

CIRCULAR DATED 13 JULY 2015

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

**If you are in any doubt about the contents of this Circular or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.**

If you have sold or transferred all your shares in the capital of Libra Group Limited (the “**Company**”), you should forward this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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

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

The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229-8088.



(Incorporated in the Republic of Singapore on 20 October 2010)  
(Company Registration Number: 201022364R)

#### **CIRCULAR TO SHAREHOLDERS**

##### **IN RELATION TO:**

- (1) THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE PROPERTY BUSINESS (AS DEFINED HEREIN);**
- (2) THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE TRADING BUSINESS (AS DEFINED HEREIN);**
- (3) THE PROPOSED EXTENSION OF THE GROUP’S EXISTING M&E SERVICES (AS DEFINED HEREIN) TO THE OFFSHORE AND MARINE INDUSTRY;**
- (4) THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE HOSPITALITY BUSINESS (AS DEFINED HEREIN);**
- (5) THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE TOURISM BUSINESS (AS DEFINED HEREIN);**
- (6) THE PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE (AS DEFINED HEREIN);**
- (7) THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; AND**
- (8) THE PROPOSED SCRIP DIVIDEND SCHEME.**

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

Last date and time for lodgment of Proxy Form	: 3 August 2015 at 10.00 a.m.
Date and time of Extraordinary General Meeting	: 5 August 2015 at 10.00 a.m.
Place of Extraordinary General Meeting	: Orchid Country Club, 1 Orchid Club Road, Singapore 769162

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# CONTENTS

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<b>DEFINITION</b> .....	<b>3</b>
<b>1. INTRODUCTION</b> .....	<b>6</b>
<b>2. THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE PROPERTY BUSINESS</b> .....	<b>7</b>
<b>3. THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE TRADING BUSINESS</b> .....	<b>17</b>
<b>4. THE PROPOSED EXTENSION OF THE GROUP'S EXISTING M&amp;E SERVICES TO THE OFFSHORE AND MARINE INDUSTRY</b> .....	<b>23</b>
<b>5. THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE HOSPITALITY BUSINESS</b> .....	<b>30</b>
<b>6. THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE TOURISM BUSINESS</b> .....	<b>37</b>
<b>7. APPLICATION OF CHAPTER 10 OF THE CATALIST RULES TO THE PROPOSED DIVERSIFICATIONS</b> .....	<b>46</b>
<b>8. PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE</b> .....	<b>47</b>
<b>9. THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION</b> .....	<b>61</b>
<b>10. THE PROPOSED SCRIP DIVIDEND SCHEME</b> .....	<b>62</b>
<b>11. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS</b> .....	<b>66</b>
<b>12. ABSTENTION FROM VOTING</b> .....	<b>67</b>
<b>13. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS</b> .....	<b>67</b>
<b>14. EXTRAORDINARY GENERAL MEETING</b> .....	<b>67</b>
<b>15. ACTION TO BE TAKEN BY SHAREHOLDERS</b> .....	<b>67</b>
<b>16. DIRECTORS' RECOMMENDATION</b> .....	<b>68</b>
<b>17. DIRECTORS' RESPONSIBILITY STATEMENT</b> .....	<b>69</b>
<b>18. DOCUMENTS AVAILABLE FOR INSPECTION</b> .....	<b>69</b>
<b>APPENDIX A – THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION</b> .....	<b>70</b>
<b>APPENDIX B – SCRIP DIVIDEND SCHEME STATEMENT</b> .....	<b>75</b>
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING</b> .....	<b>85</b>
<b>PROXY FORM</b>	

