

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

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your Shares in the capital of Pacific Star Development Limited (the “**Company**”), you should forward this Circular, the Notice of Annual General Meeting and the enclosed Proxy Form immediately to the purchaser or transferee or to the stockbroker, bank 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, SAC Capital Private Limited (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**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 made, reports contained or opinions expressed in this Circular.

The contact person for the Sponsor is Mr. Sebastian Jones (Tel: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542. SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.

Capitalised terms appearing on the cover of this Circular have the same meanings as defined in the section entitled “**Definitions**”.



CIRCULAR TO SHAREHOLDERS

in relation to

- (1) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE;**
- (2) THE PROPOSED RENEWAL OF THE MANDATE FOR INTERESTED PERSON TRANSACTIONS; AND**
- (3) THE PROPOSED CHANGE OF AUDITORS FROM MESSRS MOORE STEPHENS LLP TO MESSRS ERNST & YOUNG LLP.**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	24 April 2017 at 10.00 a.m.
Date and time of Annual General Meeting	:	27 April 2017 at 10.00 a.m.
Place of Annual General Meeting	:	Tan Chin Tuan Function Room 1, Level 4 YMCA of Singapore 1 Orchard Road Singapore 238824

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DEFINITIONS

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

“2015 Circular”	:	The Company’s Circular to Shareholders dated 14 October 2015
“2015 EGM”	:	The extraordinary general meeting of the Company held on 2 November 2015 at 10.00 a.m.
“2016 AGM”	:	The annual general meeting of the Company held on 26 April 2016 at 10.00 a.m.
“2016 Circular”	:	The Company’s Circular to Shareholders dated 11 April 2016
“AGM”	:	The annual general meeting of the Company to be held on 27 April 2017 at 10.00 a.m., notice of which is set out in the Notice of AGM dated 12 April 2017 on pages 99 to 106 of the Annual Report 2016
“Annual Report 2016”	:	The annual report of the Company in respect of the financial year ended 31 December 2016
“Appendix”	:	The appendix to this Circular
“Audit Committee”	:	The audit committee of the Company comprising Mr. Low Siew Sie Bob, Mr. Yee Kee Shian, Leon and Mr. Peh Siong Woon Terence
“Audit Committee Chairman”	:	Chairman of the Audit Committee, Mr. Low Siew Sie Bob
“Board”	:	The board of Directors of the Company as at the date of this Circular
“Catalist”	:	The sponsor-supervised listing platform of the SGX-ST
“Catalist Rules”	:	The rules in Section B: Rules of Catalist of the Listing Manual, as amended, supplemented or modified from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 12 April 2017
“Code”	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
“Companies Act” or “Act”	:	The Companies Act (Cap. 50) of Singapore, as may be amended or modified from time to time

DEFINITIONS

“Company”	:	Pacific Star Development Limited
“Customisation Transactions”	:	Has the meaning ascribed to Section 2.2 of the Appendix
“Directors” or “Board”	:	The directors of the Company, including alternate directors of the Company (if any), as at the date of this Circular
“EPS”	:	Earnings per Share
“EY LLP”	:	Messrs Ernst & Young LLP
“Financial Year”	:	Financial year ended or, as the case may be, ending 31 December
“Glen Chan”	:	Mr. Chan Fook Kheong
“Goods”	:	Has the meaning ascribed to it in Section 5.1(c) of the Appendix
“Group”	:	The Company and its subsidiaries
“HLC”	:	Ho Lee Construction Pte. Ltd.
“HLG”	:	Ho Lee Group Pte. Ltd.
“Independent Shareholders”	:	Shareholders who are considered independent for the purposes of the proposed renewal of the IPT Mandate
“Interested Persons”	:	The interested persons of the Company who fall within the IPT Mandate, as set out in Section 1.7(e) of the Appendix
“IP Goods Transactions”	:	Has the meaning ascribed to it in Section 5.1(c)(ii) of the Appendix
“IP Services Transactions”	:	Has the meaning ascribed to it in Section 5.1(a)(ii) of the Appendix
“IPT Mandate”	:	The proposed renewal of the Shareholders’ general mandate pursuant to Chapter 9 of the Catalist Rules permitting the Company, its subsidiaries and associated companies or any of them, to enter into certain types of recurrent transactions of a revenue or trading nature or those necessary for day-to-day operations with specified classes of Interested Persons
“Latest Practicable Date”	:	29 March 2017, being the latest practicable date prior to the printing of this Circular
“LHAI”	:	LH Aluminium Industries Pte. Ltd.

DEFINITIONS

“Market Day”	:	A day which the SGX-ST is open for trading in securities
“Moore Stephens”	:	Messrs Moore Stephens LLP
“NTA”	:	Net tangible assets
“Off-Market Purchase”	:	Has the meaning ascribed to it in Section 2.3.3(b) of the Circular
“On-Market Purchase”	:	Has the meaning ascribed to it in Section 2.3.3(a) of the Circular
“Proposed Change of Auditors”	:	The proposed change of auditors of the Company from Moore Stephens to EY LLP
“PSDL Goods Transactions”	:	Has the meaning ascribed to it in Section 5.1(c)(i) of the Appendix
“PSDL Services Transactions”	:	Has the meaning ascribed to it in Section 5.1(a)(i) of the Appendix
“Share Buyback Mandate”	:	Has the meaning ascribed to it in Section 2.1 of the Circular
“Register of Directors’ Shareholdings”	:	Register of Directors’ shareholdings
“Register of Members”	:	Register of members of the Company
“Registrar”	:	Has the meaning ascribed to it in Section 2.5.1 of the Circular
“Rule 14”	:	Has the meaning ascribed to it in Section 2.10.1 of the Circular
“SIC”	:	The Securities Industry Council of Singapore
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares in the Register of Members, or where the registered holder is the CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by the CDP whose Securities Accounts are credited with those Shares
“Shares”	:	Ordinary shares in the issued share capital of the Company
“Substantial Shareholder”	:	A person who has an interest directly or indirectly in 5% or more of the total number of Shares

DEFINITIONS

“S\$”	:	The lawful currency of the Republic of Singapore
“WeePoh”	:	Wee Poh Construction Co. (Pte.) Ltd.
“%” or “per cent.”	:	Percentage or per centum

The expressions “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore. The term “**subsidiary**” has the meaning ascribed to it in Section 5 of the Companies Act.

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

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any term defined under the Companies Act, the Securities and Futures Act, the Catalist Rules or any relevant laws of the Republic of Singapore or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, the Securities and Futures Act, the Catalist Rules or any relevant laws of the Republic of Singapore or any statutory modification thereof as the case may be, unless the context requires otherwise.

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

Any discrepancies in the tables included in this Circular between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

LETTER TO SHAREHOLDERS

PACIFIC STAR DEVELOPMENT LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198203779D)

Directors:

Yee Kee Shian, Leon (*Independent Non-Executive Chairman*)
Glen Chan (*CEO and Managing Director*)
Chua Siong Kiat (*Executive Director*)
Peh Siong Woon Terence (*Non-Independent
Non-Executive Director*)
Tan Hai Peng Micheal (*Non-Independent
Non-Executive Director*)
Low Siew Sie Bob (*Independent Non-Executive Director*)

Registered Office:

Blk 8, #08-05
Liang Huat Industrial Complex
51 Benoi Road
Singapore 629908

Date: 12 April 2017

To: The Shareholders of Pacific Star Development Limited

Dear Sir/Madam

- (1) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE**
- (2) THE PROPOSED RENEWAL OF THE MANDATE FOR INTERESTED PERSON TRANSACTIONS**
- (3) THE PROPOSED CHANGE OF AUDITORS FROM MESSRS MOORE STEPHENS LLP TO MESSRS ERNST & YOUNG LLP**

1 INTRODUCTION

1.1 The Directors of the Company are seeking Shareholders' approval for the following proposals at the AGM of the Company:

- (a) the proposed renewal of the share buyback mandate;
- (b) the proposed renewal of the mandate for interested person transactions; and
- (c) the proposed change of auditors from Messrs Moore Stephens LLP to Messrs Ernst & Young LLP,

(together, the "**Proposals**").

1.2 Circular

The purpose of this Circular is to provide Shareholders with information relating to the Proposals to be tabled at the AGM.

LETTER TO SHAREHOLDERS

2 THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 Background

At the 2015 EGM, the Shareholders had approved, *inter alia*, a mandate to enable the Company to purchase or otherwise acquire its issued Shares (the “**Share Buyback Mandate**”).

The rationale for, the authority and limitations on, and the financial effects of, the Share Buyback Mandate were set out in the 2015 Circular and Ordinary Resolution 2 as set out in the Notice of the 2015 EGM.

The Share Buyback Mandate was subsequently renewed at the 2016 AGM.

The Share Buyback Mandate was expressed to take effect on the date of the passing of Ordinary Resolution 10 at the 2016 AGM and will expire on the date of the forthcoming AGM to be held on 27 April 2017 (“**AGM**”). Accordingly, approval is being sought from Shareholders at the AGM for the Proposed Renewal of the Share Buyback Mandate.

As at the Latest Practicable Date, the Company had purchased or acquired an aggregate of 2,675,400 Shares by way of On-Market Purchases (as defined in Section 2.3.3(a) below) pursuant to the Share Buyback Mandate approved by the Shareholders at the 2016 AGM. The highest and lowest price paid since the 2016 AGM was S\$0.60 and S\$0.562 per Share (on a pre-split basis) respectively and the total consideration paid for all purchases since the 2016 AGM was S\$72,501, excluding commission, brokerage and goods and services tax.

