aims to venture into the property development business in the Target Area, cautiously, by actively seeking out opportunities to engage in property development on a project basis and may consider retaining a portion of its developed properties for management and lease, on a case by case basis. The Group may also engage in property investment by acquiring existing properties and renting out the same for rental income and developing and selectively maintaining a land bank through the acquisition of attractive sites. When undertaking such investments, the Board would consider, inter alia, cash flow requirements of the Group and returns on investments.

2.2 Existing business of the Group

The Company’s current principal business activities are (i) investment holding with key interests in children’s wear products, and bedding and bed linen products, in which regard, the Group produces the children’s wear products for its customers on ODM basis (“**Children Fashion Business**”), (ii) the business of exploration, extraction and/or harvesting, supply, trading, and distribution of resources and energy products, such as base metals comprising ferrous and non-ferrous materials, precious metals comprising silver and gold, minerals comprising graphite and marble, agro-forestry products comprising timber, rubber and oil palm, and coal and natural gas, (iii) financial investment activities, including investing in

LETTER TO SHAREHOLDERS

quoted and/or unquoted securities, providing seed and mezzanine capital to private companies, and undertaking business incubation and angel investments, (iv) fund management, (v) advising on corporate finance and providing financial advisory services, (vi) providing financing and operating leases to the group's existing and/or future clients and/or entrepreneurs and businesses, and (vii) extraction and/or harvesting and supply, trading and distribution in renewable energy products ("**Existing Business**").

Currently, the Existing Business is carried out by the Company or its Subsidiaries. As at the Latest Practicable Date, the Subsidiaries of the Company and their principal activities are as follows:

No.	Name of Subsidiary	Principal Activities	Country of incorporation	Effective Equity held by the Company as at the Latest Practicable Date (%)
<u>Held by the Company</u>				
1.	China Children Fashion Holdings Pte. Ltd	Investment Holding	Singapore	100.0
2.	Friven & Co. Singapore Pte. Ltd.	Retailing of bedroom linen and household products (Dormant)	Singapore	100.0
3.	Friven Eagleton Sourcing Limited	Trading and sundry merchandise (Dormant)	Hong Kong	100.0
4.	Friven (Malaysia) Sdn. Bhd.	Manufacture and sale of bedlinen and household textile products (Dormant)	Malaysia	100.0
5.	Mayfran Distribution (M) Sdn. Bhd.	Retailing of menswear products (Dormant)	Malaysia	100.0
6.	Mayfran International (Shanghai) Co., Ltd	Manufacture and sale of household textile products (Dormant)	PRC	100.0
7.	PT Friven Lifestyle	Retailing of bedroom linen and household products (Dormant)	Indonesia	90.0
8.	Vicmark Manufacturing Sdn. Bhd.	Property holding (Dormant)	Malaysia	100.0
9.	MCSB	Investment Holding	Malaysia	100.0

LETTER TO SHAREHOLDERS

No.	Name of Subsidiary	Principal Activities	Country of incorporation	Effective Equity held by the Company as at the Latest Practicable Date (%)
<u>Held by China Children Fashion Holdings Pte. Ltd.</u>				
10.	Hong Kong Endi International Trading Co., Ltd	Wholesale of children and infants wear (Dormant)	Hong Kong	100.0
11.	Macao Endi International Trading Company Limited	Wholesale of children and infants wear	Macau	100.0
12.	Shishi Haotian Dress Industry Co., Ltd.	Manufacture, retail and wholesale of children and infants wear	PRC	100.0
13.	Zhang Zhou Yiwa Garments Weaving Co., Ltd.	Wholesale of children and infants wear (Dormant)	PRC	100.0
<u>Held by Friven (Malaysia) Sdn. Bhd.</u>				
14.	Friven & Co. Lifestyle Sdn. Bhd	Trading in bedding and bedroom linen products (Dormant)	Malaysia	100.0
<u>Held by Mercurius Capital Sdn. Bhd.</u>				
15.	MHMR	Real estate activities (Dormant as at LPD)	Malaysia	100.0

2.3 Information regarding the Proposed Diversification

In their continued search for new business opportunities and to bring in more revenue and income streams to improve Shareholder value and return, the Directors have been exploring new and different business opportunities, for the Group, such as the Proposed New Business.

Subject to approval of Shareholders for the Proposed Diversification being obtained at the EGM, the Company intends to expand its Existing Business to include the real estate activities as described below, as and when appropriate opportunities arise (“**Proposed New Business**”):

- (a) activities such as real estate-related investments and property development activities (including acquisition, development and/or sales of real estate), and holding of investments in real estate and residential, hospitality (including hotels and/or serviced residences), commercial (retail and office), industrial and any other suitable types of properties (including mixed development properties) (“**Property Related Assets**”); and

LETTER TO SHAREHOLDERS

- (b) to acquire and hold investments in Property Related Assets including the development of Property Related Assets, trading in and holding the same for long term investment, including but not limited to the collection of rent, capital growth potential and/or provision of property related services and facilities.

As part of the Proposed New Business, the Company proposes to invest in, purchase or otherwise acquire or dispose of, from time to time, any such assets, investments and shares or interests in any entity that is in the Proposed New Business. Any business activities as aforesaid (including those listed in (a) and (b) above) shall, upon approval of the Proposed Diversification by the Shareholders at the EGM, constitute part of the ordinary course of business of the Group.

In the initial stage of the Proposed New Business, the Group will restrict the Proposed New Business to the Target Area. At a future stage, the Group may consider other geographical markets in other states and/or countries that present growth opportunities for the Proposed New Business. Any expansion to new geographical markets would be evaluated and assessed by the Board on its own merit and the Group will seek the Shareholders' approval for such potential transactions where relevant, as set out in section 2.9 of this Circular.

2.4 Organisation of the Proposed New Business

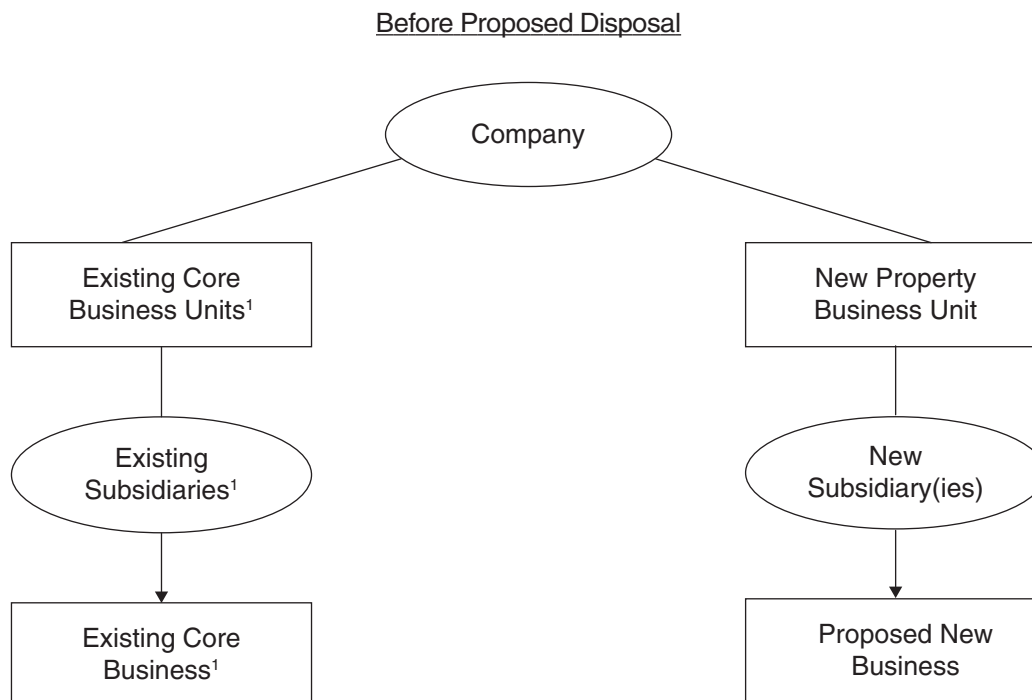
The Group intends to undertake the Proposed New Business independently or in joint venture or by strategic alliances or collaboration with third parties who have the relevant expertise, experience, assets and resources. The decision on whether a project should be undertaken by the Group on its own or in collaboration with third parties will be made by the Group after taking into consideration various factors, such as the nature and scale of the project, amount of investment required and risks associated with such an investment, nature of expertise required, the period of time that is required to complete the project and conditions in the property market, taking into account the opportunities available.

In this regard, the Company has, on 23 February 2017, entered into the JVA with HM Realty, MHMR and Goh Siik Mee@Goh Siok Bee (as guarantor for the obligations of HM Realty), pursuant to which MHMR shall act as the joint venture vehicle through which HM Realty and MCSB shall jointly operate the Proposed New Business. The JVA is subject to certain conditions precedent, including but not limited to, the Shareholders' approval of the Proposed Diversification. Please refer to section 3 of this Circular for more details on the JVA.

Before undertaking any major project under the Proposed New Business, the management of the Company and the Board will undertake all appropriate due diligence and conduct feasibility studies containing financial forecasts, risk analysis, market study, due diligence on the track record and background of any consultants, main contractors or joint venture partners, funding needs, growth potential and projected returns of the project concerned to decide on the nature and extent of the Group's investment in such a project. In addition, the Board will regularly review the risk exposure of the Proposed New Business on a half-yearly basis.

LETTER TO SHAREHOLDERS

The Proposed New Business will become a new segment of the Group's business under the Property Business unit, which will be operated via MCSB and MHMR ("**New Subsidiaries**"), as illustrated below:



Note:

- (1) Please refer to Section 6 of this Circular on the Proposed Disposal for more information on the Group's intended plans for the Existing Business

2.5 Management of Proposed New Business

The Executive Director of the Company, Mr Chang Wei Lu, will oversee the Proposed New Business and lead a new team of senior managers, to be put in place upon approval of the Shareholders of the Proposed Diversification and Proposed New Business. The Group has identified and shortlisted potential candidates with the credentials and experience relevant to the Proposed New Business, to be appointed as such senior management of the Group.

In addition, the Group had on 21 February 2017 appointed Mr Wong Leong Chui ("**Mr Wong**") as an Independent Non-executive Director of the Company. Mr Wong has over 51 years of experience in building construction project and interior decorative work. The Group believes that with his extensive knowledge in building construction, he would be able to assist the Company and Shareholders in monitoring the Proposed New Business in his position as an Independent Director. Mr Wong will not be involved in the day-to-day management of the Proposed New business.

In making their decisions, the Board and senior management of the Group will also, where necessary and appropriate, seek the advice of reputable external consultants and experts. As the Group intends to engage in the Proposed New Business incrementally, it will monitor developments and progress in the Proposed New Business and take the necessary steps to identify suitable candidates both from within the Group as well as externally, to support and manage the Proposed New Business as and when required.

LETTER TO SHAREHOLDERS

At the initial stage of its foray into the Proposed New Business, the Group may enter into partnerships with various third parties in the real estate and construction industry to assist it in undertaking the Proposed New Business more effectively and efficiently as the Group seeks to build in-house expertise and experience in this field. Such partnerships may be done either on a case by case basis or on a fixed term basis. Where necessary, work may be outsourced to third parties who have expertise and experience in the relevant area in relation to the projects concerned. In selecting the partners, the Group will take into account the specific expertise and competencies required for the project in question and the experience, historical track record and financial standing of the partners concerned.