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# DEFINITIONS

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

<b>“ACMV”</b>	: Air-conditioning and mechanical ventilation.
<b>“Act”</b>	: Companies Act (Chapter 50) of Singapore, as amended or modified from time to time.
<b>“AGM”</b>	: Annual General Meeting of the Company.
<b>“Articles of Association”</b>	: The Articles of Association of the Company, as amended or modified from time to time.
<b>“Associate”</b>	: Shall have the meaning ascribed to it in the Catalist Rules.
<b>“Board of Directors” or “Board”</b>	: The board of Directors of the Company as at the date of this Circular.
<b>“Books Closure Date”</b>	: With respect to a Qualifying Dividend, the date and time to be determined by the Directors on which the Register of Members and the transfer books of the Company will be closed for the purpose of determining the entitlements of Shareholders to that Qualifying Dividend.
<b>“Catalist”</b>	: The sponsor-supervised listing platform of the SGX-ST.
<b>“Catalist Rules”</b>	: The rules in Section B: Rules of Catalist of the Listing Manual of the SGX-ST, as amended or modified from time to time.
<b>“CDP”</b>	: The Central Depository (Pte) Limited.
<b>“Circular”</b>	: This circular to Shareholders dated 13 July 2015.
<b>“Company”</b>	: Libra Group Limited.
<b>“Control”</b>	: The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company.
<b>“Controlling Shareholder”</b>	: A person who: (a) holds directly or indirectly fifteen per cent. (15%) or more of the total number of Shares (excluding treasury shares) in the Company; or (b) in fact exercises control over the Company.
<b>“Directors”</b>	: The directors of the Company as at the date of this Circular.
<b>“Dividend”</b>	: A dividend (including any interim, final, special or other dividend) to be paid on the issued ordinary shares of the Company as resolved or proposed by the Directors or by the Company in general meeting.
<b>“EGM”</b>	: The extraordinary general meeting of the Company to be held on 5 August 2015, notice of which is set out on pages 85 to 90 of this Circular.
<b>“EPS”</b>	: Earnings per Share.
<b>“FY”</b>	: Financial year ended or ending 31 December.
<b>“GDP”</b>	: Gross Domestic Product.
<b>“Group”</b>	: The Company and its subsidiaries.
<b>“Hospitality Business”</b>	: The business of owning, leasing, operating and managing hotels in Asia. For details of the activities under the Hospitality Business, please refer to Paragraph 5.2 of this Circular.
<b>“Latest Practicable Date”</b>	: The latest practicable date prior to the printing of this Circular, being 2 July 2015.

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# DEFINITIONS

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<b>“Market Day”</b>	: A day on which SGX-ST is open for trading in securities.
<b>“Memorandum”</b>	: The Memorandum of Association of the Company.
<b>“MICE”</b>	: Meetings, incentives, conferences, and exhibitions; a type of tourism in which large groups, usually planned well in advance, are brought together for a particular purpose.
<b>“MOM”</b>	: Ministry of Manpower.
<b>“M&amp;E Services”</b>	: Mechanical and electrical engineering services, including the contracting and installation of ACMV systems, fire alarms and fire protection systems, electrical systems and sanitary and plumbing systems.
<b>“New Shares”</b>	: The new Shares which may be issued by the Company for the purposes of, in connection with or where contemplated, by the Scrip Dividend Scheme.
<b>“NTA”</b>	: Net tangible assets.
<b>“Overseas Members”</b>	: Shareholders with registered addresses outside Singapore as at the relevant Books Closure Date for a Dividend and who have not provided to the Company or (as the case may be) CDP, not later than five (5) Market Days (or such other cut-off date as the Directors may determine) prior to the relevant Books Closure Date with addresses in Singapore for the service of notices and documents.
<b>“Plan” or “Libra Performance Share Plan”</b>	: The Libra Performance Share Plan as stated in the Company’s Offer Document dated 2 November 2011 and as amended from time to time.
<b>“Price Determination Period”</b>	: The period commencing on the day on which the Shares are first quoted ex-dividend on the SGX-ST after the announcement of the relevant Qualifying Dividend and ending on the Books Closure Date in respect of such Qualifying Dividend, or such other period as the Directors may determine.
<b>“Property Business”</b>	: The business comprising property development and property investment in Asia, which involves activities such as property-related investments, holding of investments in property-related assets, and trading in and the development of property for sale, more particularly described in Paragraph 2.2 of this Circular.
<b>“Proposed Diversifications”</b>	: The proposed diversification of the business of the Group to include the: (a) Property Business; (b) Trading Business; (c) Proposed Extension of M&E Services; (d) Hospitality Business; and (e) Tourism Business.
<b>“Proposed Extension of M&amp;E Services” or “Proposed Extension”</b>	: The proposed extension of the Group’s M&E Services to the offshore and marine industry in Asia, more particularly described in Paragraph 4.2 of this Circular.
<b>“Q4 2016”</b>	: The 3-months period ending 31 December 2016.
<b>“Qualifying Dividend”</b>	: A dividend to which the Scrip Dividend Scheme applies, as determined by the Directors.
<b>“Scrip Dividend Scheme”</b>	: Libra Group Limited scrip dividend scheme.
<b>“Securities Account”</b>	: Securities account maintained by Depositors with CDP but not including securities sub-accounts maintained with a Depository Agent.
<b>“SGX-ST”</b>	: Singapore Exchange Securities Trading Limited.
<b>“Share Buy-Back”</b>	: The purchase of Shares by the Company pursuant to the proposed Share Buy-Back Mandate.