As at the Latest Practicable Date, 2,675,400 Shares purchased or acquired by the Company are held as treasury shares.

2.2 Rationale for the Share Buyback Mandate

The Company is proposing to undertake the purchase of its issued Shares for the following reasons:–

- (i) the Directors and management of the Company constantly seek to increase Shareholders’ value and to improve, *inter alia*, the return on equity of the Group. The Share Buyback Mandate will give the Directors the flexibility to purchase or acquire Shares if and when the circumstances permit;
- (ii) share buybacks provide the Company with an easy mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost efficient manner;
- (iii) the Share Buyback Mandate will also give the Company the opportunity to purchase or acquire Shares when such Shares are under-valued, to help mitigate short-term market volatility and to offset the effects of short-term speculation; and
- (iv) share buybacks may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the EPS.

LETTER TO SHAREHOLDERS

If and when circumstances permit, the Directors will decide whether to effect the Shares purchase or acquisition via On-Market Purchase and/or Off-Market Purchase, after taking into account the relevant factors such as the financial resources available, the prevailing market conditions, and the cost and timing involved.

The share buybacks pursuant to the Share Buyback Mandate will only be undertaken when the Directors are of the view that such purchases are of benefit to the Company.

2.3 Authority and Limits of the Share Buyback Mandate

The authority and limitations, if approved at the forthcoming AGM, are summarised below:–

2.3.1 Maximum number of Shares

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

The maximum number of Shares which may be purchased or acquired by the Company pursuant to the Share Buyback Mandate is limited to such number of Shares representing not more than 10% of the issued share capital of the Company (excluding Treasury Shares, if applicable) as at the date of the forthcoming AGM at which the Share Buyback Mandate is renewed, unless the Company has, at any time during the relevant period, reduced its share capital in accordance with the applicable provisions of the Companies Act (the “**Maximum Limit**”). For the avoidance of doubt, Shares which are held as treasury shares will be disregarded for the purposes of computing the aforesaid 10% limit.

For illustrative purposes, on the basis of 475,285,878 Shares (excluding treasury shares) in issue as at the Latest Practicable Date, and disregarding the 2,675,400 Shares held in treasury as at the Latest Practicable Date, and assuming no further Shares are issued, and no further Shares are purchased or acquired by the Company are held as treasury shares, on or prior to the AGM, the purchase of the Company of up to the Maximum Limit of its issued Shares will result in the purchase or acquisition of 47,528,587 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled).

2.3.2 Duration of Authority

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

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

whichever is earliest.

LETTER TO SHAREHOLDERS

2.3.3 Manner of purchase or acquisition of Shares

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

- (a) on-market purchases (“**On-Market Purchase**”) transacted on SGX-ST through the ready market of the SGX-ST, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or
- (b) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as defined in section 76C of the Companies Act (“**Off-Market Purchase**”).

The Directors may impose such terms and conditions, which are consistent with the Share Buyback Mandate, the Catalist Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. An Off-Market Purchase must, however, satisfy the following conditions:–

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

Pursuant to the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company will issue an offer document to all Shareholders containing at least the following information:–

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;
- (3) the reasons for the proposed share buyback;
- (4) the consequences, if any, of share buybacks by the Company that will arise under the Code or other applicable take-over rules;
- (5) whether the share buybacks, if made, would affect the listing of the Shares on Catalist;

LETTER TO SHAREHOLDERS

- (6) details of any share buybacks made by the Company in the previous 12 months (whether On-Market Purchase or Off-Market Purchase in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and
- (7) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Maximum Purchase Price

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

- (a) in the case of an On-Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase, 120% of the Average Closing Price (as defined hereinafter),

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

For the above purposes:–

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) Market Days on which the Shares are transacted on Catalist or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the On-Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Catalist Rules, for any corporate action that occurs after the relevant (5) Market Days; and

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

2.4 Status of Purchased Shares

Any Share purchased or acquired by the Company shall be deemed to be cancelled immediately on purchase or acquisition (and all rights and privileges attached to that Share will expire on cancellation) unless such Share is held by the Company as a treasury share. On cancellation of a Share, the rights and privileges attached to that Share will expire. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

LETTER TO SHAREHOLDERS

2.5 Treasury Shares

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

2.5.1 Maximum Holdings

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

In the event that the number of treasury shares held by the Company exceed 10% of the total number of issued Shares of the Company, the Company shall dispose of or cancel the excess shares within six (6) months beginning with the day on which that contravention occurs, or such further period as the Registrar of Companies (the “**Registrar**”) may allow.

As at the Latest Practicable Date, the number of issued Shares is 475,285,878 (excluding treasury shares). The Company has 2,675,400 treasury shares as of the Latest Practicable Date. The Company also assumes that no further Shares are issued and no Shares are purchased or acquired by the Company on or prior to the AGM. As such, the Company may pursuant to the purchase or acquisition of shares under the Share Buyback Mandate, hold up to 47,528,587 Shares as treasury shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled).

2.5.2 Voting and Other Rights

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

In addition, no dividend shall be paid, and no other distribution (whether in cash or otherwise) of the Company’s assets shall be made, to the Company in respect of treasury shares. However, any allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed and shall be treated as if they had been acquired by the Company at the time they were allotted. A subdivision or consolidation of any treasury share into treasury shares of a smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.5.3 Disposal and Cancellation

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

- (a) sell the treasury shares (or any of them) for cash;
- (b) transfer the treasury shares (or any of them) for the purposes of or pursuant to an employees’ share scheme;

LETTER TO SHAREHOLDERS

- (c) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares (or any of them); or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister of Finance may by order prescribe.

Under the Catalist Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the “usage”). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the treasury shares comprised in the usage.

2.6 Source of Funds

The Company intends to use its internal sources of funds to finance its purchase or acquisition of Shares. The Company will not exercise the Share Buyback Mandate in full to the extent that its internal sources of funds are not sufficient for this purpose, and the Directors do not propose to exercise the Share Buyback Mandate in a manner and to such extent that the Group’s liquidity and capital adequacy position would be materially affected.

Any purchase or acquisition of Shares may be made only if the Company is solvent and out of the Company’s capital and/or profits. It is an offence for a director or a manager of a company to approve or authorise the purchase or acquisition of shares, knowing that the company is not solvent. For this purpose, pursuant to the Act, a company is solvent if at the date of payment the following conditions are satisfied:–

- (a) there is no ground on which the company could be found to be unable to pay its debts;
- (b) if –
 - (i) it is intended to commence winding up of the company within the period of 12 months immediately after the date of the payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (ii) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) the value of the company’s assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

LETTER TO SHAREHOLDERS

2.7 Financial Impact

2.7.1 The financial impact on the Company and the Group arising from the purchase or acquisition of Shares which may be made pursuant to the Share Buyback Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects of the Group and the Company will depend, *inter alia*, on the factors set out below.

2.7.2 Purchase or acquisition made out of capital and/or profits

Under the Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital and/or profits so long as the Company is solvent. The Company does not intend to rely on external borrowings to finance its purchase or acquisition of Shares under the Share Buyback Mandate.

Where the consideration paid by the Company for the purchases or acquisitions of Shares is made out of capital, such consideration will not affect the amount available for distribution in the form of cash dividends by the Company.

Where the consideration paid by the Company for the purchases or acquisitions of Shares is made out of profits, such consideration (excluding brokerage, commission, goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for distribution in the form of cash dividends by the Company.

2.7.3 Number of Shares purchased or acquired

Based on 475,285,878 issued and paid-up Shares as at the Latest Practicable Date (excluding the 2,675,400 Shares held in treasury as at that date), and assuming no further Shares are issued or repurchased, or held by the Company as treasury shares, on or prior to the AGM, the exercise in full of the Share Buyback Mandate of up to the Maximum Limit would result in the purchase or acquisition of 47,528,587 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled).

2.7.4 Maximum Price paid for Shares purchased or acquired

In the case of On-Market Purchase by the Company and assuming that the Company purchases or acquires 47,528,587 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled) at the Maximum Price of S\$0.225 per Share (being the price equivalent to 105% of the Average Closing Price of the Share traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 47,528,587 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled) (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties, clearance fees and other related expenses) is approximately S\$10,700,000.

LETTER TO SHAREHOLDERS

In the case of Off-Market Purchase by the Company and assuming that the Company purchases or acquires 47,528,587 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled) at the Maximum Price of S\$0.257 per Share (being the price equivalent to 120% of the Average Closing Price of the Share traded on the SGX-ST for the five (5) Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 47,528,587 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled) (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties, clearance fees and other related expenses) is approximately S\$12,200,000.

2.7.5 Illustrative financial effects

For illustrative purposes only and on the basis of the assumptions set out in Sections 2.7.3 and 2.7.4 above, the financial effects of:-

- (a) On-Market Purchase and Off-Market Purchase made entirely out of capital and held as treasury shares; and
- (b) On-Market Purchase and Off-Market Purchase made entirely out of capital and cancelled;

based on the audited financial statements of the Group and the Company for the financial year ended 31 December 2016, are set out respectively in the following pages. Please note that as the Group and the Company have accumulated losses and the net loss for financial year ended 31 December 2016 are insufficient for purposes of the Share Buyback Mandate, the financial effects of (i) On-Market Purchase and Off-Market Purchase made entirely out of distributable profits and held as treasury shares; and (ii) On-Market Purchase and Off-Market Purchase made entirely out of distributable profits and cancelled are not applicable and therefore not included herein for illustrative purposes.