The Group is currently in preliminary discussions with potential third parties with the necessary credentials, expertise and resources, such as architects, engineers, contractors, property developers and land owners to collaborate with for the Proposed New Business. The Group intends to finalise these arrangements in the next 3 to 6 months' time and will make the relevant announcements at the appropriate time.

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

2.6 Funding for the Proposed Diversification

The Group's market capitalization as at the Latest Practicable Date is approximately S\$56,856,000 million, with a net asset value of approximately S\$0.2 million, based on the Group's latest unaudited financial statements for FY2016.

Based on the unaudited financial statements of the Group for FY2016, no revenue was recorded for the financial year ended 2016.

It is anticipated that the Proposed New Business requires capital investments or cash outlay. The Group intends to fund the Proposed New Business through a combination of internal sources of funds, progress payments from pre-sales of future projects and borrowings from financial institutions. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises by tapping into the capital markets including but not limited to rights issues, share placements and/or issuance of debt instruments.

2.7 Future Plans and Prospects for the Proposed New Business

2.7.1 Prospects and Growth Potential in Property Market in the Target Area

The Group proposes to conduct the Proposed New Business in the Target Area. The Group is of the view that the property market in the Target Area shows potential for growth as there are indications of economic resilience and improving sentiment in those markets, consistent population growth, healthy investment demand by foreigners for properties in both the commercial and residential sectors, sustainable disposable incomes, presence of a mortgage lending market and increase in the rate of urbanization, all of which is expected to increase the demand for building and infrastructure that the Proposed New Business will benefit from.

LETTER TO SHAREHOLDERS

2.7.2 Proposed Strategy and Direction for the Proposed New Business

The Group proposes to engage in the Proposed New Business with a focus on the development of residential, commercial and industrial properties. The Group aims to venture into the Proposed New Business cautiously by actively seeking out opportunities to engage in property development on a project basis and may consider retaining a portion of its developed properties for management and lease on a case by case basis. The Group may also engage in property investment by acquiring existing properties and renting out the same for rental income and developing and maintaining a land bank through the acquisition of attractive sites. When undertaking such investments, the Board would consider, *inter alia*, cash flow requirements of the Group and returns on investments.

2.7.3 Future Plans

The Board believes that the Proposed Diversification would allow the Group to have better prospects of profitability and ensure long term growth through access to new business opportunities, which in turn could potentially enhance the return on the Group's assets and improve Shareholders' value in the long run.

The Group will also explore joint venture and/or strategic alliances to carry out the Proposed New Business as and when the opportunity arises. At a future stage, the Group may consider other geographical markets in other states and/or countries that present growth opportunities for the Proposed New Business. Any expansion to new geographical markets would be evaluated and assessed by the Board on its own merit and the Group will seek Shareholders' approval for such potential transactions where relevant, as set out in section 2.9 of this Circular.

2.7.4 Proposed Joint Venture, Development Rights of JV Properties and Option Agreements

An initial opportunity shortlisted by the Group for the purposes of the Proposed Diversification and the Proposed New Business, is the Proposed Joint Venture. In furtherance of the Proposed Joint Venture, the Company had announced in the 27 February Announcement, that it had incorporated MCSB as a wholly-owned subsidiary of the Company, and MHMR as a wholly-owned subsidiary of MCSB, for the purpose of conducting the Proposed New Business. More information on the Proposed Joint Venture is described further in section 3 of this Circular.

Pursuant to the Proposed Joint Venture, MCSB has entered into the JVA with HM Realty to jointly own MHMR. MHMR, in turn, has entered into the DRA with HM Realty for the rights to the development of the JV Properties. HM Realty is the registered proprietor of the JV Properties. More information on the Development Rights of the JV Properties is described further in section 4 of this Circular.

The Company has also, in the 27 February Announcement, announced that MCSB has entered into the Option Agreements with the Grantors, granting MCSB the exclusive right to develop the Option Properties in joint venture with the Grantors exercisable within 3 years from the dates of the Option Agreements. More information on the Option Agreements is described further in section 5 of this Circular.

LETTER TO SHAREHOLDERS

Implementation of the JVA, DRA and Option Agreements are conditional upon Shareholders' approval of the Proposed Diversification to include the Proposed New Business, at the EGM.

Accordingly, as at the date of this Circular, Shareholders should be cautioned that there is no assurance that the JVA, DRA and Option Agreements will proceed or proceed on their present terms. The JVA, DRA and Option Agreements may also be terminated by mutual agreement of the parties thereto.

Shareholders and potential investors are advised to read this Circular, the 27 February Announcement and any further announcements by the Company carefully and to exercise caution when trading or dealing in their shares of the Company. Shareholders and potential investors should seek advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers, if they have any doubts about the actions they should take.

2.8 Rationale for the Proposed Diversification

In line with the Board's position to explore potential investment opportunities for collaboration, the Group proposes to diversify the Existing Business to include the Proposed New Business through the Proposed Joint Venture for the following reasons:

(a) *Reducing reliance on and mitigating against volatility of the Existing Business*

The Proposed Diversification of the Group's business to include the property business is expected to provide additional revenue streams for the Group, enable the Group to expand its revenue base, reduce the Group's reliance on the Existing Business, which remains competitive and challenging, and offer new business opportunities so as to enhance Shareholders' value for the Company.

(b) *Benefit from the consistent population growth and healthy investment demand for real estate in the Target Area*

The Board believes that the property market is buoyed by increasing demand arising from consistent population growth and healthy investment demand by foreigners for properties in both the commercial and residential sectors in the Target Area.

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

Once the Shareholders approve the Proposed Diversification, the Group may, in the ordinary course of business, enter into transactions relating to the Proposed New Business without having to seek Shareholders' approval. This can be done as long as such transactions do not change the Group's risk profile, and will eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential transactions relating to the Proposed New Business arise. This will allow the Group greater flexibility to pursue business opportunities which may be time-sensitive in nature, and will substantially reduce the expenses associated with the convening of general meetings from time to time.

LETTER TO SHAREHOLDERS

2.9 Requirements under Catalist Rules

Pursuant to Rules 1013 and 1014 of the Catalist Rules, a major transaction is a transaction where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds (i) for an acquisition, 75% but less than 100%, or (ii) for a disposal, 50% (“**Major Transaction**”). A Major Transaction must be made conditional upon approval by Shareholders in a general meeting. For further details on Rules 1006, 1013 and 1014, please refer to the Catalist Rules.

Pursuant to Practice Note 10A of the Catalist Rules, save where the acquisition changes the risk profile of the issuer, Shareholders’ approval is not required for a Major Transaction if the acquisition will result in an expansion of the issuer’s existing business. Practice Note 10A further states that the SGX-ST takes the view that it should not in normal circumstances require an issuer to seek its shareholders’ approval if the expansion is by way of an acquisition of a similar business, when other means to expand its business that are open to the issuer would not require its shareholders’ approval.

Subject to Shareholders’ approval for the Proposed Diversification, the Group will, in its normal course of business, be able to enter into any transaction relating to the Proposed New Business without the need for further Shareholders’ approval even though such transaction may be a Major Transaction, unless such transaction changes the risk profile of the Group. As such, the Company need not convene separate general meetings from time to time to seek Shareholders’ approval as and when potential transactions which are Major Transactions relating to the Proposed New Business arise, thereby substantially reducing the administrative time and expenses in convening such meetings and consequently, facilitating the Group’s pursuit of its corporate objectives and increasing the Group’s responsiveness to business opportunities that avail to the Group. For the avoidance of doubt, notwithstanding the Proposed Diversification, in respect of transactions:

- (a) which fall within the definition of Rule 1002(1) of the Catalist Rules, Rules 1010 and 1014 of the Catalist Rules, read with Practice Note 10A of the Catalist Rules, will still apply;
- (b) where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 100% or results in a change in control of the Company, the transaction is classified as a very substantial acquisition or reverse takeover respectively whether or not the acquisition is in the Company’s ordinary course of business, Rule 1015 of the Catalist Rules will still apply to such transactions and such transactions must be, among others, made conditional upon approval by Shareholders in general meeting;
- (c) which constitute an “interested person transaction” as defined under the Catalist Rules, Chapter 9 of the Catalist Rules will apply to such a transaction and the Company will comply with the provisions of Chapter 9 of the Catalist Rules; and
- (d) which involve the expansion of the Proposed New Business into other geographical locations outside the Target Area resulting in a material change in the risk profile of the Group, the Company will make the relevant announcement(s) and seek the approval of the Shareholders at a general meeting before venturing into such geographical locations.

LETTER TO SHAREHOLDERS

2.10 RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION

The following is an identified but by no means exhaustive list of risk factors which are associated with the Proposed New Business. There might be additional risks not presently known to the Company or are not deemed to be material that could turn out to be material. Shareholders should carefully consider and evaluate each of the following risks and all other information contained in the Circular.

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements.

Shareholders should not place undue reliance on such forward-looking statements. Further, the Company and the Sponsor disclaim any responsibility to update or revise any forward-looking statements for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

RISKS RELATING TO THE PROPOSED NEW BUSINESS

The Group has no prior track record and operating history in the Proposed New Business

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

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

LETTER TO SHAREHOLDERS

The Group may not have the ability or sufficient expertise to execute the Proposed Diversification

The Group's ability to successfully diversify into the Proposed New Business is dependent upon its ability to adapt its existing knowledge and to understand and navigate the Proposed New Business. As the Group's existing management team does not have direct experience and expertise in the Proposed New Business, there is no assurance that the Group's existing knowledge will be sufficient for the Proposed New Business, or that the Group will be able to hire employees or adequately outsource its manpower requirements to contractors with the relevant experience and knowledge. The Group may not be able to successfully implement the Proposed New Business and this may adversely affect the Group's financial performance and profitability.

The Proposed New Business is dependent on qualified employees, experts, property agents and consultants

The growth of the Proposed New Business will be dependent on the Group's ability to identify, recruit, train and retain qualified employees to form a relevant and strong management team with the requisite technical expertise to oversee the operations of the Proposed New Business. The competition for qualified personnel in the Proposed New Business is intense, and the loss of services of one or more of such individuals without adequate replacement or the inability to attract new qualified personnel at a reasonable cost could have a material adverse effect on the Group's operations.

Further, the Group may be dependent on qualified property agents and consultants who provide information on potential development sites which are available for sale, private tenders or auction that enables the Group to capitalize on suitable market opportunities for future growth. In the event the Group is unable to identify and retain the services of such qualified property agents and consultants, the Group's operations may be materially and adversely affected.

The Group is not able to ensure that it will be able to identify and acquire attractive sites in the future at commercially acceptable prices or identify and complete profitable property development projects

The Group believes that developing and maintaining a sizable and high-quality land bank for future development is critical to growth. There is no assurance that it will be able to identify and acquire attractive sites in the future at commercially acceptable prices, or at all. The supply of land may be controlled or restricted by government authorities in the Target Area, and the Group's ability to acquire land use rights and their corresponding acquisition costs will be affected by government policies toward land supply, development and pricing. If the Group is not able to identify and acquire attractive new sites at commercially acceptable prices, this could impair its ability to compete with other property developers and materially and adversely affect the Group's business and financial performance.