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# DEFINITIONS

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- “Share Buy-Back Mandate”** : The proposed general and unconditional mandate to authorise the Directors to exercise all the powers of the Company to purchase, on behalf of the Company, Shares in accordance with the terms set out in Paragraph 8 this Circular.
- “Share Buy-back Guidance Note”** : The share buyback guidance note as set out in appendix 2 of the Take-over Code.
- “Shareholders”** : Registered holders for the time being of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register.
- “Shares”** : Ordinary shares in the capital of the Company.
- “SIC”** : The Securities Industry Council of Singapore.
- “Sponsor”** : The Company’s sponsor, PrimePartners Corporate Finance Pte Ltd.
- “Substantial Shareholders”** : Persons who each hold directly and/or indirectly 5% or more of the total issued share capital of the Company.
- “Take-over Code”** : The Singapore Code on Take-overs and Mergers, as amended or modified from time to time.
- “Tourism Business”** : The business of providing leisure and corporate travel services in Asia. For details of the activities under the Tourism Business, please refer to Paragraph 6.2 of this Circular.
- “Trading Business”** : The business of buying and re-selling of building and construction materials in Asia. For details of the activities under the Trading Business, please refer to Paragraph 3.2 of this Circular.
- Currencies, Units and Others “S\$” and “cents”** : Singapore dollars and cents respectively.
- “%” or “per cent.”** : Per centum or percentage.

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

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in this Circular shall have the same meaning assigned to it under the said Act or any modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of day in this Circular shall be a reference to Singapore time.

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

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

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# LETTER TO SHAREHOLDERS

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## LIBRA GROUP LIMITED

(Incorporated in the Republic of Singapore on 20 October 2010)

(Company Registration Number: 201022364R)

### Directors:

Chu Sau Ben - Executive Chairman and Chief Executive Officer  
Chua Siong Kiat, Alex - Executive Director and Chief Financial Officer  
Yuen Sou Wai - Lead Independent Director  
Eng Meng Leong - Independent Director  
Kong Chee Keong - Independent Director

### Registered Office:

101 Defu Lane 10,  
Singapore 539222

13 July 2015

To: The Shareholders of Libra Group Limited

Dear Sir/Madam,

## 1. INTRODUCTION

### 1.1. Circular and EGM

The purpose of this Circular is to provide Shareholders with information relating to, and to seek the approval of Shareholders for the same, at the EGM to be held on 5 August 2015 at 10.00 a.m. for the following matters:

- (i) The proposed diversification of the business of the Group into the Property Business (Resolution 1);
- (ii) The proposed diversification of the business of the Group into the Trading Business (Resolution 2);
- (iii) The proposed extension of the Group's existing M&E Services to the offshore and marine industry (Resolution 3);
- (iv) The proposed diversification of the business of the Group into the Hospitality Business (Resolution 4);
- (v) The proposed diversification of the business of the Group into the Tourism Business (Resolution 5);
- (vi) The proposed adoption of the Share Buy-Back Mandate (Resolution 6);
- (vii) The proposed amendments to the Articles of Association (Resolution 7); and
- (viii) The proposed Scrip Dividend Scheme (Resolution 8),

(the "**Proposed Resolutions**").