LETTER TO SHAREHOLDERS

Scenario 1 – On-Market Purchase and Off-Market Purchase made entirely out of capital and held as treasury shares

31 December 2016	GROUP			COMPANY		
	Before Share buyback	After Share buyback assuming Market Purchase	After Share buyback assuming Off-Market Purchase	Before Share buyback	After Share buyback assuming Market Purchase	After Share buyback assuming Off-Market Purchase
(S\$'000)						
Share capital	48,196	162,513	162,513	48,196	162,513	162,513
Shareholders' funds	16,764	120,914	119,389	12,456	116,606	115,081
Net Tangible Assets ("NTA")	13,406	117,556	116,031	12,456	116,606	115,081
Current Assets	24,419	22,569	21,045	14,736	12,886	11,362
Current Liabilities	11,346	11,346	11,346	2,283	2,283	2,283
Working Capital	13,073	11,233	9,699	12,453	10,603	9,079
Total Borrowings	571	571	571	–	–	–
Cash and cash equivalents	12,783	10,933	9,409	10,474	8,624	7,100
Net Loss attributable to shareholders of the Company	5,446	5,446	5,446	8,411	8,411	8,411
Number of Shares including Treasury Shares ('000)	15,783	475,285	475,285	15,783	475,285	475,285
Treasury Shares ('000)	892	47,528	47,528	892	47,528	47,528
Number of Shares excluding Treasury Shares ('000)	14,891	427,757	427,757	14,891	427,757	427,757
Financial Ratios						
NTA per Share (S\$) ⁽¹⁾	0.90	0.27	0.27	0.84	0.27	0.27
Loss per Share (cents) ⁽²⁾	36.57	1.27	1.27	56.48	1.97	1.97
Net Gearing (times)	–	–	–	–	–	–
Current Ratio (times)	2.15	1.99	1.85	6.45	5.64	4.98

Notes:

- (1) NTA per Share is calculated based on NTA divided by the number of shares excluding treasury shares.
- (2) Loss per Share is calculated based on net loss attributable to shareholders of the Company divided by the number of shares excluding treasury shares.

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Scenario 2 – On-Market Purchase and Off-Market Purchase made entirely out of capital and cancelled

31 December 2016 (S\$'000)	GROUP			COMPANY		
	Before Share buyback	After Share buyback assuming Market Purchase	After Share buyback assuming Off-Market Purchase	Before Share buyback	After Share buyback assuming Market Purchase	After Share buyback assuming Off-Market Purchase
Share capital	48,196	151,833	150,309	48,196	151,833	150,309
Shareholders' funds	16,764	120,914	119,389	12,456	116,606	115,081
NTA	13,406	117,556	116,031	12,456	116,606	115,081
Current Assets	24,419	22,569	21,045	14,736	12,886	11,362
Current Liabilities	11,346	11,346	11,346	2,283	2,283	2,283
Working Capital	13,073	11,223	9,699	12,453	10,603	9,079
Total Borrowings	571	571	571	–	–	–
Cash and cash equivalents	12,783	10,933	9,409	10,474	8,624	7,100
Net Loss attributable to shareholders of the Company	5,446	5,446	5,446	8,411	8,411	8,411
Number of Shares including Treasury Shares ('000)	15,783	427,757	427,757	15,783	427,757	427,757
Treasury Shares ('000)	892	–	–	892	–	–
Number of Shares excluding Treasury Shares ('000)	14,891	427,757	427,757	14,891	427,757	427,757
Financial Ratios						
NTA per Share (S\$) ⁽¹⁾	0.90	0.27	0.27	0.84	0.27	0.27
Loss per Share (cents) ⁽²⁾	36.57	1.27	1.27	56.48	1.97	1.97
Net Gearing (times)	–	–	–	–	–	–
Current Ratio (times)	2.15	1.99	1.85	6.45	5.64	4.98

Notes:

- (1) NTA per Share is calculated based on NTA divided by the number of shares excluding treasury shares.
- (2) Loss per Share is calculated based on net loss attributable to shareholders of the Company divided by the number of shares excluding treasury shares.

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Shareholders should note that the financial effects illustrated above are for illustration purposes only. In particular, it is important to note that the above analysis is based on the audited consolidated financial statements of the Group for the full year ended 31 December 2016, and is not necessarily representative of the future financial performance of the Group.

Although the Share Buyback Mandate would authorise the Company to buy back up to 10% of the Company's issued Shares, the Company may not necessarily buy back or be able to buy back all 10% of the issued Shares in full. In addition, the Company may cancel all or part of the Shares repurchased, or hold all or part of the Shares repurchased as treasury shares.

2.8 Listing status on SGX-ST

2.8.1 Reporting Requirements

Within 30 days of the passing of a Shareholders' resolution to approve purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Registrar.

The Company shall notify the Registrar within 30 days of a purchase of Shares. Such notification shall include details of the date of the purchase, the total number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as Treasury Shares, the Company's issued share capital before the purchase, the Company's issued share capital after the purchase, the amount of consideration paid by the Company for the purchase, whether the Shares were purchased or acquired out of the profits and/or the capital of the Company, and such other particulars as may be required in the prescribed form.

The Catalist Rules specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:-

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

The notification of such purchases of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. Such announcement shall include details of the total number of shares authorised for purchase, the date of purchase, the total number of shares purchased, prices paid for the total number of shares purchased, the purchase price per share or the highest and lowest prices per share for the shares purchased and the number of issued shares after purchase, in the form prescribed in Appendix 8D of the Catalist Rules.

The Company shall make arrangements with its stockbrokers to ensure that they provide to the Company in a timely fashion the necessary information which will enable the Company to make the necessary notifications to the SGX-ST.

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When seeking the approval of Shareholders for the renewal of the Share Buyback Mandate, the Company is required to disclose details pertaining to the purchases of Shares made by the Company during the previous 12 months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

2.8.2 Listing rules

While the Catalist Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times, the Company, in line with the best practices guide on securities dealings issued by the SGX-ST, would not purchase or acquire any shares pursuant to the Share Buyback Mandate during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year or one month before the announcement of the Company's financial statements for the full financial year, as the case may be, ending on the date of announcement of the relevant results.

The Company's decision to purchase or acquire Shares would only be made with an arrangement that could reasonably be expected to ensure that information that is not generally available would not be communicated or informed to the person within the Company who makes the decision to transact.

At any time after any matter or development of a price-sensitive nature has occurred or has been the subject of a decision of the Board, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buyback Mandate until the price-sensitive information has been publicly announced. The Company will ensure that any Share purchased or acquired by the Company will not result in a fall in the percentage of Shares held by the public to below 10% of the total number of issued Shares (excluding treasury shares, preference shares and convertible equity securities). For this purpose, "**public**" means persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates of such persons.

As at the Latest Practicable Date, approximately 27.06% of the total number of issued Shares is held by the public. In the event the Company should, pursuant to the Share Buyback Mandate, purchase or acquire its Shares up to the full 10% limit as at the Latest Practicable Date, about 13.79% of the Shares would continue to be in the hands of the public.

Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by the public which would permit the Company to undertake purchases of its Shares up to the full 10% limit pursuant to the Share Buyback Mandate without:-(a) affecting the listing status of the Shares on the SGX-ST; (b) causing market illiquidity of the Shares; or (c) affecting adversely the orderly trading of the Shares.

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2.9 Taxation

Shareholders who are in doubt as to their respective tax positions or the tax implications of Share purchases or acquisitions by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

2.10 Take-Over Code implications

2.10.1 Persons acting in concert

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

- (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and
- (b) a company, its parent company, subsidiaries, fellow subsidiaries, any of the foregoing companies' associated companies, companies of which the foregoing companies are associated companies, all with each other, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

A company is an associated company of a second company if at least 20% but not more than 50% of its voting rights are owned or controlled by the second company.

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

2.10.2 Obligations to make a take-over offer

Pursuant to Appendix 2 to the Code, an increase in the percentage of voting rights in a company by a shareholder and parties acting in concert with him as a result of any acquisition of shares by the company will be treated as an acquisition for the purpose of Rule 14. As such, a shareholder or group of shareholders acting in concert could obtain or consolidate effective control of the company and become obliged to make an offer under Rule 14.

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Consequently, under Rule 14, a shareholder and persons acting in concert with the shareholder will incur an obligation to make a mandatory take-over offer for said company if, *inter alia*, he and persons acting in concert with him:–

- (a) increase their voting rights in the company to 30% or more of the voting rights of the company; or
- (b) hold between 30% and 50% of the voting rights of the company and they increase their voting rights in the company by more than 1% in any six-month period.

A shareholder, who is not acting in concert with the directors of a company, will not be required to make an offer under Rule 14 if, as a result of said company buying back its own shares, the voting rights of the shareholder in the company would increase to 30% or more, or, if the shareholder holds between 30% and 50% of the company's voting rights, would increase by more than 1% in any period of 6 months, as a result of the company buying back its shares. Such a shareholder need not abstain from voting on the resolution to authorise the share buy-back mandate, unless so required under the Act, e.g. for a shareholder whose shares are to be bought via a selective buy-back by an unlisted public company.

2.10.3 Effects of the Take-over Code

Under Rule 14 of the Code, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights in the Company of such Directors and their concert parties:–

- (a) increase to 30% or more; or
- (b) if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties increase by more than 1% in any period of six months.