There is also no assurance that the Group will be consistently successful in identifying profitable property development projects and completing and launching such projects under the best possible market conditions. There is also no assurance that a project, which may be assessed by the Group to be profitable at the initial phases, will not turn out to be a loss-making asset or investment due to changes in circumstances not within the Group's control. Should the Group fail to identify profitable property development projects and complete them efficiently the Group's financial performance will be adversely affected.

LETTER TO SHAREHOLDERS

If consumer bank financing becomes more costly or otherwise less attractive, the Group's sale and pre-sale of properties to the Group's intended customers may be affected

The Group envisages that a majority of the Group's intended purchasers of such properties that the Group may develop may rely on bank financing to fund their purchases. An increase in interest rates may significantly increase the cost of bank financing, thus adversely impacting the affordability of residential properties. In addition, the governments and commercial banks of Malaysia and/or Australia may also increase the down-payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers.

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

Depending on available opportunities, feasibility and market conditions, the Group's expansion into the Proposed New Business may involve acquisitions, joint ventures and/or strategic alliances with third parties. Participation in joint ventures, strategic alliances, acquisitions or other investment opportunities involves numerous risks, including the possible diversion of management attention from existing business operations and loss of capital or other investments deployed in such joint ventures, strategic alliances, acquisitions or opportunities. Furthermore, the Group is expected to rely on its joint venture partners at the initial stage of its foray into the Proposed New Business and there is a risk that if any of its joint venture partners is unable to deliver its obligations or commitments under the joint venture (such as failure to perform according to the expertise expected of the joint venture partner or meet the financial obligations), it may cause delay in the completion of the Group's development projects and/or resulting in additional costs to the Group. In such events, the Group's financial performance may be adversely affected.

The Group is subject to various government regulations in the Proposed New Business

The property industry in the Target Area, in which the Group plans to operate, is subject to various laws and regulations. Real estate developers must comply with these various requirements mandated by applicable laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of the property development process, including land use rights documents, planning permits, construction permits, sale permits and certificates or confirmation of completion and acceptance. Each approval may be dependent on the satisfaction of certain conditions. If the Group fails to obtain the requisite approvals, it will be unable to undertake the relevant segment of the Proposed New Business.

In Malaysia, an example would be the licence issued pursuant to the Housing Development (Control and Licensing) Regulations 1989 (for West Malaysia). Under the regulations, the Group is required to obtain such a licence before it is able to engage in, carry out, undertake or cause to be undertaken the business of housing development. Further, in West Malaysia, the Town and Country Planning Act 1976 also requires the Group to obtain planning permission before it is able to commence, undertake or carry out any building, engineering,

LETTER TO SHAREHOLDERS

mining, industrial or other similar operation in, on, over or under land or the making of any material change in the use of land or building or the subdivision or amalgamation of land. A licence from the Director General of Environmental Quality is also required pursuant to the Environmental Quality Act 1974 before any activity which involves the discharge of environmentally hazardous substances, pollutants or wastes which are hazardous or potentially hazardous to public health, or to animals, birds, wildlife, fish or aquatic life, or to plants may be carried out.

In the event that the Group acquires land and/or develops property, it may not be assured that the Group will not encounter problems in obtaining such approvals or in fulfilling the conditions required for obtaining the approvals, or that the Group will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the property industry in general or the particular processes with respect to the granting of approvals. If the Group fails to obtain relevant approvals or fulfill the conditions of those approvals for a significant number of the Group's property developments, these developments may not proceed on schedule, and the Group's business and financial performance may be adversely affected.

The Group must also comply with the applicable laws and regulations in the Proposed New Business, for example, in relation to workplace health and safety, environmental public health and environmental pollution control, failing which the Group may be subject to penalties, have its licences or approvals revoked, or lose its right to own, develop or manage its properties which may have a material and adverse impact on the Group's business, financial condition, results of operations and prospects. Further, any changes in applicable laws and regulations could result in higher compliance costs and adversely affect the operations of the Group and the financial performance of the Group.

The Group is subject to various government policies which regulate the property market in the Target Area

The property industry in the Target Area, in which the Group plans to operate is dependent on government policies or legislation. To promote a stable and sustainable property market, the respective governments in the Target Area may implement measures to cool property markets, particularly, demand for residential properties or to restrict foreign ownership of real estate.

In the event that the respective governments in the Target Area introduces new or stringent measures which impact the overall performance of the property market in the Target Area, our operations, profitability and financial performance may be adversely affected.

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

The Proposed New Business is highly competitive, with strong competition from established industry participants who may have larger financial resources or stronger track records. The Group may not be able to provide comparable services at lower prices or respond more quickly to market trends than potential or existing competitors who may have larger financial resources and stronger track records. In the event that the Group is unable to compete effectively with its competitors, the Group's financial position and performance will be adversely affected. Furthermore, over-supply of properties may occur, resulting in significant decreases in property prices, which will adversely affect our profitability and financial performance.

LETTER TO SHAREHOLDERS

The Group is susceptible to fluctuations in foreign exchange rates that could result in the Group incurring foreign exchange losses

As the Company's functional and presentation currency is denominated in S\$, any depreciation in foreign exchange rates against the S\$ may affect the Group's profitability and financial position. For example, revenue derived from the sale of property units in Malaysia and Australia which is denominated in Malaysia Ringgit and Australia dollars currencies may have an adverse impact on the Group's operating results if there is unfavourable fluctuation of Malaysia Ringgit and Australia dollars against the S\$.

Fluctuations in property prices and the Group's ability to identify suitable land sites and property development projects may have an adverse impact on the Proposed New Business and the Group's financial condition

Property prices and the availability of suitable land sites will fluctuate. Should property market prices experience a downward trend, the Group's earnings may be adversely affected as the Group may have to postpone the sale of such property development project units to a later date, if and when market conditions improve. In the event that the Group is required to sell its property development project units at lower prices, the Group's financial performance will be adversely affected.

The Group can build up its land bank by scouting for and acquiring land sites appropriate for its property development projects via offers from private owners, by participating in property auctions and government land sales programmes as well as through third-party property agents. The Group will face competition for new land sites from other property developers and there is no assurance that suitable sites will always be available to the Group for the purposes of the property development business. If the Group is not able to procure suitable land sites to carry out its property development projects, or carries out property development projects at less favourable locations that may not be as marketable, the Group's sales volume and profitability may be adversely affected.

The Group's performance is also dependent on its ability to identify profitable property development projects, and following such identification, to successfully complete such projects. The viability and profitability of the Group's property development projects are subject to fluctuations and are dependent on, inter alia, the demand for the Group's development projects, the pricing and number of property development projects and the overall schedules of the Group's projects which are in turn, to a large extent, affected by the market sentiment, market competition, general economic and property market conditions, as well as government regulations.

The Group is subject to risks resulting from market overhang

Property overhang is inherent in any uncontrolled property development in a particular area and is, among other things, caused by an oversupply and/or low demand for new property launches. Other factors contributing to property overhang include economic downturns and unfavourable financial conditions. Any occurrence of property overhang will affect property developers and may have a material and adverse effect on the Group's profitability.

LETTER TO SHAREHOLDERS

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

The Group may hold property investments through or make investments in entities that are not the Group's subsidiaries and over which the Group does not have majority control. The performance of these entities and the Group's share of their results are subject to the same or similar risks relating to the property investment business that affect the Group as described herein. There is no assurance that the Group will be able to influence the management, operation, performance and/or financial returns of these entities through its voting rights, in a manner which would be favourable to the Group, or at all. If all or any of these entities were to perform poorly, the Group's overall business, financial condition, results of operations and prospects may be adversely affected.

The Group is subject to risks of late payment or non-payment by property purchasers

The Group faces uncertainties over the timeliness of purchasers' payments and their solvency or creditworthiness in respect of purchases of the Group's development properties. There is no assurance that the Group will be able to collect any progress payments on a timely basis, or at all. In the event that there are defaulting purchasers or a significant delay in collecting progress payments from purchasers, the Group may face stress on its cash flow and a material increase in bad and doubtful debts, which will have an adverse impact on the Group's financial performance.

The Group may face potential liability and claims from property development and property enhancement works projects

The time required to complete a property development or a property enhancement works project depends on various factors, including the size of the project, prevailing market conditions and availability of resources. Delays may arise due to various factors, including adverse weather condition, natural calamities, power failure, machinery and equipment breakdown, shortage of construction materials, shortage of labour, accidents, cessation of business of the Group's contractors, disputes with contractors and unexpected delay in obtaining required approvals. Such delays may result in cost overruns and increased financing costs and accordingly affect the Group's profitability or lead to claims for liquidated damages from purchasers of the properties or clients for property enhancement works projects. Accidents during the course of construction may give rise to personal injuries and third party liability.

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

Further, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject the Group to administrative proceedings and unfavourable decrees that result in financial losses and delay the construction or completion of the Group's projects. Any project delays arising from the above will affect the Group's business and financial performance.

LETTER TO SHAREHOLDERS

An inability to generate adequate returns on properties acquired or developed and held for long term investment purposes may result in losses to the Group and may have an adverse impact on the Group's financial position

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

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

Further, completed projects and invested properties are relatively illiquid, and the Group may be unable to convert real estate asset portfolio into cash on short notice. To facilitate a sale of illiquid property assets on short notice, the Group may have to lower the selling price substantially. Illiquidity of property assets also limits the Group's ability to vary its portfolio in response to changes in economic or other conditions in a timely manner. In the event of any adverse change in market conditions or in the event of a need to lower the prices of properties to effect the sale of properties, the Group may not be able to sell its property projects or property investments at above its costs, resulting in the Group suffering losses on the project or property and adversely affecting the Group's financial position.

The Group will be subject to risks in relation to pre-sold properties

The Group intends to pre-sell most of the properties that it may develop prior to completion in line with industry practice in the property market industry in Malaysia and Australia. In the event of a failure or delay in the delivery of such pre-sold properties to purchasers, the Group may be liable for potential losses that purchasers may suffer as a result.

Failure to complete a property development on time may be attributed to factors such as the time taken and the costs involved in completing construction, which are in turn adversely affected by factors such as delays in obtaining requisite licences, permits or approvals from government agencies or authorities, shortages of labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents and changes in government priorities and policies.

If the delay in delivery extends beyond the contractually specified period, the purchasers may also be entitled to terminate the pre-sale agreements and claim refunds of monies paid, damages and compensation for late delivery. There is no absolute assurance that the Group will not experience significant delays in completion or delivery of pre-sold properties.

LETTER TO SHAREHOLDERS

The Group may not be able to provide the capital investments needed to undertake property development and property investments projects

The Proposed New Business requires substantial capital investments, borrowings or cash outlay. There is no assurance that financing, either on a short term or a long term basis, will be made available or, if available, that such financing can be obtained on commercially reasonable terms, in which event the Group's future plans and growth prospects will be adversely affected.