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# LETTER TO SHAREHOLDERS

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## 2. THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE PROPERTY BUSINESS

### 2.1. Background Information

The Group is principally engaged in the business of providing integrated mechanical and electrical engineering (“**M&E**”) services as a sub-contractor, including the contracting and installation of air-conditioning and mechanical ventilation (“**ACMV**”) systems, fire alarms and fire protection systems, electrical systems and sanitary and plumbing systems for residential, commercial and industrial buildings as well as the manufacturing and sale of ACMV ducts and the trading of ACMV related products. We have also expanded into building and construction solutions business to provide total building solutions for building owners.

The Group’s business can be categorised into three (3) segments as follows:

- (a) M&E services, including the contracting and installation of ACMV systems, fire alarms and fire protection systems, electrical systems and sanitary and plumbing systems (“**M&E Services**”) for residential, commercial and industrial buildings;
- (b) Manufacturing and sale of ACMV ducts and trading of ACMV related products (“**Manufacturing**”); and
- (c) Undertaking complete building construction contracts to provide total building and construction solutions for our customers (“**Building and Construction Solutions Business**”).

#### **M&E Services**

The Group, through its wholly-owned subsidiary, Kin Xin Engineering Pte Ltd (“**Kin Xin Engineering**”), has been in the business of installing ACMV insulation in Singapore since 1997. Since 2005, Kin Xin Engineering expanded its business to include additional M&E activities in the supply and installation of ACMV systems, fire alarms and fire protection systems, electrical systems as well as sanitary and plumbing systems for residential, commercial and industrial buildings in Singapore. This wide range of services allows the Group to provide comprehensive one-stop services for its customers. In 2010, the Group began to undertake projects as a nominated sub-contractor.

The Group’s customers include main contractors, property developers, statutory boards, listed companies and government bodies.

#### **Manufacturing**

The Group, through its other wholly-owned subsidiary, Libra Engineering Pte Ltd (“**Libra Engineering**”), started fabricating ACMV ducts in 2005. Libra Engineering is currently manufacturing the ACMV ducts for use in the Group’s construction projects under the Building and Construction Solutions Business and also for sale to third party contractors including main contractors and sub-contractors in the construction industry.

The Group has established a strong reputation as a service-oriented and reliable solutions provider in M&E Services which meets the needs of customers through its manufactured products. The Group had successfully renewed its ISO 9001:2008 and bizSAFE certifications during FY2012, underlining the Group’s unwavering commitment to quality, workplace safety and health.

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# LETTER TO SHAREHOLDERS

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## **Building and Construction Solutions Business**

The Group, through its wholly-owned subsidiary, Libra Building Construction Pte Ltd (formerly known as Ai-Build Pte Ltd), undertakes to provide total building and construction solutions. On 15 April 2015, the Group announced that it had completed the acquisition of Cyber Builders Pte Ltd. The Company believes that the acquisition of Cyber Builders Pte Ltd will be complementary and synergistic to the Group's existing building construction business, currently being undertaken by Libra Building Construction Pte Ltd.

## **2.2. Information regarding the Property Business**

Upon the approval of Shareholders for the proposed diversification into the Property Business being obtained at the EGM, the Company intends to diversify the Group's core business to carry on the following activities, as and when appropriate opportunities arise:

- (a) to undertake property development activities including acquisition, development and/or sales of land and residential, commercial (retail and office), industrial and any other suitable types of properties (including mixed development properties) ("**Property Related Assets**");
- (b) to acquire and hold investments in Property Related Assets including development of Property Related Assets and holding the same for long term investment for the collection of rent, capital growth potential and/or provision of property related services and facilities; and
- (c) to transact in properties including buying and selling of Property Related Assets with reasonable yield and/or capital growth potential.

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

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

The Group intends to embark on the Property Business in Asia. The Property Business will become a new segment of the Group's business under the Property Business unit, which will be operated via a new vehicle for the purpose of risk management.