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2.10.4 Take-over implications arising from the Proposed Share Buyback Mandate

For illustrative purposes only, based on the Company's register of substantial shareholders and directors' shareholdings (the "**Register of Substantial Shareholders and Directors' Shareholdings**") maintained by the Company as at the Latest Practicable Date, the shareholdings of the Substantial Shareholders and the Directors before and after the Proposed Share Buyback Mandate (assuming (a) the Company purchased a maximum of 47,528,587 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled) via an On/Off-Market Purchase, being 10% of the total issued share capital of the Company, and (b) there was no change in the number of Shares held or deemed to be held by the Substantial Shareholders and Directors) is as follows:—

Substantial Shareholders	Before Share Buyback			After Share Buyback		
	Direct Interest	Deemed Interest	Total Interest (%) ¹	Direct Interest	Deemed Interest	Total Interest (%) ²
CH Biovest Pte. Limited	177,454,800	Nil	37.34	177,454,800	Nil	41.48
Chuan Hup Holdings Limited	Nil	177,454,800 ³	37.34	Nil	177,454,800 ³	41.48
3P Pte Ltd	Nil	177,454,800 ⁴	37.34	Nil	177,454,800 ⁴	41.48
Qing Shan Pte Ltd	Nil	177,454,800 ⁴	37.34	Nil	177,454,800 ⁴	41.48
TMF (Cayman) Ltd	Nil	177,454,800 ⁴	37.34	Nil	177,454,800 ⁴	41.48
Beamsbury Limited	Nil	177,454,800 ⁵	37.34	Nil	177,454,800 ⁵	41.48
Peh Kwee Chim	Nil	177,454,800 ⁶	37.34	Nil	177,454,800 ⁶	41.48
Double Blessing Holdings Limited	52,348,050	Nil	11.01	52,348,050	Nil	12.24
Glaxier City Limited	92,848,050	Nil	19.54	92,848,050	Nil	21.71
Global Century Ltd	Nil	92,848,050 ⁷	19.54	Nil	92,848,050 ⁷	21.71
Fidelitycorp Limited	Nil	92,848,050 ⁷	19.54	Nil	92,848,050 ⁷	21.71
Ho Lee Group Pte. Ltd.	24,000,000	678 ⁸	5.05	24,000,000	678 ⁸	5.61
Teck Lee Holdings Pte. Ltd.	Nil	24,000,678 ⁹	5.05	Nil	24,000,678 ⁹	5.61
Tan Thuan Teck	Nil	24,000,678 ¹⁰	5.05	Nil	24,000,678 ¹⁰	5.61
Tan Hai Seng Benjamin	Nil	24,000,678 ¹¹	5.05	Nil	24,000,678 ¹¹	5.61
Yap Choong	22,106,700	Nil	4.65	22,106,700	Nil	5.17 ¹²
Directors						
Glen Chan	Nil	145,196,100 ¹³	30.55	Nil	145,196,100 ¹³	33.95
Peh Siong Woon Terence	Nil	177,454,800 ¹⁴	37.34	Nil	177,454,800 ¹⁴	41.48
Tan Hai Peng Micheal	Nil	24,000,678 ¹⁵	5.05	Nil	24,000,678 ¹⁵	5.61

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Notes:–

- (1) As a percentage of the issued share capital of the Company as at the Latest Practicable Date, comprising 475,285,878 Shares (excluding treasury shares).
- (2) As a percentage of the issued share capital of the Company, comprising 475,285,878 Shares (excluding existing treasury shares and assuming that (i) the Company purchased or acquired the maximum number of 47,528,587 Shares under the Proposed Share Buyback Mandate; and (ii) existing treasury shares are cancelled prior to the purchase or acquisition of the Shares).
- (3) Chuan Hup Holdings Limited is the sole shareholder of CH Biovest Pte. Limited. Accordingly, Chuan Hup Holdings Limited is deemed to be interested in the 177,454,800 Shares of the Company held by CH Biovest Pte. Limited.
- (4) 3P Pte Ltd is the owner of 51.4% of the issued and paid-up capital of Chuan Hup Holdings Limited. 3P Pte Ltd is a wholly-owned subsidiary of Qing Shan Pte Ltd, which is in turn entirely held by TMF (Cayman) Ltd as trustee of a trust constituted by Peh Kwee Chim (the “**Peh Family Trust**”). Therefore, 3P Pte Ltd, Qing Shan Pte Ltd and TMF (Cayman) Ltd are each deemed to be interested in the shareholding interest of Chuan Hup Holdings Limited in the Company, held by Chuan Hup Holdings Limited through its wholly-owned subsidiary, CH Biovest Pte. Limited.
- (5) Beamsbury Limited was appointed by TMF (Cayman) Ltd as its nominee corporate director and sole director of Qing Shan Pte. Ltd., to manage, control the operations of and determine the policy with respect to Qing Shan Pte. Ltd. Therefore, Beamsbury Limited is deemed to be interested in the shareholding interest of Chuan Hup Holdings Limited in the Company held by Chuan Hup Holdings Limited through its wholly-owned subsidiary CH Biovest Pte. Limited.
- (6) Peh Kwee Chim is a director of 3P Pte Ltd and is also the settlor of the Peh Family Trust, and is therefore deemed to be interested in the shareholding interest of Chuan Hup Holdings Limited in the Company, held by Chuan Hup Holdings Limited through its wholly-owned subsidiary, CH Biovest Pte. Limited.
- (7) Global Century Ltd. is a company incorporated in the Cook Islands. It holds 80% of the issued and paid-up share capital of Glaxier City Limited. The entire issued and paid-up capital of Global Century Ltd. is held by Fidelitycorp Limited as trustee of a discretionary trust, of which one of the protectors is Mr. Glen Chan. Therefore, Global Century Ltd. and Fidelitycorp Limited are deemed to be interested in the 92,848,050 Shares of the Company held by Glaxier City Limited.
- (8) Ho Lee Construction Pte. Ltd., a wholly-owned subsidiary of Ho Lee Group Pte. Ltd., owns 678 Shares in the issued and paid-up capital of the Company. Therefore, Ho Lee Group Pte. Ltd. is deemed to be interested in the 678 Shares of the Company held by Ho Lee Construction Pte. Ltd.
- (9) Teck Lee Holdings Pte. Ltd. is the ultimate holding company of Ho Lee Group Pte Ltd. which is the substantial shareholder of the Company. Therefore, Teck Lee Holdings Pte. Ltd. is deemed to be interested in the 24,000,678 Shares of the Company held by Ho Lee Group Pte. Ltd.
- (10) Teck Lee Holdings Pte. Ltd. is the ultimate holding company of Ho Lee Group Pte. Ltd. which is the substantial shareholder of the Company. By virtue of his interest of not less than 20% of the issued and paid-up share capital of Teck Lee Holdings Pte. Ltd., Tan Thuan Teck is deemed to be interested in the 24,000,678 Shares of the Company held by Ho Lee Group Pte. Ltd.
- (11) Teck Lee Holdings Pte. Ltd. is the ultimate holding company of Ho Lee Group Pte. Ltd. which is a substantial shareholder of the Company. By virtue of his directorship and his interest of not less than 20% of the issued and paid-up share capital of Teck Lee Holdings Pte. Ltd., Tan Hai Seng Benjamin is deemed to be interested in the 24,000,678 Shares of the Company held by Ho Lee Group Pte. Ltd.
- (12) Pursuant to the Proposed Share Buyback Mandate and assuming the Maximum Limit is reached, Yap Choong will become a substantial shareholder of the Company.
- (13) Pursuant to Section 7 of the Act, Mr. Glen Chan is deemed to have an interest in the 52,348,050 Shares and 92,848,050 Shares held by Double Blessing Holdings Limited and Glaxier City Limited respectively.
- (14) Pursuant to Section 7 of the Act, Mr. Peh Siang Woon Terence is deemed to have an interest in the 177,454,800 Shares held by CH Biovest Pte. Limited.
- (15) Teck Lee Holdings Pte. Ltd. is the ultimate holding company of Ho Lee Group Pte. Ltd. which is a substantial shareholder of the Company. By virtue of his directorship and his interest of not less than 20% of the issued and paid-up share capital of Teck Lee Holdings Pte. Ltd., Tan Hai Peng Micheal is deemed to be interested in the 24,000,678 Shares of the Company held by Ho Lee Group Pte. Ltd.

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Based on the Company's Register of Substantial Shareholders and Directors' Shareholdings maintained by the Company as at the Latest Practicable Date:–

- (a) Mr. Glen Chan, the CEO and Managing Director of the Company, is deemed interested in the 52,348,050 Shares and 92,848,050 Shares held by Double Blessing Holdings Limited and Glaxier City Limited respectively which collectively represent 30.55% of the issued share capital of the Company.

Double Blessing Holdings Limited, Glaxier City Limited and Mr. Glen Chan (the "**GC Group**") are presumed to be parties acting in concert under the Code.

- (b) Mr. Peh Siong Woon Terence, a Director of the Company, is deemed interested in the 177,454,800 Shares held by CH Biovest Pte. Limited which represent 37.34% of the issued share capital of the Company.

CH Biovest Pte. Limited and Mr. Peh Siong Woon Terence ("**CH Biovest Group**") are presumed to be parties acting in concert under the Code.

In the event that the Company acquires 47,528,587 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled), being 10% of the total number of issued Shares in the capital of the Company, pursuant to the Proposed Share Buyback Mandate:

- (a) (i) the shareholding of Double Blessing Holdings Limited would increase from the current 11.01% to approximately 12.24%; (ii) the shareholding of Glaxier City Limited would increase from the current 19.54% to approximately 21.71%. Accordingly, the voting rights of GC Group in the Shares held by them would be deemed to have increased by more than 1% in a six-month period.
- (b) the shareholding of CH Biovest Pte. Limited would increase from the current 37.34% to approximately 41.48%. Accordingly, the voting rights of CH Biovest Group in the Shares held by them would be deemed to have increased by more than 1% in a six-month period.