Additional debt funding is subject to interest payments and interest rate fluctuations and may also be subject to conditions that restrict or require consent for corporate restructuring, additional financing or fund raising, requirements on the maintenance of certain financial ratios. These conditions may reduce the availability of the Group's cash flow for capital expenditures, working capital and other general corporate purposes. In addition, these conditions may limit the flexibility of the Group in planning for, or reacting to, changes in the business or industry and increase the Group's vulnerability to general adverse economic and industry conditions.

Additional equity financing may result in a dilution to Shareholders' equity interests and may, in the case of a rights issue, require additional investments by Shareholders. Further, an issue of Shares below the then prevailing market price will also affect the value of Shares then held by investors. Dilution in Shareholders' equity interests may occur even if the issue of Shares is at a premium to the market price.

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

While the Group will, where appropriate, obtain insurance policies to cover losses with respect to its properties, the insurance obtained may not be sufficient to cover all potential losses. Examples of such potential losses include losses arising out of extraordinary events such as natural disasters like earthquakes or floods. Losses arising out of damage to the Group's properties not covered by insurance policies in excess of the amount it is insured would affect the Group's profitability. The Group may also have to commit additional resources, other than to meet the uninsured losses, to complete a project, which would also adversely affect the financial performance of the Group.

The Group is subject to changes in the economic situation, government regulations and property industry in the Target Area

When evaluating and deciding on the investments to make, the Board will also factor in the extent of the Group's and management's capability and familiarity to undertake such investments or projects in view of potential requirements and peculiarities which may be unique to the Target Area. It would consider the relevant jurisdiction's socio-political situation and potential developments of the same.

The performance of the Proposed New Business depends largely on the economic situation and the performance of the property industry and there is no assurance that the property sectors of the Target Area in which the Group undertakes the Proposed New Business will continue to grow. Should the economy or the property market experience a downturn, whether globally or in the Target Area, the performance of the Proposed New Business segments may be adversely affected. In addition, as the gestation period for a property development project is long, typically between two to three years, any downturn in the

LETTER TO SHAREHOLDERS

economy or the property market, during the course of a development project may affect the profitability of such development project, thereby adversely affecting the Group's financial performance. Changes in government regulations in the Target Area may also result in the Group being unable to complete any property development project, or sell any completed property development project or purchased property at a profit, or at all. This may adversely affect the financial position of the Group.

Changes in the business environment in the Target Area may include delays in procuring the necessary relevant approvals, licenses or certificates from government bodies, changes in laws, regulations and policies in relation to property development, fluctuations in demand for properties, delays in construction schedules due to poor weather conditions, labour disputes and fluctuation in costs of construction materials and other costs of development. Such delays may result in the Group incurring additional costs, thus affecting the profitability of the Group.

The Group's property development projects may be affected by cost overruns and/or increases in costs

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

The Group's property development projects are dependent on the services rendered by contractors

The Group is expected to rely on main contractors and sub-contractors to provide various services for the property development, including building construction works, piling and foundation works, structural works, architectural works and engineering works. The services rendered by the Group's contractors may not be satisfactory to the Group or meet the Group's requirements for quality.

Furthermore, the contractors engaged may experience financial or other difficulties that may affect their ability to carry out the work for which they are contracted to complete, thus delaying the completion of, or failing to complete, the projects and resulting in additional costs or exposures to the risk of liquidated damages to the Group. In the event of any loss or damage which arises from the default of such contractors, the Group may have to incur losses to rectify such defects, materially and adversely affecting the Group's financial performance and financial condition.

The Group is subject to the risks in relation to higher labour costs

The construction industry is highly labour intensive. Such skilled workers are usually employed by the Group's main contractors, third party sub-contractors and/or by the Group directly. Nevertheless, the Group's business operations are indirectly dependent on such skilled workers. There is no assurance that there will be an adequate supply of skilled

LETTER TO SHAREHOLDERS

workers that will provide adequate services for the Group's property development projects. The Group's operations and financial performance are therefore vulnerable to any shortage in the supply of skilled workers.

In the event of a shortage of such skilled workers in the construction industry, the completion of the construction of the Group's property development projects may be delayed, resulting in an increase in overheads which may adversely affect the Group's business operations and financial performance. In the event of any material increase in labour costs, the Group's contractors may pass on part or all of such additional costs to the Group. This will result in an increase in overheads which may adversely affect the Group's business operations, profitability and financial performance.

The Group may be dependent on the supply of foreign workers

The Group may from time to time be dependent on foreign workers. Foreign workers are usually employed by the Group's main contractors and/or third party sub-contractors. Nevertheless, the Group's business operations are indirectly dependent on foreign workers if there is any shortage of local workers in the construction industry.

The conditions imposed by the relevant authorities in relation to the employment of foreign workers may change from time to time. Generally, applications to employ foreign workers will only be considered when efforts to find qualified local workers have failed. In the event that there is a shortage of supply of foreign workers or a restriction is imposed on the number of foreign workers allowed to be employed by the Group's contractors for the Group's development projects, the completion of the construction of the Group's property development projects may be delayed due to such shortage of workers in carrying out the works at the Group's development, resulting in an increase in overheads which may adversely affect the Group's business operations and financial performance.

There is a lack of readily available, reliable and updated information on property market conditions in the Target Area generally

The Group will be subject to prevailing property market conditions in the Target Area. Currently, reliable and up-to date information is generally not readily available in the Target Area on the amount and nature of property development and investment activities, the demand for such development, the supply of new properties being developed or the availability of land and buildings suitable for development and investment. Consequently, the Group's investment and business decisions may not be in the future, based on accurate, complete and timely information. Inaccurate information may adversely affect the Group's business decisions, which could materially and adversely affect the Group's business and financial condition.

The Group is exposed to risks associated with property valuations and decline in property values

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

LETTER TO SHAREHOLDERS

In addition, unfavourable changes to the economic or regulatory environment or other relevant factors may negatively affect the premises upon which the valuations are based and hence, the conclusions of such valuations may be adversely affected. As such, the properties of the Group may not retain the price at which they may be valued or be realized at the valuations or property values which were recorded.

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

The Proposed New Business is subject to the general risks of doing business overseas

There are inherent general risks in doing business overseas and these general risks include unexpected changes in regulatory requirements, difficulties in staffing and managing foreign operations, social and political instability, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainty regarding liability, tariffs and other trade barriers, variable and unexpected changes in local law and barriers to the repatriation of capital or profits, any of which could materially affect the overseas operations of the Group. These risks if materialised may affect the Group's business and financial condition. In addition, if the governments in the Target Area, where the Group intends to undertake the Proposed New Business tighten or otherwise adversely change their laws and regulations relating to the repatriation of their local currency, it may affect the ability of the Group's overseas operations to repatriate profits to the Group and, accordingly, the cash flow of the Group will be adversely affected.

3. PROPOSED JOINT VENTURE

3.1 INFORMATION ON HM REALTY

HM Realty is an investment holding company incorporated in Malaysia. As at the Latest Practicable Date, HM Realty has an issued and paid-up share capital of RM100,000.00 comprising 100,000 ordinary shares. The shareholders of HM Realty are individuals who are Malaysian nationals as follows:

- (i) Tiong Meng Kwong;
- (ii) Chieng Lik Teck;
- (iii) Chieng Leek Chee;
- (iv) Wong Kee Chien;
- (v) Tan Kei Siong;
- (vi) Goh Siik Mee@Goh Siok Bee (the guarantor of the obligations of HM Realty); and
- (vii) Ling Ai Ming.

LETTER TO SHAREHOLDERS

HM Realty is the registered proprietor of the JV Properties and does not itself have a prior track record in property development.

HM Realty was introduced to the Company through mutual and informal contacts in the industry, and no fees or commissions were paid for such introductions.

Prior to the JVA and DRA and save as disclosed in the foregoing, HM Realty and its shareholders are independent and unrelated parties to the Group, and the Company's directors, chief executive officers and controlling shareholders, and have had no prior business, commercial or trade dealings with the Group.

3.2 Summary of the Proposed Joint Venture

Pursuant to the JVA and DRA, MCSB and HM Realty intend to jointly develop the JV Properties and both MCSB and HM Realty agree that MHMR shall act as the joint venture vehicle through which HM Realty and MCSB shall jointly develop the JV Properties. MCSB will contribute to the Proposed Joint Venture by providing the subscription amount for the capital in MHMR and HM Realty will contribute to the Proposed Joint Venture by granting the exclusive development rights of the JV Properties to MHMR.

The JVA provides that each of MCSB and HM Realty shall use their best endeavours to procure financing for MHMR, if required, and in an amount solely determined by the board of directors of MHMR. The financing shall be obtained either from banks and financial institutions and any other source of financing to be mutually agreed by MCSB and HM Realty. There is no pre-determined obligation on MCSB and HM Realty to provide any further finance to MHMR but if they do so it shall be in accordance with their shareholding proportion unless otherwise agreed in writing between MCSB and HM Realty.

Further injections of capital by the Group in MHMR may be subject to Chapter 10 of the Catalyst Rules and the Company will make further announcements as and when appropriate.

3.3 Proposed Subscription of Shares by MCSB and HM Realty in MHMR

Under the terms of the JVA, in consideration of HM Realty granting the development rights to MHMR under the DRA and subject to the fulfilment and satisfaction of all the JVA Conditions Precedent (as defined below), each of MCSB and HM Realty shall subscribe for, and MHMR shall allot and issue, new ordinary shares in MHMR in the proportion set out below ("**Proposed Subscription**") at RM1.00 per share in MHMR.

Following the completion of the Proposed Subscription by HM Realty and MCSB, the entire enlarged issued and paid-up share capital of MHMR shall be as follows:

Shareholders	Existing Shares	Subscription Shares	Resultant Shares held in MHMR	Shareholding Proportions
MCSB	2	58	60	60
HM Realty	0	40	40	40
Total	2	98	100	100%

LETTER TO SHAREHOLDERS

3.4 Conditions Precedent to JVA

The completion of the JVA is conditional upon the prior fulfilment and satisfaction of the following conditions (“**JVA Conditions Precedent**”):

- (a) the Shareholders having approved, at a general meeting, the diversification of the Company’s Existing Business to include the Proposed New Business;
- (b) each of HM Realty and MCSB respectively providing a confirmation letter to each other that as at the date hereof and on and as of the date when all the JVA Conditions Precedents have been satisfied and fulfilled or waived (as the case may be) (“**Unconditional Date**”), there is no Relevant Authority (as defined in the JVA) taking, instituting or threatening to take, institute or implement any action, enforcement, proceeding, suit, investigation, inquiry or reference, and no legislation or regulation having been made, proposed, enacted or implemented, and no steps having been taken, and there not continuing to be in effect or outstanding any legislation or regulation which would or might:
 - (i) make any transaction contemplated in the JVA or any other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same; and/or
 - (ii) render MCSB and/or HM Realty unable to be issued all or any of the ordinary shares of MHMR in the manner set out in the JVA;
- (c) each of HM Realty and MCSB respectively providing a confirmation letter to each other that the representations and warranties of the respective parties set out in the JVA are true and accurate as at the date hereof and on and as of the Unconditional Date with the same force and effect as though made on and as of the Unconditional Date;
- (d) each of HM Realty and MCSB providing a confirmation letter to each other that the respective Party have performed and complied with all their respective undertakings, covenants and agreements set out in the JVA (as applicable) on, or prior to the Unconditional Date.