In such an event, the GC Group and CH Biovest Group would *prima facie* be obliged to make a mandatory offer under Rule 14 of the Code, read with Appendix 2 to the Code, for the other Shares not held by them.

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2.10.5 Exemption from having to make a general offer under Rule 14 of the Code

For an On-Market Purchase under Section 76E of the Act or an Off-Market Purchase in accordance to an equal access scheme under Section 76C of the Act, the (i) GC Group and its concert parties; and (ii) CH Biovest Group and its concert parties, if any, will be exempted from the requirement to make a general offer for the Company under Rule 14 if the aggregate shareholding of (i) GC Group and its concert parties; and (ii) CH Biovest Group and its concert parties, if any, increases by more than 1% in any six-month period as a result of any Share buyback carried out pursuant to the Proposed Share Buyback Mandate, subject to the following conditions:–

- (i) the Circular to Shareholders on the resolution to authorise the Proposed Share Buyback Mandate contains:–
 - (a) advice to the effect that by voting to approve the Proposed Share Buyback Mandate, Shareholders are waiving their rights to a general offer at the required price from the (i) GC Group and its concert parties; and (ii) CH Biovest Group and its concert parties, if any, who, as a result of the Company buying back its Shares under the Proposed Share Buyback Mandate, would increase their voting rights in the Company by more than 1% in any period of six months; and
 - (b) the names of the members of the (i) GC Group and its concert parties; and (ii) CH Biovest and its concert parties, if any, and their voting rights at the time of the resolution and after any proposed share buy-back to be disclosed in the same circular;
- (ii) the resolution to authorise the Proposed Share Buyback Mandate is approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of any proposed share buy-back;
- (iii) the (x) GC Group and its concert parties; and (y) CH Biovest Group and its concert parties, if any, abstain from voting for and/or recommending Shareholders to vote in favour of the resolution to approve the Proposed Share Buyback Mandate;
- (iv) within seven (7) days after the passing of the resolution by Shareholders to approve the Proposed Share Buyback Mandate, each of the (x) GC Group and its concert parties; (y) CH Biovest and its concert parties, if any, to submit to the SIC a duly signed Form 2 (Submission by directors and their concert parties pursuant to Appendix 2 to the Code); and
- (v) the (x) GC Group and its concert parties; and (y) CH Biovest Group and its concert parties, if any, have not acquired and do not acquire any Shares between the date on which they know that the announcement of the Proposed Share Buyback Mandate is imminent and the earlier of:–
 - (a) the date on which the Proposed Share Buyback Mandate expires; and

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- (b) the date on which the Company announces that it has bought back such number of Shares as authorised by the Proposed Share Buyback Mandate or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the buy-back of Shares, would cause their aggregate voting rights in the Company to increase by more than 1% in the preceding six (6) months.

As such, if the aggregate voting rights held by the (i) GC Group and its concert parties; and (ii) CH Biovest Group and its concert parties, if any, increase by more than 1% solely as a result of the Proposed Share Buyback Mandate, it is only if none of them has acquired any Shares during the relevant six-month period that the (i) GC Group and its concert parties; and (ii) CH Biovest Group and its concert parties, if any, would be eligible for SIC's exemption from the requirement to make a general offer under Rule 14, or where such exemption has been granted, would continue to enjoy the exemption.

This also means if the Company ceases the buy-back of Shares pursuant to the Proposed Share Buyback Mandate and the increase in the aggregate voting rights held by the (i) GC Group and its concert parties; and/or (ii) CH Biovest and its concert parties, if any, as a result of the relevant buy-back of Shares at such time is less than 1% in any six-month period, the (i) GC Group and its concert parties; and/or (ii) CH Biovest Group and its concert parties, if any, may subsequently resume acquisition of further voting rights in the Company. However, in such a scenario, the (i) GC Group and its concert parties; and/or (ii) CH Biovest Group and its concert parties, if any, are still bound to take into account any increase in their percentage voting rights as a result of said buy-back of Shares together with any further voting rights they acquire by any means in determining whether they have increased their voting rights by more than 1% in any six-month period.

2.10.6 Form 2 Submission to the SIC

Form 2 (Submission by directors and their concert parties pursuant to Appendix 2 to the Code) is in the prescribed form to be submitted to the SIC by a director and persons acting in concert with him pursuant to the conditions for exemption (please refer to Section 2.10.5 above) from the requirement to make a take-over offer under Rule 14 of the Code as a result of the buy-back of shares by a listed company under its share purchase mandate.

Mr. Glen Chan has informed the Company that he will be submitting a Form 2 to the SIC within seven (7) days after the passing of the resolution by Shareholders authorising the Proposed Share Buyback Mandate.

Mr. Peh Siong Woon Terence has informed the Company that he will be submitting a Form 2 to the SIC within seven (7) days after the passing of the resolution by Shareholders authorising the Proposed Share Buyback Mandate.

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2.10.7 Waiver

Shareholders should note that by voting for the Proposed Share Buyback Mandate, they are waiving their rights to a general offer by the (i) GC Group and its concert parties; and/or (ii) CH Biovest Group and its concert parties, if any, at the Required Price (as hereinafter defined). Such a take-over offer, if required to be made and had not been exempted by SIC, would have to be made in cash or be accompanied by a cash alternative at not less than the highest price (excluding related expenses) paid by the (i) GC Group and its concert parties; and/or (ii) CH Biovest Group and its concert parties, if any, or by the Company for any Share within the preceding six (6) months.

“**Required Price**” means in relation to the offer required to be made under the provisions of Rule 14.1 of the Code, the highest of:–

- (i) the highest price paid by the offeror and/or person(s) acting in concert with them for the Company’s Shares during the offer period and within the preceding six (6) months;
- (ii) the highest price paid by the offeror and/or person(s) acting in concert with them for the Company’s Shares acquired through the exercise of instruments convertible into securities which carry voting rights within six (6) months of the offer and during the offer period; or
- (iii) the highest price paid by the offeror and/or person(s) acting in concert with them for the Company’s Shares acquired through the exercise of rights to subscribe for, and options in respect of, securities which carry voting rights within six (6) months of the offer or during the offer period;

or at such price as determined by SIC under Rule 14.3 of the Code.

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

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Proposed Share Buyback Mandate are advised to consult their professional advisors and/or the SIC and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases or acquisitions by the Company during the period when the Proposed Share Buyback Mandate is in force.

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3 THE PROPOSED RENEWAL OF THE MANDATE FOR INTERESTED PERSON TRANSACTIONS

3.1 Background

At the 2016 AGM, Shareholders approved, *inter alia*, the renewal of a mandate (the “**IPT Mandate**”) to enable the Company, its subsidiaries and associated companies which are considered to be “entities at risk” (as that term is used in Chapter 9 of the Catalist Rules) to enter into certain interested person transactions with the classes of interested persons (the “**Interested Persons**”) as set out in the IPT Mandate.

The IPT Mandate will expire on the date of the AGM of the Company on 27 April 2017. If the proposed resolution for the renewal of the IPT Mandate is approved at the forthcoming AGM, the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next AGM of the Company is held or is required by law to be held, whichever is the earlier date.

3.2 The Appendix

Details of the IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with the Interested Persons and other general information relating to Chapter 9 of the Catalist Rules, are set out in the Appendix to this Circular.

3.3 Audit Committee Statement

The Audit Committee has reviewed the terms of the proposed renewal of the IPT Mandate and confirms that:

- (a) the methods or procedures for determining the transaction prices have not changed since the 2016 AGM; and
- (b) the methods or procedures referred to in Section 3.3(a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority Shareholders.

If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the methods or procedures are inadequate or inappropriate to ensure that the interested person transactions will be on normal commercial terms, and will be prejudicial to the interests of the Company and its minority Shareholders, or in the event of any amendment to Chapter 9 of the Catalist Rules, it will in consultation with the Board take such action as it deems proper in respect of such procedures and/or modify or implement such procedures as may be necessary and direct the Company to revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with interested persons to ensure that interested person transactions will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

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4 THE PROPOSED CHANGE OF AUDITORS

4.1 Rationale for the Proposed Change of Auditors

The Company's existing auditors, Moore Stephens, have been the auditors of the Company since the financial year ended 31 December 2011. Moore Stephens was re-appointed as Auditors at the 2016 AGM to hold office until the conclusion of the next AGM.

The Proposed Change of Auditors is recommended by the Audit Committee in view of the fact that a rotation of auditors is advantageous for strategic purpose. As part of ongoing good corporate governance, the Board is of the view that a change of auditors would enable the Company to benefit from fresh perspectives and the views of another professional audit firm and also enhance the value of the audit.

The Board, after reviewing the credentials of audit firms, accepted the Audit Committee's recommendation for the appointment of EY LLP in place of Moore Stephens, subject to the approval of the Shareholders at the AGM.

In this regard, Moore Stephens have given notice to the Directors of their resignation as auditors of the Company on 30 March 2017, and EY LLP have given their consent to be appointed as the Auditors on 4 April 2017, subject to the approval of the Shareholders at the AGM. The resignation of Moore Stephens and the appointment of EY LLP will take effect upon obtaining the approval of the Shareholders at the AGM.

4.2 Information on EY LLP

EY LLP is a global leader in assurance, tax, transaction and advisory services. The insights and quality services it delivers help build trust and confidence in the capital markets and in economies over the world. It develops outstanding leaders in teams to deliver its promises to all of its stakeholders. In so doing, EY LLP plays a critical role in building a better working world for its people, for its clients and for the communities. The EY member firms in Singapore, with a strength of over 2,800 people and over 150 partners, is part of the Asia-Pacific area, which comprises 22 countries across five regions and brings together over 35,000 people to provide services seamlessly across borders.

EY LLP refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about EY LLP, its core values and services are provided at EY LLP's website at: <http://www.ey.com>.

The engagement partner-in-charge from EY LLP will be Mr Low Bek Teng. Mr. Low Bek Teng has more than 26 years of audit experience and is a Fellow Chartered Accountant of the Institute of Singapore Chartered Public Accountants.

4.3 Opinion of the Directors

The Directors have taken into account the Audit Committee's recommendation and considered the following factors:

- (a) the adequacy of the resources and experience of EY LLP;

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- (b) the audit engagement partner assigned to the audit;
- (c) the other audit engagements of EY LLP;
- (d) the size and complexity of the Group's operations; and
- (e) the number and experience of the supervisory and professional staff assigned to the audit of the financial statements of the Group,

and are of the opinion that EY LLP will be able to meet the audit requirements of the Group under Rule 712 of the Catalist Rules.

Accordingly, the Directors recommend the appointment of EY LLP as the Auditors in place of Moore Stephens.

4.4 Rule 712(3) of the Catalist Rules

Confirmation from Outgoing Auditors

In accordance with the requirements of Rule 712(3)(a) of the Catalist Rules, Moore Stephens have confirmed that they are not aware of any professional reasons why EY LLP should not accept the appointment as Auditors of the Company.

Confirmations from the Company

In accordance with the requirements of Rule 712(3) of the Catalist Rules, the Company confirms that:

- (a) there were no disagreements with Moore Stephens on accounting treatments within the last 12 months;
- (b) it is not aware of any circumstances with the Proposed Change of Auditors that should be brought to the attention of the Shareholders which has not been disclosed in this Circular;
- (c) specific reasons for the Proposed Change of Auditors are as disclosed in Section 4.1 of this Circular above; and
- (d) it is in compliance with Rule 712 and Rule 716 of the Catalist Rules in relation to the appointment of EY LLP.

The Company may appoint different auditing firms for its subsidiaries or significant associated companies, provided that the Board and the Audit Committee are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Group.

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4.5 Rule 716 of the Catalist Rules

Following and subject to the approval of the Shareholders of the Proposed Change of Auditors, EY LLP will become the auditors of the Company in place of Moore Stephens.

The current auditors of the following subsidiaries or significant associated companies are set out below:

S/n	Name of entity	Country of Incorporation	Name of audit firm
1.	PSD Singapore Pte. Ltd.	Singapore	EY LLP
2.	Twin Prosperity Group Ltd	British Virgin Islands	–
3.	Tropical Sunrise Development Inc.	British Virgin Islands	–
4.	Pacific Star Development (Malaysia) Sdn. Bhd.	Malaysia	Tay Wong & Associates, Chartered Accountants
5.	Pacific Star Property Sdn. Bhd.	Malaysia	Tay Wong & Associates, Chartered Accountants
6.	Pearl Discovery Development Sdn. Bhd.	Malaysia	Ernst & Young (Malaysia)
7.	Pearl Discovery Property Management Sdn. Bhd.	Malaysia	Tay Wong & Associates, Chartered Accountants
8.	Minaret Holdings Limited	British Virgin Islands	–
9.	Pacific Star Development (Thailand) Co., Ltd.	Thailand	Thai Info Ltd.
10.	Kanyakorn Pattana Co., Ltd.	Thailand	Thai Info Ltd.
11.	Kanokkorn Pattana Co., Ltd.	Thailand	Thai Info Ltd.
12.	Autotrax International Pte. Ltd.	Singapore	Moore Stephens
13.	LH Aluminum Industries Pte. Ltd.	Singapore	Moore Stephens
14.	Durabeau Industries Pte. Ltd.	Singapore	Moore Stephens
15.	Autovox Korea Co., Ltd.	Korea	Y.J.Y. Tax & Accounting Firm

The Board and the Audit Committee of the Group are satisfied that the appointment of different audit firms as aforementioned would not compromise the standard and effectiveness of the audit of the Company.

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4.6 Audit Committee's Recommendation

The Audit Committee has reviewed and deliberated on the Proposed Change of Auditors and recommends the same for approval after having satisfied itself of the suitability of EY LLP and the requirements of the Catalist Rules.

5 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

5.1 Directors' interests

The shareholdings of the Directors, as extracted from the Register of Directors' Shareholdings, as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Glen Chan	Nil	Nil	145,196,100	30.55	145,196,100	30.55
Peh Siong Woon Terence	Nil	Nil	177,454,800	37.34	177,454,800	37.34
Tan Hai Peng Micheal	Nil	Nil	24,000,678	5.05	24,000,678	5.05

Note:

(1) Based on 475,285,878 Shares (excluding treasury shares) as at the Latest Practicable Date.

5.2 Substantial Shareholders' interests

The shareholdings of the Substantial Shareholders, as extracted from the Register of Substantial Shareholders, as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Ho Lee Group Pte. Ltd.	24,000,000	5.05	678	n.m.	24,000,678	5.05
Teck Lee Holdings Pte. Ltd.	Nil	Nil	24,000,678	5.05	24,000,678	5.05
CH Biovest Pte. Limited	177,454,800	37.34	Nil	Nil	177,454,800	37.34
Chuan Hup Holdings Limited	Nil	Nil	177,454,800	37.34	177,454,800	37.34
3P Pte Ltd	Nil	Nil	177,454,800	37.34	177,454,800	37.34
Peh Kwee Chim	Nil	Nil	177,454,800	37.34	177,454,800	37.34
Qing Shan Pte Ltd	Nil	Nil	177,454,800	37.34	177,454,800	37.34
TMF (Cayman) Ltd	Nil	Nil	177,454,800	37.34	177,454,800	37.34
Beamsbury Limited	Nil	Nil	177,454,800	37.34	177,454,800	37.34
Double Blessing Holdings Limited	52,348,050	11.01	Nil	Nil	52,348,050	11.01
Glaxier City Limited	92,848,050	19.54	Nil	Nil	92,848,050	19.54

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Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Global Century Ltd	Nil	Nil	92,848,050	19.54	92,848,050	19.54
Fidelitycorp Limited	Nil	Nil	92,848,050	19.54	92,848,050	19.54
Tan Thuan Teck	Nil	Nil	24,000,678	5.05	24,000,678	5.05
Tan Hai Peng Micheal	Nil	Nil	24,000,678	5.05	24,000,678	5.05
Tan Hai Seng Benjamin	Nil	Nil	24,000,678	5.05	24,000,678	5.05

Notes:

- (1) Based on 475,285,878 Shares (excluding treasury shares) as at the Latest Practicable Date.
(2) n.m. denotes not meaningful.

6 DIRECTORS' RECOMMENDATIONS

6.1 Proposed renewal of Share Buyback Mandate

The Directors (other than Mr. Glen Chan and Mr. Peh Siong Woon Terence who are abstaining from making any recommendations to the Shareholders pursuant to the conditions for exemption under Appendix 2 to the Code) are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders **vote in favour** of Ordinary Resolution 9, relating to the Renewal of Share Buyback Mandate as set out in the AGM notice.

6.2 Proposed renewal of IPT Mandate

The Directors (other than Mr. Tan Hai Peng Micheal) are of the opinion that the proposed renewal of the IPT Mandate is in the best interests of the Company. Accordingly, they recommend that the Shareholders **vote in favour** of Ordinary Resolution 8 relating to Renewal of Shareholders' Mandate for Interested Person Transactions as set out in the AGM notice at the AGM.

6.3 Proposed Change of Auditors

Having considered the rationale and benefit of the Proposed Change of Auditors, the Directors are of the opinion that the Proposed Change of Auditors is in the best interests of the Company. Accordingly, the Directors recommend that the Shareholders **vote in favour** of the Ordinary Resolution 5 in respect of the Proposed Change of Auditors at the AGM.

7 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and wish to appoint a proxy to attend and vote on their behalf should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon and as soon as possible and, in any event, so as to arrive at the registered office of the Company at Blk 8, #08-05, Liang Huat Industrial Complex, 51 Benoi Road, Singapore 629908 not less than seventy-two (72) hours before the time set for the AGM. The completion and return of a Proxy Form by a Shareholder does not preclude him/her from attending and voting in person at the AGM if he/she wishes to do so, in place of his/her proxy.

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8 ABSTENTION FROM VOTING

The (i) GC Group and its concert parties; and (ii) CH Biovest and its concert parties, if any, will abstain from voting at the AGM in respect of Ordinary Resolution No. 9 in relation to the renewal of the Share Buyback Mandate pursuant to the conditions under Appendix 2 to the Code as set out in Section 2.10.5(iii) above.

HLG and Mr. Tan Hai Peng Micheal as well as their associates, being Interested Persons in the proposal relating to the renewal of the IPT Mandate, will abstain from voting at the AGM in respect of Ordinary Resolution No. 8 in relation to the renewal of the IPT Mandate. Further, Tan Hai Peng Micheal, together with his respective associates, will not accept nominations to act as proxy, corporate representative or attorney to vote in respect of the resolution unless the Shareholder appointing him indicates clearly how votes are to be cast in respect of the resolution.