If the JVA Conditions Precedent are not satisfied or waived within the period of 2 months from and excluding the date of the JVA, or such later date, as the parties to the JVA may mutually agree in writing, the JVA shall be rescinded and treated as null and void and of no further effect, and the parties to the JVA shall bear their own costs and expenses incurred and shall not have any or other claim against the other save and except for any antecedent breach committed.

3.5 Rationale for the Proposed Joint Venture

The Board believes that the Proposed Joint Venture is in the best interests of the Company as it will further the Company’s intention to carry out the Proposed New Business in connection with the Proposed Diversification, the rationale for which has been explained in Section 2.8 above. In addition, the Board believes that the Proposed Joint Venture will enable the Group to leverage off the expertise, business networks and resources of HM Realty, as well as to reduce risks and burden of the Proposed New Business on the Group.

LETTER TO SHAREHOLDERS

3.6 Relative figures computed on the bases set out in Rule 1006 in relation to the Proposed Subscription

The relative figures computed on the bases set out in Rule 1006 of the Catalyst Rules in respect of the Proposed Subscription and based on the latest announced unaudited financial statements of the Group for FY2016 are as follows:

Rule	Bases of computation	Size of relative figure
1006(a)	Net asset value of assets being disposed of, compared with the Group's net asset value	Not applicable
1006(b)	Net profit/(loss) attributable to the assets acquired, compared with the Group's net profits	Not applicable ⁽¹⁾
1006(c)	Aggregate value of consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	n.m. ⁽²⁾
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
1006(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate to the Group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil and gas company, but not to an acquisition of assets.	Not applicable

Notes:

- (1) As MHMR is a newly incorporated entity and has yet to commence operations, it currently has no revenue, profits and assets, save for its issued and paid-up share capital.
- (2) "n.m." means not meaningful

3.7 Financial effects of the Proposed Subscription

The Proposed Subscription under the JVA, will be funded through internal resources and, at present, is not expected to have any material impact on the net tangible assets per share and earnings per share of the Group for the current financial year ending 31 December 2017, as the subscription value into the New Subsidiaries is negligible.

4. DEVELOPMENT RIGHTS OF JV PROPERTIES

4.1 Details of the DRA

In connection with the Proposed Diversification and the Proposed Joint Venture, MHMR, has on 23 February 2017 entered into the DRA for the development of the JV Properties. Pursuant to the terms of the DRA, HM Realty has, *inter alia*, granted MHMR the exclusive right to develop the JV Properties.

LETTER TO SHAREHOLDERS

In connection with the DRA, HM Realty has on 23 February 2017 granted MHMR a power of attorney in respect of the development of the JV Properties (“**Power of Attorney**”). In consideration for MHMR issuing and allotting to HM Realty 40 ordinary shares of RM1.00 each in MHMR and the mutual promises and obligations of the parties to the DRA, with the opportunity and prospects of thereby developing and unlocking the value of the JV Properties through the proposed development of the JV Properties, HM Realty had, with effect from the date of the Power of Attorney, granted MHMR the authority and powers on HM Realty’s behalf to do and execute acts, deeds, instruments and things relating to the development of the JV Properties.

As described in section 2.5 above, the Group is currently in preliminary discussions with potential third parties with the necessary credentials, expertise and resources, such as architects, engineers, contractors, property developers and land owners to collaborate with for the Proposed New Business. The Group intends to finalise these arrangements in the next 3 to 6 months’ time and will make the relevant announcements at the appropriate time.

4.2 Funding

As described in section 2.6 above, the Group intends to fund the Proposed New Business (which includes the Proposed Joint Venture and the Development Rights of JV Properties) through a combination of internal sources of funds, progress payments from pre-sales of future projects and borrowings from financial institutions. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises by tapping into the capital markets including but not limited to rights issues, share placements and/or issuance of debt instruments. The Company will make further announcements on such exercises at the appropriate time.

4.3 Conditions Precedent of the DRA

Implementation of the DRA is conditional upon the prior fulfilment and satisfaction of the following conditions (“**DRA Conditions Precedent**”):

- (a) the Shareholders having approved, at a general meeting, the diversification of the Company’s Existing Business to include the Proposed New Business;
- (b) HM Realty obtaining written consent from its financiers for the grant of the development rights to MHMR, or discharges the existing charge over the JV Properties at its own costs and expenses and to obtain written consent from its financiers for the discharge of the existing charge (if required) (as the case may be); and
- (c) HM Realty obtaining all other approvals as may be required to give effect to the grant of the development rights to MHMR.

If the DRA Conditions Precedent are not satisfied or waived within the period of 2 months from and excluding the date of the DRA, or such later date, as the parties to the DRA may mutually agree in writing, the DRA shall be rescinded and treated as null and void and of no further effect, the Power of Attorney shall be revoked and MHMR shall procure its appointed solicitors to return the Power of Attorney to HM Realty, and the parties to the JVA shall bear their own costs and expenses incurred and shall not have any or other claim against the other save and except for any antecedent breach committed.

LETTER TO SHAREHOLDERS

4.4 Rationale of the Development Rights of JV Properties

The Board believes that the Development Rights of JV Properties is in the best interests of the Company as it will further the Company's intention to carry out the Proposed New Business in connection with the Proposed Diversification, the rationale for which has been explained in Section 2.8 above.

4.5 Valuation of the JV Properties

As part of the Company's due diligence on the JV Properties for the Proposed Joint Venture, a valuation of the JV Properties was commissioned by the Company and has been conducted by Cheston International (Johor) Sdn. Bhd. ("**Cheston**"). Based on the analysis of the relevant market data, the JV Properties, free from all encumbrances, with vacant possession and transferable, are valued by Cheston as on 20 February 2017, as follows:

Lot No.	Market Value	
	Existing Use (RM80 per square feet)	Assumption Converted* (RM130 per square feet)
GRN 52438, Lot 2786, Mukim of Tebrau, District of Johor Bahru, State of Johor (measuring approximately 1.1461 hectares)	RM10,000,000	RM15,000,000
GRN 529906 Lot 2785, Mukim of Tebrau, District of Johor Bahru, State of Johor (measuring approximately 1.944 hectares)	RM17,000,000	RM27,200,000
TOTAL	RM27,000,000	RM42,200,000

* Shareholders should note with caution that the valuation by Cheston is based on the existing "Nil" category of the title conditions with residential zoning and also on the assumption that the titles have been converted to commercial use.

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LETTER TO SHAREHOLDERS

4.6 Relative figures computed on the bases set out in Rule 1006 in relation to the Development Rights of JV Properties

The relative figures computed on the bases set out in Rule 1006 of the Catalyst Rules in respect of the Development Rights of JV Properties and based on the latest announced unaudited financial statements of the Group for FY2016 are as follows:

Rule	Bases of computation	Size of relative figure
1006(a)	Net asset value of assets being disposed of, compared with the Group's net asset value	Not applicable
1006(b)	Net profit/(loss) attributable to the assets acquired, compared with the Group's net profits	Not applicable
1006(c)	Aggregate value of consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	n.m ⁽¹⁾
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
1006(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate to the Group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil and gas company, but not to an acquisition of assets.	Not applicable

Note:

(1) "n.m." means not meaningful

4.7 Financial effects of the Development Rights of JV Properties

The Development Rights of JV Properties under the DRA, at present, is not expected to have any material impact on the net tangible assets per share and earnings per share of the Group for the current financial year ending 31 December 2017, as the granting of the development rights of the JV Properties to MHMR is negligible.

5. OPTION AGREEMENTS

5.1. Summary of the Option Agreements

In connection with the Proposed Diversification and to carry out and secure future opportunities for the Proposed New Business as and when they arise, MCSB had on 23 February 2017 entered into the Option Agreements with the Grantors, pursuant to which the Grantors have agreed to grant exclusively to MCSB the option to acquire the rights to undertake the development, construction and completion of the real estate development projects over the following properties in Malaysia (the "**Option Properties**") in furtherance of the Proposed New Business:

- (a) GM728 Lot 392, Mukim Plentong, District of Johor Bahru, State of Johor;

LETTER TO SHAREHOLDERS

- (b) GRN51484 Lot 124340, Mukim Plentong, District of Johor Bahru, State of Johor;
- (c) GM1298 Lot 391, Mukim Plentong, District of Johor Bahru, State of Johor;
- (d) GRN237218 Lot 32746, Mukim Senai, District of Kulai, State of Johor (formerly known as GRN237218 Lot 1899, Mukim Senai, District of Kulaijaya, State of Johor);
- (e) GRN 237222 Lot 32748, Mukim Senai, District of Kulai, State of Johor (formerly known as GRN237222 Lot 1901, Mukim Senai, District of Kulaijaya, State of Johor);
- (f) GRN82604 Lot 968, Mukim Plentong, District of Johor Bahru, State of Johor; and
- (g) GRN87287 Lot 675, Mukim Plentong, District of Johor Bahru, State of Johor.

The options under the Option Agreement are exercisable within 3 years from the dates of the Option Agreements.

The Company has ascertained title of the Grantors to the Option Properties via title searches and will conduct a substantive valuation and due diligence of the Option Properties at the relevant time, if and when MCSB decides to exercise the options under the Option Agreements. Pursuant to the terms of the Option Agreements, in the event the options are exercised, MCSB will enter into development rights agreements with the Grantors, subject to conditions similar to the DRA, to develop the Option Properties.

The Option Fee of RM1,000.00 for each Option Agreement is payable within 60 days from the execution of the respective Option Agreements.

The Option Fee will be funded through internal resources and will not have any material impact on the net tangible assets per share and earnings per share of the Group for the current financial year ending 31 December 2017.

5.2. Information on the Grantors

- (a) JBL Capital

JBL Capital is a company incorporated in Malaysia and its principal activity is that of investment holding. As at the Latest Practicable Date, JBL Capital has an issued and paid-up share capital of RM100,000.00 comprising 100,000 ordinary shares. The shareholders of JBL Capital Sdn. Bhd. are individuals who are Malaysian nationals as follows:

- (i) Chieng Leek Chee (the guarantor of the obligations of JBL Capital);
- (ii) Tan Kei Siong;
- (iii) Chieng Hien Kuok;
- (iv) Chieng You Ping;
- (v) Julia Leu Soon Hui;
- (vi) Janita Leu Soon Kee; and

LETTER TO SHAREHOLDERS

(vii) Wong King Hoong.

The following Option Properties are held by JBL Capital:

- (i) GM728 Lot 392, Mukim Plentong, District of Johor Bahru, State of Johor; and
- (ii) GRN51484 Lot 124340, Mukim Plentong, District of Johor Bahru, State of Johor.

(b) GCA Capital

GCA Capital is company incorporated in Malaysia and its principal activity is that of investment holding. As at the Latest Practicable Date, GCA Capital has an issued and paid-up share capital of RM100,000.00 comprising 100,000 ordinary shares. The shareholders of GCA Capital are individuals who are Malaysian nationals as follows:

- (i) Chieng Leek Chee (the guarantor of the obligations of GCA Capital);
- (ii) Ling Lik Chuong;
- (iii) Chieng You Ping;
- (iv) Tiong Meng Kwong;
- (v) Ang Thiam Kheng;
- (vi) Wong Tiing Ping;
- (vii) Julia Leu Soon Hui;
- (viii) Wong Huang Ping;
- (ix) Janita Leu Soon Kee;
- (x) Chieng Sing Hock; and
- (xi) Wong King Hoong.

The following Option Property is held by GCA Capital:

- (i) GM1298 Lot 391, Mukim Plentong, District of Johor Bahru, State of Johor.

(c) GCS Realty

GCS Realty is company incorporated in Malaysia and its principal activity is that of investment holding. As at the Latest Practicable Date, GCS Realty has an issued and paid-up share capital of RM100,000.00 comprising 100,000 ordinary shares. The shareholders of GCS Realty are individuals who are Malaysian nationals as follows:

- (i) Leu Huang Ding (the guarantor of the obligations of GCS Realty);
- (ii) Chieng Leek Chee;

LETTER TO SHAREHOLDERS

- (iii) Hwang Mee Hiong;
- (iv) Chieng Mee Kien;
- (v) Ching Hee Hiong;
- (vi) Tiong Meng Kwong;
- (vii) Chieng Sing Hock;
- (viii) Chieng Lik Teck; and
- (ix) Ngoi Mew Li.

The following Option Properties are held by GCS Realty:

- (i) GRN237218 Lot 32746, Mukim Senai, District of Kulai, State of Johor (formerly known as GRN237218 Lot 1899, Mukim Senai, District of Kulaijaya, State of Johor); and
- (ii) GRN237222 Lot 32748, Mukim Senai, District of Kulai, State of Johor (formerly known as GRN237222 Lot 1901, Mukim Senai, District of Kulaijaya, State of Johor).

(d) ACG Holdings

ACG Holdings is company incorporated in Malaysia and its principal activity is that of investment holding. As at the Latest Practicable Date, ACG Holdings has an issued and paid-up share capital of RM100,000.00 comprising 100,000 ordinary shares. The shareholders of ACG Holdings are individuals who are Malaysian nationals as follows:

- (i) Goh Siik Mee @ Goh Siok Bee (the guarantor of the obligations of ACG Holdings);
- (ii) Wong Sui Ngo;
- (iii) Ling Lik Chuong;
- (iv) Wong Sui Hung;
- (v) Chieng Leek Chee;
- (vi) Chieng You Ping;
- (vii) Goh Leh Min;
- (viii) Chieng Yeu Foo;
- (ix) Chieng Yu Chong;

LETTER TO SHAREHOLDERS

- (x) Tiong Meng Kwong;
- (xi) Ang Thiam Kheng;
- (xii) Wong Tiing Ping;
- (xiii) Ling Wu;
- (xiv) Chieng Yu Sieng;
- (xv) Chieng Yu Kui;
- (xvi) Tiong Tuang Yeong;
- (xvii) Chieng Sing Hock;
- (xviii) Wong Yiong Fun;
- (xix) Wong King Hoong; and
- (xx) Wong Sui Hee.

The following Option Properties are held by ACG Holdings:

- (i) GRN82604 Lot 968, Mukim Plentong, District of Johor Bahru, State of Johor; and
- (ii) GRN87287 Lot 675, Mukim Plentong, District of Johor Bahru, State of Johor.

The Grantors and the Option Properties were identified and introduced to the Company through mutual and informal contacts in the industry, and no fees or commissions were paid for such introductions.

As at the Latest Practicable Date, save for Mr Chieng Leek Chee, none of the Grantors nor their shareholders have any direct interest in the Company. Mr Chieng Leek Chee is interested in 31,551,400 shares representing 2.86% of the share capital of the Company, comprising a direct interest in 14,589,500 shares and indirect interest in 16,961,900 shares held through UOB Kay Hian Pte Ltd.

Prior to the entry into the Option Agreements, and save as disclosed above, the Grantors and their shareholders are independent and unrelated parties to the Group, the Company's directors, chief executive officers and controlling shareholders, and have had no prior business, commercial or trade dealings with the Group. Further, none of the shareholders of the Grantors hold their shares as nominees or on trust for any other parties.

LETTER TO SHAREHOLDERS

6. THE PROPOSED DISPOSAL

6.1. Details of the Proposed Disposal

(a) Background

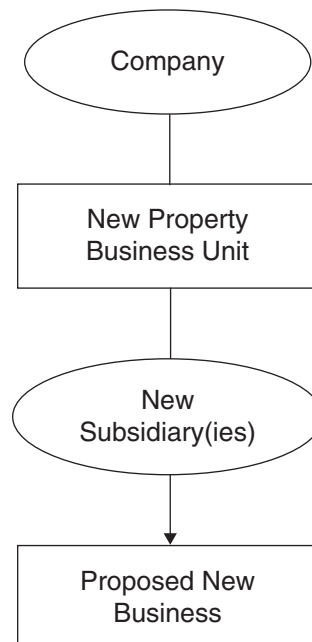
On 27 February 2017, the Company announced that it had entered into the SPA, pursuant to which the Company has agreed to dispose the Sale Shares to the Purchaser, for the Purchase Consideration, on the terms and subject to the conditions of the SPA.

Upon the completion of the Proposed Disposal, the CCFHPL Group will cease to be subsidiaries of the Company and the Group will cease to conduct the Children Fashion Business. As set out in Section 2 of this Circular, the Group proposes to undertake the Proposed New Business as its sole core business pursuant to the Proposed Diversification.

The Proposed Disposal is deemed as a “major transaction” under Chapter 10 of the Catalist Rules and is subject to the approval of the Shareholders being obtained at the EGM. Please refer to section 6.4 of this Circular for more details.

The Ordinary Resolution to seek Shareholders’ approval for the Proposed Disposal is set out in Resolution 2 in the Notice of EGM.

After Proposed Disposal



LETTER TO SHAREHOLDERS

(b) Information on the Purchaser and the CCFHPL Group

(i) The Purchaser

The Purchaser is a Chinese citizen who engages in wholesale trading of textile and clothing product.

The Purchaser was identified and introduced to the Company through mutual and informal contacts in the industry, and no fees or commissions were paid for such introductions.

The Purchaser is an independent and unrelated party to the Company, its directors, chief executive officers and controlling shareholders.

(ii) CCFHPL Group

(A) CCFHPL

CCFHPL was incorporated in Singapore on 31 July 2008 as a private company limited by shares and its principal business is that of investment holding. As at the Latest Practicable Date, CCFHPL is a wholly-owned subsidiary of the Company and the issued and paid-up share capital of CCFHPL is S\$2,282,000 comprising 57,472 ordinary shares.

CCFHPL has the following wholly owned subsidiaries:

- (i) Hong Kong Endi International Trading Co., Ltd.
- (ii) Macao Endi International Trading Company, Limited.
- (iii) Shishi Haotian Dress Industry Co., Ltd.
- (iv) Zhang Zhou Yiwa Garments Weaving Co., Ltd.

(B) Hong Kong Endi International Trading Co., Ltd.

Hong Kong Endi International Trading Co., Ltd. was incorporated in Hong Kong on 9 June 2006 as a private company limited by shares and its principal business is wholesale of children and infants wear. As at the Latest Practicable Date, Hong Kong Endi International Trading Co., Ltd. is an indirect wholly-owned subsidiary of the Company and has an issued and paid-up share capital of S\$20,000 comprising 20,000 ordinary shares.

LETTER TO SHAREHOLDERS

(C) Macao Endi International Trading Company Limited

Macao Endi International Trading Company Limited was incorporated in Macao on 22 July 2014 as a private company limited by shares and its principal business is wholesale of children and infants wear. As at the Latest Practicable Date, Macao Endi International Trading Company Limited is an indirect wholly-owned subsidiary of the Company and has an issued and paid-up share capital of MOP\$25,000.

(D) Shishi Haotian Dress Industry Co., Ltd.

Shishi Haotian Dress Industry Co., Ltd. was incorporated in the PRC on 3 August 2004 as a private company limited by shares and its principal business is the manufacture, retail and wholesale of children and infants wear and retail sale of children wear. As at the Latest Practicable Date, Shishi Haotian Dress Industry Co., Ltd. is an indirect wholly-owned subsidiary of the Company and has an issued and paid-up share capital of US\$2,389,000.

(E) Zhang Zhou Yiwa Garments Weaving Co., Ltd.

Zhang Zhou Yiwa Garments Weaving Co., Ltd. was incorporated in the PRC on 13 September 2014 as a private company limited by shares and its principal business is wholesale of children and infants wear. As at the Latest Practicable Date, Zhang Zhou Yiwa Garments Weaving Co., Ltd. is an indirect wholly-owned subsidiary of the Company and has an issued and paid-up share capital of HK\$10,001,000.

6.2. Principal Terms Of The SPA

(a) Disposal of the Sale Shares

Pursuant to the terms and subject to the conditions of the SPA, the Company will sell to the Purchaser and the Purchaser will purchase from the Company all the Sale Shares free from all encumbrances and together with all rights, benefits and entitlements attaching or accruing thereto, in exchange for the Purchase Consideration.

(b) Purchase Consideration

The Purchase Consideration of S\$2,000,000, was arrived at by agreement between the Purchaser and the Company at arm's length, on a "willing-buyer, willing-seller" basis after taking into consideration (i) the valuation of CCFHPL and its business, assets, liabilities and subsidiaries, being S\$0, as appraised and reported by RSM Corporate Advisory Pte. Ltd. on 23 February 2017 ("**Disposal Valuation Report**") and summarised in the "**Disposal Valuation Summary Letter**", and (ii) the aggregate net assets attributable to the equity holders of the CCFHPL Group of approximately S\$2,000,000 as at 31 December 2016. The valuation was commissioned by the Company.

LETTER TO SHAREHOLDERS

As at 31 December 2016, based on the aggregate unaudited financial statements of the CCFHPL Group, the NTA and NAV of the CCFHPL Group amounted to S\$2,000,000 and the loss before tax attributable to the CCFHPL Group amounted to S\$20,733,000 for year ended 31 December 2016.

The Purchase Consideration represents a price-to-book multiple of approximately 1.0 times based on the aggregate net assets attributable to equity holders of the CCFHPL Group of approximately S\$2,000,000 as at 31 December 2016. There is no open market value for the Sale Shares as they not publicly traded.