9 DIRECTORS' RESPONSIBILITY STATEMENT

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

10 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at Blk 8, #08-05, Liang Huat Industrial Complex, 51 Benoi Road, Singapore 629908 during normal business hours on any weekday (public holidays excepted) from the date of this Circular up to and including the date of the AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report for the year ended 31 December 2016.

Yours faithfully

For and on behalf of the Board of Directors of
PACIFIC STAR DEVELOPMENT LIMITED

Mr Glen Chan
CEO and Managing Director

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1. Chapter 9 of the Catalist Rules

- 1.1. Chapter 9 of the Catalist Rules governs transactions which a listed company or any of its subsidiaries or associated companies proposes to enter into with an interested person of the listed company. Under Chapter 9, where a listed company or any of its subsidiaries or associated companies which is an “entity at risk” proposes to enter into a transaction with an “interested person”, an immediate announcement or an immediate announcement and shareholders’ approval would be required in respect of the transaction if the value of the transaction is equal to or exceeds certain materiality thresholds.
- 1.2. Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and hence are excluded from the ambit of Chapter 9 of the Catalist Rules, immediate announcement would be required where:
- (a) the transaction is of a value equal to, or more than, 3% of the group’s latest audited net tangible assets (“NTA”); or
 - (b) the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group’s latest audited NTA.
- 1.3. Further, shareholders’ approval is required where:
- (a) the transaction is of a value equal to, or more than, 5% of the group’s latest audited NTA; or
 - (b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, 5% of the group’s latest audited NTA.
- 1.4. For purposes of aggregation, any transaction with an interested person which is below S\$100,000 is to be excluded.
- 1.5. Based on the latest audited consolidated accounts of the Group for the financial year ended 31 December 2016, the consolidated NTA of the Group was S\$13,406,000. In relation to the Company, for purposes of Chapter 9 of the Catalist Rules, in the current financial year and until such time as the consolidated audited accounts of the Group for the financial year ending 31 December 2017 are published, 5% of the latest audited consolidated NTA of the Group would be S\$670,000.
- 1.6. Chapter 9 of the Catalist Rules permits a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses), which may be carried out with the listed company’s interested persons.
- 1.7. Under the Catalist Rules:
- (a) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Catalist Rules;

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- (b) an “**associate**” means:
- (i) in relation to any director, chief executive officer or controlling shareholder (being an individual):
 - (aa) his immediate family member (that is, the person’s spouse, child, adopted child, step-child, sibling and parent);
 - (bb) 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
 - (cc) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more; and
 - (ii) in relation to a controlling shareholder (being a company), its subsidiary or holding company or a subsidiary of such holding company or a company in which it and/or such company or companies taken together (directly or indirectly) have an interest of 30.0% or more;
- (c) a “**controlling shareholder**” means a person who:
- (i) holds directly or indirectly 15.0% or more of the total number of issued shares, excluding treasury shares, in a company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or
 - (ii) in fact exercises control over a company;
- (d) an “**entity at risk**” means:
- (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company;
- (e) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed issuer or an associate of any such director, chief executive officer or controlling shareholder; and
- (f) an “**interested person transaction**” means a transaction between an entity at risk and an interested person and includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

2. Rationale and benefits of the IPT Mandate

2.1. Provision of Services

(i) PSDL Services Transactions

Transactions for services need to be concluded in a timely manner. Extraordinary general meetings require much time and cost to convene. It would therefore be prejudicial to the Group for extraordinary general meetings to be convened on each occasion whenever a PSDL Services Transaction is proposed. The IPT Mandate will therefore enable companies in the Group to avoid the loss of business opportunities and reduce substantially the administrative time, inconvenience and costs associated with the convening of such meetings.

(ii) IP Services Transactions

The Group has a long-standing business relationship with certain Interested Persons. The Group may lose the opportunity to work with an Interested Person despite being offered favourable terms if the conclusion of the agreement were delayed due to the need to convene an extraordinary general meeting in order to seek Shareholders' approval. The IPT Mandate will enable the Group to avoid the loss of such business opportunities and reduce substantially the administrative time, inconvenience and costs associated with the convening of such extraordinary general meetings.

2.2. Provision of customisation services and products (“Customisation Transactions”)

Similar to PSDL Services Transactions as set out above, Customisation Transactions need to be concluded in a timely manner. Extraordinary general meetings require much time and cost to convene. It would therefore be prejudicial to the Group for extraordinary general meetings to be convened on each occasion whenever a Customisation Transaction is proposed. The IPT Mandate will therefore enable companies in the Group to avoid the loss of business opportunities and reduce substantially the administrative time, inconvenience and costs associated with the convening of such meetings.

2.3. Supply of Goods

(i) PSDL Goods Transactions

Certain companies in the Group have, from time to time, supplied Goods to the Interested Persons.

It would therefore be prejudicial to companies in the Group if they were unable to conclude PSDL Goods Transactions in a timely manner due to the need to obtain Shareholders' approval. The IPT Mandate will enable companies in the Group to avoid the loss of such business opportunities and reduce substantially the administrative time, inconvenience and costs associated with the convening of such meetings.

(ii) IP Goods Transactions

Due to the long-standing relationships between companies in the Group and certain Interested Persons, the companies in the Group may wish to obtain Goods from Interested Persons when it makes commercial sense for them to do so.

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If the Interested Persons were able to supply these Goods at market rate or on better terms, the Group would wish to transact with these Interested Persons.

It is therefore impractical for an extraordinary general meeting to be convened whenever such IP Goods Transactions are proposed as such supply agreements have to be concluded expeditiously. The IPT Mandate will enable companies in the Group to avoid the loss of such business opportunities and reduce substantially the administrative time, inconvenience and costs associated with the convening of such meetings.

There may also be instances when the companies in the Group require Goods on an urgent basis and the Interested Persons are able to supply these Goods within short notice. As such, it will not be in the interest of the companies in the Group if they fail to conclude such supply agreements with Interested Persons by reason of the need to convene an extraordinary general meeting to obtain Shareholders' approval. The IPT Mandate will enable companies in the Group to avoid the loss of business opportunities and reduce substantially the administrative time, inconvenience and costs associated with the convening of such meetings.

3. Scope of the IPT Mandate

- 3.1. The purpose of the IPT Mandate is to enable companies in the Group to enter into transactions with Interested Persons identified in Section 4.1 of this Appendix.
- 3.2. The IPT Mandate will not cover any Interested Person Transaction which is below S\$100,000 in value as the threshold and aggregation requirements set out in Chapter 9 of the Catalist Rules will not apply to such transactions. In addition, the IPT Mandate only covers recurrent transactions of a revenue or trading nature or those necessary for the day-to-day operations such as the purchase and sale of supplies and materials, but will not cover the transactions relating to the purchase or sale of assets, undertakings or businesses.
- 3.3. Transactions with interested persons (including the Interested Persons) that do not fall within the ambit of the IPT Mandate will be subject to the provisions of Chapter 9 and/or other applicable provisions of the Catalist Rules.
- 3.4. The IPT Mandate will take effect from the date of the passing of the ordinary resolution relating thereto to be proposed at the AGM and will continue in force until the date of the next AGM of the Company.

4. Classes of Interested Persons

- 4.1. The IPT Mandate, if renewed, will apply to the following class of persons only:–
 - (a) HLG, a substantial Shareholder of the Company who, as at the Latest Practicable Date, has an interest of 5.05% in the issued share capital of the Company;
 - (b) Tan Hai Peng Micheal, Director of the Company and a deemed substantial Shareholder of the Company;
 - (c) Any person, entity or company who, at the point of time when the transaction is proposed to be entered into, is an associate of any one or more of the persons or companies named in Sections 4.1 (a) and (b) above.

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- 4.2. The associates of HLG include WeePoh and HLC, which currently have subsisting transactions with companies in the Group as described at Section 5 below.
- 4.3. Transactions with Interested Persons which do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Catalist Rules.

5. Categories of Interested Person Transactions

- 5.1. The interested person transactions which are covered by the IPT Mandate (the “**Interested Person Transactions**”) consist of:

(a) Provision of Services

“**Services**” refers to building and construction services under construction contracts.

- (i) Provision of Services by companies in the Group to the Interested Persons (“**PSDL Services Transactions**”)

Being in the same industry, it is likely that opportunities for PSDL Services Transactions would arise. In such an event, companies in the Group would like to seize these opportunities and continue the Group’s long-standing working relationship with the various Interested Persons.

It should be noted that there is usually a term in a construction sub-contract allowing the main contractor to step in to perform the works in the event the sub-contractor fails to complete the works on time, or for the main contractor to rectify any defects in the sub-contractor’s works. In such circumstances, the main contractor would be entitled to claim the costs of such works from the sub-contractor. Hence, it is possible that the Interested Persons who engage companies in the Group as sub-contractors may charge the relevant companies for works performed by these Interested Persons in relation to the sub-contract. This will be considered an IP Services Transaction.

- (ii) Provision of Services by Interested Persons to companies in the Group (“**IP Services Transactions**”)

As the Group’s businesses comprise of construction-related activities, there may be occasions when companies in the Group may require general builders’ work or other services to be carried out by third parties for its projects. Hence, although there are no subsisting IP Services Transactions as at the Latest Practicable Date, there may be occasions when companies in the Group would engage the Interested Persons to undertake such works.

(b) Provision of Customisation Transactions

Interested Persons may require services in relation to the design, manufacturing and/or fabrication of aluminum and other metal parts and components (“**Customised Products**”) for their construction projects. As the Group is in this line of business, companies in the Group would want to offer their services and Customised Products to these Interested Persons. Hence, although there are no subsisting Customisation Transactions as at the Latest Practicable Date, there may be occasions when companies in the Group would engage the Interested Persons to undertake such transactions.