(c) Conditions precedent to the Proposed Disposal

The sale and purchase of the Sale Shares and completion of the SPA shall be subject to and conditional upon the fulfilment and satisfaction of all the conditions precedent ("**SPA Conditions**") set out below:

- (i) approval of the Shareholders at the EGM for the entering into of the SPA, all the transactions envisaged under the SPA and any related transactions as may be required in relation thereto;
- (ii) all licenses, consents, approvals, waivers, authorisations or other orders of and all notices, registrations, submissions or filings with all relevant Regulators (as defined in the SPA), third party contractors, counterparties, financing or facility providers of the Company and/or the CCFHPL Group as may be required for or in connection with the sale, purchase and transfer of the Sale Shares, and all the transactions envisaged under the SPA, having been obtained, and not having been withdrawn, revoked or amended and if subject to any conditions, such conditions being acceptable to the SPA Parties and are fulfilled on or before the SPA Closing Date;
- (iii) the irrevocable and unconditional waiver by each and all other shareholder(s) of the CCFHPL Group and/or any third party (as may be so entitled), of any restriction or right of pre-emption on the sale and transfer of the Sale Shares, if any such restriction or right shall be applicable;
- (iv) no proceedings, applications, petitions or summons having been started or threatened, nor any steps taken thereto by any person with a view to the bankruptcy, insolvency or winding-up of the Purchaser, the Company or any entity of the CCFHPL Group or for the appointment of a receiver, trustee or similar officer over any of them or their respective undertakings, properties or assets, and
- (v) the sale and purchase of all the Sale Shares being in compliance in all respects with, all laws, rules, regulations, directives and orders that are applicable to the Purchaser, the Company and the CCFHPL Group and in their respective jurisdictions.

If any of the SPA Conditions are not fulfilled on or before 30 June 2017 or such later date as the SPA Parties may agree to in writing ("**SPA Long Stop Date**"), the SPA shall be deemed to be rescinded and of no further force or effect save for such rights and remedies as shall have accrued in favour of the respective SPA Parties.

LETTER TO SHAREHOLDERS

(d) Assignment of Accounts Payables and Receivables

On the date of completion of the sale and purchase of the Sale Shares pursuant to the SPA (“**SPA Closing Date**”), Shishi Haotian Dress Industry Co., Ltd. and Zhang Zhou Yiwa Garments Weaving Co., Ltd. (collectively, the “**Entities**”) shall assign the total outstanding amount of S\$13,212,000 due and owing by the Company to the Entities under the inter-company balances as at 31 December 2016 (“**Accounts Payable**”) to the Purchaser (“**Entities’ Assignment**”) and the Purchase Consideration shall be entirely set-off against the Accounts Payable on the SPA Closing Date, with no cash payment of the Purchase Consideration to be received by the Company.

On the SPA Closing Date, the SPA Parties agree that Company and the Entities shall and the Purchaser shall provide that the Entities do write off and zeroise all the Accounts Payable and fully and finally discharge the Company from all further and future obligations thereunder, after entirely setting-off the Accounts Payable (pursuant to the Entities’ Assignment) against the Purchase Consideration.

In connection with the Entities’ Assignment, each of the Entities will, prior to the SPA Closing Date, enter into deeds of assignment (“**Entities’ Deeds**”) with the Purchaser, pursuant to which the Entities shall assign and the Purchaser shall receive all of the Entities’ rights, title and interests in the Accounts Payable with effect from the date of the Entities’ Deeds, upon the terms and subject to the conditions of the Entities’ Deeds.

Subject to the closing of the sale and purchase of the Sale Shares, the Company shall separately assign the existing accounts receivables as at 31 December 2016 from various third-party debtors, at book value (“**Accounts Receivables**”), in entirety to CCFHPL (“**Company’s Assignment**”).

The SPA Parties agree that all amounts owing by each and all of the CCFHPL Group to the Company (if any) (“**Outstanding Receivables**”) shall be written off by the Company or fully and finally settled pursuant to the Entities’ Assignment and Company’s Assignment.

In connection with the Company’s Assignment, the Company will, prior to the SPA Closing Date, enter into a deed of assignment (“**Company’s Deed**”) with CCFHPL, pursuant to which the Company shall assign and CCFHPL shall receive all of the Company’s rights, title and interests in the Accounts Receivables, with effect from the Company’s Deed, upon the terms and subject to the conditions of the Company’s Deed.

6.3. Rationale for the Proposed Disposal

The Board is cautiously optimistic of the Proposed New Business and believes that the Proposed Diversification and Proposed New Business will allow the Group to have better prospects of profitability and ensure long term growth through access to new business opportunities with the potential to enhance the return on the Group’s assets and improve Shareholders’ value in the long run. The Group may explore joint ventures and/or strategic alliances to carry out the Proposed New Business should appropriate opportunities arise. The Board proposes to undertake the Proposed New Business as its sole core business pursuant to the Proposed Diversification. Accordingly, the Board believes that the Proposed

LETTER TO SHAREHOLDERS

Disposal is in the best interests of the Company as it is in line with the Board's intention to streamline and focus the utilisation of its resources and transform its core business activities from the Existing Business to the Proposed New Business. In addition, the Proposed Disposal will also enable the Company to discontinue the provision of substantial funding for the operations of CCFHPL Group, which has been loss making since FY2015 with no clear visibility of recovery or profitability.

6.4. Relative figures computed on the bases set out in Rule 1006 of the Catalist Rules

The relative figures computed on the bases set out in Rule 1006 of the Catalist Rules in respect of the Proposed Disposal and based on the latest announced unaudited financial statements of the Group for FY2016 are as follows:

Rule	Bases of computation	Size of relative figure
1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	1234.6% ⁽¹⁾
1006(b)	Net profit/(loss) attributable to the assets to be disposed of, compared with the Group's net profit/(loss)	94.9% ⁽²⁾
1006(c)	Aggregate value of the consideration given, compared to the Company's market capitalisation based on the total number of issued shares excluding treasury shares	4.1% ⁽³⁾
1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
1006(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate to the Group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil and gas company, but not to an acquisition of assets.	Not applicable

Notes:

- (1) Based on the net asset value of the CCFHPL Group of S\$2,000,000 as at 31 December 2016 compared with the Group's net asset value of S\$162,000 as at 31 December 2016.
- (2) Based on the net loss of the CCFHPL Group of S\$20,733,000 as at 31 December 2016 compared with the Group's net loss of S\$21,849,000 as at 31 December 2016.
- (3) Based on the Purchase Consideration of S\$2,000,000 and the market capitalisation of the Company of approximately S\$48,576,000 (determined by multiplying the existing number of shares in issue excluding treasury shares (i.e. 1,104,008,940 shares) by S\$0.044, being the weighted average price of the Company's shares transacted on 22 February 2017, being the market day preceding the date of the SPA).

As the relative figures computed on the basis set out in Rule 1006 of the Catalist Rules above exceed 50%, the Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Catalist Rules, and is conditional upon the approval of Shareholders at a general meeting to be convened.

LETTER TO SHAREHOLDERS

6.5. Loss on Disposal

No loss on disposal of CCFHPL upon completion of the Proposed Disposal by the Company is expected based on the Purchase Consideration of S\$2,000,000 and the Company's investment in CCFHPL of S\$2,000,000 as at 31 December 2016.

6.6. Use of Proceeds

As described in section 6.2(d) of this Circular, the Purchase Consideration will be entirely set-off against the Accounts Payable pursuant to the Entities' Assignment and the Company's Assignment and no cash proceeds will be received by the Company for the Proposed Disposal.

6.7. Financial Effects of the Proposed Disposal

(a) Bases and assumptions

The proforma financial effects of the Proposed Disposal on the share capital, earnings, NTA and gearing of the Group have been prepared based on the latest announced consolidated financial results of the Group for the financial year ended 31 December 2016 ("FY2016") and the unaudited financial information of the CCFHPL Group for FY2016.

The proforma financial effects of the Proposed Disposal are for illustrative purposes only and do not necessarily reflect the actual future results and financial position of the Group following the completion of the Proposed Disposal.

For the purpose of illustrating the financial effects of the Proposed Disposal, the financial effects of the Proposed Disposal are computed based on, *inter alia*, the following assumptions:

- (i) the financial effects on the Group's earnings and earnings per Share are computed assuming that the Proposed Disposal was completed on 1 January 2016;
- (ii) the financial effects on the Group's NTA and gearing are computed assuming that the Proposed Disposal was completed on 31 December 2016;
- (iii) the analysis takes into account a loss on disposal of the CCFHPL Group of NIL had the Proposed Disposal been completed on 31 December 2016;
- (iv) the analysis takes into account any expenses in relation to the Proposed Disposal that may be incurred by the Company, which is estimated to be approximately S\$168,000;
- (v) the analysis does not take into account any dividend or distributions that may be declared by the Company in respect of FY2016; and
- (vi) the analysis does not take into account the effects of the Proposed Diversification.

LETTER TO SHAREHOLDERS

(b) Share capital

(S\$'000)	Before the Proposed Disposal	After the Proposed Disposal
Issued and paid up share capital	49,074	49,074
Add: Effects of Proposed Disposal	–	83,658
Resultant issued and paid up share capital	132,732	132,732
Number of shares in issue ('000)	1,104,009	1,104,009

(c) NTA

(S\$'000)	Before the Proposed Disposal	After the Proposed Disposal
NTA	162	162
Less: Effects of Proposed Disposal	–	(2,000)
Resultant NTA	162	(1,838)
Number of shares in issue ('000)	1,104,009	1,104,009
NTA per Share (cents)	0.0	(0.2)

(d) Earnings

(S\$'000)	Before the Proposed Disposal	After the Proposed Disposal
Loss attributable to Shareholders	(21,849)	(21,849)
Add: Effects of Proposed Disposal	–	(168)
Resultant profit attributable to Shareholders	(21,849)	(22,017)
Weighted average number of Shares (excluding treasury Shares)	1,104,009	1,104,009
Loss per Share (cents)	(2.0)	(2.0)

(e) Gearing

(S\$'000)	Before the Proposed Disposal	After the Proposed Disposal
Total borrowings	–	–
Shareholders' equity	162	(1,838)
Gearing (times)⁽¹⁾	–	–

Note:

(1) Gearing is determined based on total borrowings divided by shareholders' equity.

LETTER TO SHAREHOLDERS

7. INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

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

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
<u>Directors</u>				
Chang Wei Lu	318,041,534	28.81	–	–
<u>Substantial Shareholder</u>				
–				

Save as disclosed in this Circular, none of the Directors, Controlling Shareholders and Substantial Shareholders has any direct or indirect interest in the Proposed Diversification and the Proposed Disposal other than through their respective shareholdings in the Company.

8. DIRECTORS' SERVICE CONTRACTS

There are no persons who are proposed to be appointed as a Director in connection with the Proposed Diversification and the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and such person.

9. DIRECTORS' RECOMMENDATIONS

Having considered, *inter alia*, the rationale for the Proposed Diversification and the Proposed Disposal, the Directors are of the opinion that the Proposed Diversification and Proposed Disposal is in the best interests of the Company and Shareholders. Accordingly, the Directors recommend that Shareholders vote in favour of the Proposed Diversification and Proposed Disposal at the EGM.

Shareholders are advised to read this Circular in its entirety, in particular the rationale for and/or the risk factors relating to the Proposed Diversification and Proposed Disposal and for those who may require advice in the context of his specific investment, to consult his stockbroker, bank manager, solicitor, accountant or other professional adviser.

10. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 55 of this Circular, will be held at Atrium Suite 3, Mandarin Oriental, 5 Raffles Ave, Marina Square, Singapore 039797 on 30 March 2017 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolution set out in the notice of EGM.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find the Proxy Form attached to this Circular which they should 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

LETTER TO SHAREHOLDERS

at 33 Ubi Avenue 3, Vertex Singapore 408868 not less than 48 hours before the time fixed for the EGM. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM in place of his proxy if he wishes to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM to speak and vote thereat unless his name appears in the Depository Register as at 48 hours before the time fixed for the EGM.