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(c) Supply of Goods

“**Goods**” refer to building and construction related goods and materials other than the Customised Products referred to in Section 5.1(b) above.

(i) Supply of Goods by companies in the Group to Interested Persons (“**PSDL Goods Transactions**”)

Companies in the Group may wish to supply Goods to Interested Persons when it makes commercial sense for them to do so.

(ii) Supply of Goods by the Interested Persons to companies in the Group (“**IP Goods Transactions**”)

Companies in the Group may wish to obtain Goods from the Interested Persons when it makes commercial sense for them to do so.

There may also be occasions when companies in the Group are unable to obtain Goods from certain suppliers when they require Goods on an urgent basis. Since some Interested Persons are also in the construction industry and may be able to supply these Goods, the companies in the Group may wish to request for the supply of such Goods from the Interested Persons on such terms as may be agreed by the parties. Conversely, the Interested Persons who are in the construction industry may require Goods on an urgent basis, which the Group is in a position to supply on terms as may be agreed by the parties.

6. Review Procedures for Interested Person Transactions

The Company has in place an internal control system to ensure that transactions with the Interested Persons are made on normal commercial terms and will not be prejudicial to the interest of the Company and its minority Shareholders. The Audit Committee confirms that the methods and procedures for determining transaction prices are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The review procedures set out below will be applied to all Interested Person Transactions in Section 5.1 entered into before as well as after the Latest Practicable Date.

(a) Review Procedures

The Company has established the review procedures set out below to ensure that transactions with the Interested Persons are undertaken at an arm’s length basis and on normal commercial terms consistent with the Group’s usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

(i) *Provision of Services*

(A) PSDL Services Transactions

In the event an Interested Person requests the provision of Services by companies in the Group, factors such as, but not limited to the timing requirements for the Services, the relevant company of the Group’s technical capability in undertaking such provision of Services, its resources (financial

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or otherwise) and the profit margin will be considered in assessing whether the price and terms offered by the Interested Person is fair and reasonable. The fees for the provision of services are to be determined based on prevailing market rates for similar services, on terms no more favourable to the Interested Persons than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates, discounts to preferential customers or for bulk purchases) or otherwise in accordance with applicable industry norms.

(B) IP Services Transactions

The relevant company in the Group will obtain at least two (2) quotations from unrelated third parties for similar scope of work and similar quality services as a basis for comparison to determine whether the price and terms offered by the Interested Person are fair, reasonable and comparable to those unrelated third parties.

Notwithstanding the above, companies in the Group may enter into transactions with the Interested Persons in certain circumstances, notwithstanding that the price offered may be higher than the comparative quotes. This is to maintain the quality of its services and to meet or exceed customer expectations. Further, a choice of contractor must be predicated not only on price but on qualitative factors as well. In selecting a contractor, the Group considers factors such as timeliness, consistency of quality, service response, track record, experience and expertise.

Where it is impractical or impossible to obtain comparable quotes from unrelated third parties, the price and terms offered by the Interested Person shall be reviewed by a Director (who shall be familiar with the relevant industry practices and pricing policies and/or who shall not be an Interested Person in respect of the particular transaction) to ensure that the same are fair and reasonable, and beneficial to the relevant company in the Group, taking into account industry norms and whether the transactions would result in cost savings, increased profit margins or other advantages to the said company in the Group.

(ii) *Customisation Transactions*

In the event that an Interested Person requests for the provision of design, manufacturing and fabrication services and/or customised products by companies in the Group, factors such as, but not limited to the timing requirements for the services, the relevant company of the Group's technical capability in undertaking such provision of services, its resources (financial or otherwise) and the profit margin will be considered in assessing whether the price and terms offered to the Interested Person is fair and reasonable.

Due to the nature of the customised services to be provided or the customised products to be sold, there may not be other customers for similar services or products available to establish the prevailing market rates or prices. As such, the transaction price will be determined by a Director (who shall be familiar with the relevant industry practices and pricing policies and/or who shall not be an

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Interested Person in respect of the particular transaction) in accordance with the Group's usual business practices and pricing policies and consistent with its usual margin for substantially similar types of transaction with unrelated third parties.

(iii) *Supply of Goods*

(A) PSDL Goods Transactions

In the event that an Interested Person requests the supply of Goods by companies in the Group, factors such as, but not limited to the timing requirements for the supply of Goods, the relevant company in the Group's ability to fulfil the terms of the transaction, market conditions and the profit margin will be taken into account in determining whether the price and terms offered to the Interested Persons are fair and reasonable.

The prices charged by companies in the Group shall be determined by a Director (who shall be familiar with the relevant industry practices and pricing policies and/or who shall not be an Interested Person in respect of the particular transaction), in accordance with the Group's usual business practices and consistent with the profit margin to be obtained by the Group for the same or substantially the same Goods from unrelated third parties, on terms no more favourable to the Interested Persons than the usual commercial terms extended to unrelated third parties.

(B) IP Goods Transactions

The relevant company in the Group will obtain at least two (2) quotations from unrelated third parties for similar quantities and/or quality products as a basis for comparison to determine whether the price and terms offered by the Interested Person are fair, reasonable and comparable to those unrelated third parties.

Notwithstanding the above, companies in the Group may enter into transactions with Interested Persons in certain circumstances, notwithstanding that the price offered may be higher than the comparative quotes. This is to maintain the quality of its services and to meet or exceed customer expectations. Further, a choice of supplier must be predicated not only on price but on qualitative factors as well. In selecting a supplier, the Group considers factors such as credit terms, timeliness, consistency of quality and supply, service response, market conditions and where appropriate, preferential rates, rebates or discounts accorded.

Where it is impractical or impossible to obtain comparable quotes from unrelated third parties, the price and terms offered by the Interested Person shall be reviewed by a Director (who shall be familiar with the relevant industry practices and pricing policies and/or who shall not be an Interested Person in respect of the particular transaction) to ensure that the same are fair and reasonable, and beneficial to the relevant company in the Group, taking into account industry norms and whether the transactions would result in cost savings, increased profit margins or other advantages to the said company in the Group.

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(b) Threshold Limits

In addition, the following review and approval procedures will be implemented by the Company:

- (i) the approval of a Director (with no interest, direct or indirect, in the proposed Interested Person Transaction) is required for any proposed Interested Person Transaction below the sum of S\$100,000; and
- (ii) the approval of the Audit Committee is required for any proposed Interested Person Transaction above the sum of S\$100,000.

(c) Identification of Interested Persons and recording of Interested Person Transactions

The Company has also implemented the following procedures for the identification of Interested Persons and the recording of all its Interested Person Transactions:

- (i) the Company will maintain a list of Directors and controlling Shareholders and their respective associates, and disclose the list to relevant personnel to enable identification of Interested Persons. Such a master list of Interested Persons will be reviewed on a quarterly basis or when there are any changes to the list (whichever is the shorter period), by the Audit Committee and maintained by the Company;
- (ii) the Company will maintain a register of Interested Person Transactions (the “**Register**”) carried out with Interested Persons (recording the basis and rationale, including the comparable quotations obtained to support such basis on which they are entered into) pursuant to the IPT Mandate; and
- (iii) the Company will obtain signed letters of confirmation from key management personnel, controlling Shareholders and the Directors on an annual basis as to their interests in any transactions with the Group.

(d) Other Procedures

The Audit Committee led by the Audit Committee Chairman will review all Interested Person Transactions. The Company has implemented the following procedures to facilitate the review of the Audit Committee:

- (i) In respect of Goods and Services provided in respect of construction contracts, reconciliation of differences between actual invoices and progress claims and any settlement thereof will be compiled on a quarterly basis and submitted to the Audit Committee for review. The differences arising from any reconciliation will be settled between the relevant company in the Group and the Interested Person.
- (ii) The Audit Committee will review all the Interested Person Transactions recorded in the Register on a quarterly basis to ensure that the Interested Person Transactions are carried out on normal commercial terms and in accordance with the established procedures outlined above.

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- (iii) If during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of the changes to the nature of, or the manner in which, the business activities of the Group are conducted, the Company will revert to Shareholders for a fresh mandate based on new guidelines and review procedures to ensure that Interested Person Transactions will be at arm's length and normal commercial bases.
- (iv) If a member of the Audit Committee has an interest in an Interested Person Transaction to be reviewed by the Audit Committee, he will abstain from any decision-making in respect of that transaction and the review and approval (if any) of such transaction shall be undertaken by the remaining members of the Audit Committee.

(e) Disclosure of the Interested Person Transactions pursuant to the IPT Mandate

The Company will:

- (i) disclose the IPT Mandate in its Annual Report, giving details of the aggregate value of the Interested Person Transactions conducted pursuant to the IPT Mandate during the financial year, and in the Annual Reports for subsequent financial years that the IPT Mandate continues in force, in accordance with the requirements of Chapter 9 of the Catalist Rules; and
- (ii) announce the aggregate value of the Interested Person Transactions conducted pursuant to the IPT Mandate for the relevant financial periods which the Company reports on pursuant to Rule 705 of the Catalist Rules, and within the time required for the announcement of such reports, in accordance with the requirements of Chapter 9 of the Catalist Rules.

The disclosure will include the name of the Interested Person and the corresponding aggregate value of the Interested Person Transactions, presented to indicate (aa) the aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the IPT Mandate); and (bb) the aggregate value of all Interested Person Transactions, conducted under the IPT Mandate.