12. DIRECTORS' RESPONSIBILITY STATEMENT

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

13. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection by Shareholders at the registered office of the Company at 33 Ubi Avenue 3 #08-38, Vertex Singapore 408868, during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Constitution of the Company;
- (b) the SPA;
- (c) the JVA;
- (d) the DRA;
- (e) the Option Agreements;
- (f) the Power of Attorney;
- (g) the JV Properties Valuation Report;
- (h) the Disposal Valuation Report;
- (i) the Disposal Valuation Summary Letter, and
- (j) the Annual Report of the Company for FY2015.

Yours faithfully
For and on behalf of the Board

Chang Wei Lu
Executive Chairman and
Executive Director

LETTER TO SHAREHOLDERS

Schedule 1

Agreements between MCSB and Grantors	Grantors	Option Properties
Option agreement dated 23 February 2017	JBL Capital Sdn. Bhd.	GM728 Lot 392, Mukim Plentong, District of Johor Bahru, State of Johor; and GRN51484 Lot 124340, Mukim Plentong, District of Johor Bahru, State of Johor.
Option agreement dated 23 February 2017	GCA Capital Sdn. Bhd.	GM1298 Lot 391, Mukim Plentong, District of Johor Bahru, State of Johor.
Option agreement dated 23 February 2017	GCS Realty Holdings Sdn. Bhd.	GRN237218 Lot 32746, Mukim Senai, District of Kulai, State of Johor (formerly known as GRN237218 Lot 1899, Mukim Senai, District of Kulaijaya, State of Johor); and GRN237222 Lot 32748, Mukim Senai, District of Kulai, State of Johor (formerly known as GRN237222 Lot 1901, Mukim Senai, District of Kulaijaya, State of Johor).
Option agreement dated 23 February 2017	ACG Holdings Sdn. Bhd.	GRN82604 Lot 968, Mukim Plentong, District of Johor Bahru, State of Johor; and GRN87287 Lot 675, Mukim Plentong, District of Johor Bahru, State of Johor.

LETTER TO SHAREHOLDERS

Schedule 2

INDEPENDENT VALUATION SUMMARY LETTER

23 February 2017

The Board of Directors
Mercurius Capital Investment Limited
33 Ubi Avenue 3, #08-38 Vertex
Singapore 408868

Dear Sirs

1. INTRODUCTION

RSM Corporate Advisory Pte Ltd ("RSMCA") has been engaged by Mercurius Capital Investment Limited ("Mercurius" or the "Company") to provide assistance in estimating the fair market value ("Fair Market Value" or "FMV") range of 100% of the share capital of China Children Fashion Holdings Pte. Ltd. ("CCFH") and its subsidiaries (collectively, "CCFH Group") as at 30 September 2016 (the "Valuation Date").

This letter has been prepared for the purpose of incorporation in the circular to be issued in relation to the proposed disposal of 100% share capital in CCFH Group to a third party (the "Proposed Disposal"). This letter is a summary of the information contained in our full valuation report (the "Valuation Report") dated 23 February 2017. Accordingly, this letter should be read in conjunction with the full text of the Valuation Report.

This letter and the Valuation Report are addressed strictly to the Directors and for the intended purpose as set out above and accordingly neither the Valuation Report nor this letter may be used or relied upon in any other connection by, and are not intended to confer any benefit on, any person.

Unless otherwise stated, words and expressions defined in the circular for the purpose of obtaining shareholder's approval for the Proposed Disposal have the same meaning in this letter.

2. TERMS OF REFERENCE

RSMCA has been appointed by Mercurius to conduct a valuation to estimate the Fair Market Value range of 100% of the share capital of CCFH Group as at 30 September 2016. For the purpose of this valuation, Fair Market Value is defined as *"the price at which the shares would be exchanged by a willing buyer and willing seller, neither being under any compulsion to buy or sell and both having a reasonable knowledge of relevant facts"*.

During our engagement, we have not been provided with any financial projections of CCFH Group due to uncertainties in the market, i.e. 1) significant decrease in sales volume from overseas markets; and 2) intensive pricing competition in China. CCFH Group's revenue and earnings have been decreasing significantly since FY2014. As CCFH Group's earnings were negative in FY2015 and in the period from January to September 2016, it would appear that the Income Approach and the Market Approach would not be applicable. Hence, we have applied the Net Assets Value ("NAV") Approach to estimate the Fair Market Value range of 100% of the share capital of CCFH Group as at the Valuation Date.

Our conclusions are primarily dependent on the following assumptions:

- a) The accuracy and completeness of the financial information provided to us;
- b) The values of the assets and liabilities after adjustments are reflected at their Fair Market Values; and
- c) Other information and representations made to us by the management of Mercurius and/or CCFH Group ("Management") during our discussions.

LETTER TO SHAREHOLDERS

These assumptions are based on the information provided by and discussions with or on behalf of Management, and reflect current expectations and views regarding future events and therefore, necessarily involve known and unknown risks and uncertainties.

Neither the Valuation Report nor the Independent Valuation Summary Letter is an opinion on the commercial merits and structure of the Proposed Disposal, nor is it an opinion, expressed or implied, as to the future FMV of CCFH Group.

The Valuation Report is also not intended to be and is not included in the circular, and does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Disposal. We did not conduct a comprehensive review of the business, operational or financial condition of CCFH Group and accordingly make no representation or warranty, expressed or implied, in this regard. We have conducted on-site visits to CCFH Group's plant.

Furthermore, we do not provide any assurance that the valuation prepared by us reflects the true value of CCFH Group or that other independent valuers will arrive at the same valuation.

Our valuation conclusion is based upon prevailing market, economic, industry, monetary and other conditions and on the information made available to us as of the date of the Valuation Report. Such conditions may change significantly over a relative short period of time and we assume no responsibility and are not required to update, revise or reaffirm our valuation conclusion to reflect events or developments subsequent to the date of the Independent Valuation Summary Letter and the issuance of our final Valuation Report.

In conducting our review and for the purpose of preparing our valuation range and the Valuation Report, we have held discussions with Management and we have read the information provided by them and other publicly available information, upon which our valuation analysis is based.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of all such information provided or otherwise made available to us or relied upon by us as described above, whether written or verbal, and no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

Management is solely responsible for the accuracy and fair statement of the information provided to us for use in performing the valuation exercise. The basis and assumptions of the accuracy and completeness of the financial information of CCFH Group are solely the responsibility of Management and the Board of Directors.

RSMCA's compensation is not contingent upon the reporting of a pre-determined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

3. CONCLUSION

In summary and as detailed in the Valuation Report, which should be read in conjunction with this letter to Management, as instructed, RSMCA has arrived at a valuation of **RMB0** for 100% of the share capital of CCFH Group as at 30 September 2016.

Yours faithfully,

For and on behalf of
RSM Corporate Advisory Pte Ltd



Josephine Hong
Director

NOTICE OF EXTRAORDINARY GENERAL MEETING

MERCURIUS CAPITAL INVESTMENT LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198200473E)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**Meeting**”) of MERCURIUS CAPITAL INVESTMENT LIMITED (“**Company**” and together with its subsidiaries, the “**Group**”) will be held at Atrium Suite 3, Mandarin Oriental, 5 Raffles Ave, Marina Square, Singapore 039797 on 30 March 2017 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolution as set out below as ordinary resolution:

ORDINARY RESOLUTION 1: PROPOSED DIVERSIFICATION OF THE GROUP’S BUSINESS TO INCLUDE PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT

THAT approval be and is hereby given:

- (a) for the proposed diversification by the Group of its core business to include property development and property investment (“**Proposed New Business**”) that involve activities such as:
 - (i) undertaking real estate-related investments and property development activities (including acquisition, development and/or sales of real estate), and holding of investments in real estate and residential, hospitality (including hotels and/or serviced residences), commercial (retail and office), industrial and any other suitable types of properties (including mixed development properties) (“**Property Related Assets**”); and
 - (ii) acquiring and holding investments in Property Related Assets including the development of Property Related Assets, trading in and holding the same for long term investment, including but not limited to the collection of rent, capital growth potential and/or provision of property related services and facilities.
- (b) the Company be and is hereby authorised to invest in, purchase or otherwise acquire or dispose of, from time to time any such assets, investments and shares/interests in any entity that is in the Proposed New Business on such terms and conditions as the directors of the Company (“**Directors**”) deem fit, and such Directors be and are hereby authorised to take such steps and exercise such discretion and do all such acts or things as they deem desirable, necessary or expedient or give effect to any such investment, purchase, acquisition or disposal; and
- (c) the Directors or any of them be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to enter into all such transactions, arrangements and agreements to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to this resolution as they or he may think fit.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTION 2: PROPOSED DISPOSAL OF THE COMPANY'S ENTIRE SHAREHOLDING IN CHINA CHILDREN FASHION HOLDINGS PTE. LTD. AND ITS SUBSIDIARIES

THAT approval be and is hereby given:

- (a) for the proposed disposal of the Company's entire shareholding in China Children Fashion Holdings Pte. Ltd. and its subsidiaries; and
- (b) the Directors or any of them be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to enter into all such transactions, arrangements and agreements to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to this resolution as they or he may think fit.

MERCURIUS CAPITAL INVESTMENT LIMITED

Chang Wei Lu

Executive Chairman and Chief Executive Officer

15 March 2017

Notes:

- (1) Save as provided in the Constitution, a member (other than a Relevant Intermediary*) entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
- (2) A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
- (3) A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on its behalf.
- (4) The instrument appointing the proxy must be deposited at the registered office of the Company at 33 Ubi Avenue 3, #08-38 Vertex Singapore 408868 not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjournment thereof.

* A Relevant Intermediary is: (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

PROXY FORM

MERCURIUS CAPITAL INVESTMENT LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198200473E)

Important:

1. For investors who have used their CPF monies to buy shares in the capital of Mercurius Capital Investment Limited, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

I/We* _____ (Name) NRIC/Passport number* _____
of _____
_____ (Address)

being a member/members* of Mercurius Capital Investment Limited (the "Company") hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him/her, the Chairman of the Extraordinary General Meeting ("EGM") of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf and, if necessary, to demand a poll at the EGM of the Company to be held at Atrium Suite 3, Mandarin Oriental, 5 Raffles Ave, Marina Square, Singapore 039797 on 30 March 2017 at 9.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the EGM as indicated hereunder. (In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the EGM).

Ordinary Resolution	Number of Votes For**	Number of Votes Against**
1) To approve the Diversification of the Group's business to include the New Business of real estate investments and property development		
2) To approve the Disposal of the Company's entire shareholding in China Children Fashion Holdings Pte. Ltd. and its subsidiaries		

* Delete accordingly

** If you wish to exercise all your votes "For" or "Against", please indicate an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2017

Total Number of Shares Held

Signature(s) of Shareholder(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 33 Ubi Avenue 3, #08-38 Vertex Singapore 408868 not less than 48 hours before the time set for the EGM.
4. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
6. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
 - * A Relevant Intermediary is:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

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

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 15 March 2017.