## **2.3. Rationale for the proposed diversification into Property Business**

The Company notes that the property market growth in the Asia has led to a sustainable and long term value proposition due to the population expansion, the rising income levels, stable outlook of general economy, quality living environment and increased inter-connectivity among major cities in Asia.

The Company believes that it can also leverage on its experience and knowledge in its current core business in building construction and better envisage and resolve potential issues that could be faced by



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# LETTER TO SHAREHOLDERS

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a property developer or a company involved in the Property Business. Such experience and knowledge will also provide the Group with a better understanding of the projects it proposes to undertake pursuant to the Property Business as it would be better able to evaluate the financial condition, potential returns and business prospects of such projects.

With the existing business and the Property Business complementing each other, the Group will be able to leverage on its existing contacts and network, which will give the Group a competitive edge in securing construction contracts while generating additional revenue streams from property development projects.

The Company believes that, with its experience and competencies in the building and construction sector, the proposed diversification into the Property Business will benefit the Group by broadening its revenue base and improving its growth prospects while complementing its existing business.

In view of the growing prospects of the property market in Asia, the Company believes that the Property Business will provide the following benefits to the Group:

- (a) The Property Business would reduce the Group's reliance on its existing business;
- (b) The Property Business would provide the Group with diversified returns and would contribute an additional stream of revenue and potential earnings for the Group; and
- (c) The Property Business would allow the Group to participate in the growth prospects of the property development and property investment in Asia.

The Company is of the view that the undertaking of the Property Business is in the interest of the Group.

## **2.4. Management of the Property Business**

The Property Business will be overseen by Mr Chu Sau Ben, the Company's Executive Chairman and Chief Executive Officer, and where appropriate, the Property Business will be managed by a separate management team to be set up, who will report directly to Mr Chu Sau Ben.

The Group intends to hire qualified personnel with suitable expertise and experience to support the growth of the Property Business. The Group's management team may also, where appropriate, seek the advice of external consultants and industry experts when making decisions in respect of the Property Business. The Board will also receive updates from the management on the health of the Property Business and where necessary or appropriate, direct the appointment of in-house or external consultants or professional advisers to assist the management in the Property Business.

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

Before undertaking any major project in the Property Business, and where relevant, the management of the Company will prepare a feasibility study containing financial forecasts, risk analysis, market study, background of any main contractors or joint venture partners, funding needs, growth potential and projected returns of the project concerned and its assessment of the suitability of the Group's investment

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# LETTER TO SHAREHOLDERS

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in such project based on the proposed nature and extent of the investment. The management, led by Mr Chu Sau Ben, the Company's Executive Chairman and Chief Executive Officer, will present the proposal to the Board. The Board will discuss, deliberate, understand and decide on the nature and extent of the Group's investment in such project. In addition, the Risk Committee will regularly review the risk exposure of the Property Business at intervals of no less than six months and report to the AC and the Board on material findings.

## **2.5. Funding for the Property Business**

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

The management of the Property Business will remain prudent and take into account the financial condition of the Groups in deciding the types of property development projects and related investments it undertakes and the required funding amount thereof. The Group will have an overall funding strategy to ensure projects that it undertakes will have the necessary funds available in accordance with the project timeline and the Group will commence a project only if it has or is able to raise the necessary funds for such project.

As at the Latest Practicable Date, the Group has not identified any specific projects for the Property Business.

## **2.6. Risk Factors Relating to the proposed diversification into Property Business**

The following is an identified but by no means exhaustive list of risk factors which are associated with the Property Business:

### **The Group has no prior track record and operating history in the Property Business**

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

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

### **The Group may not have the ability or sufficient expertise to execute the proposed diversification into Property Business**

The Group's ability to successfully diversify into the Property Business is dependent upon its ability to adapt its existing knowledge and expertise and to understand and navigate the Property Business. There is no assurance that the Group's existing experience and expertise will be sufficient for the Property Business, or that the Group will be able to hire employees with the relevant experience and knowledge.

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# LETTER TO SHAREHOLDERS

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The Group may not be able to successfully implement the Property Business and this may adversely affect the Group's financial performance and profitability.

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

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

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

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

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

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

**The Group is subject to various government regulations in the Property Business**

The property industry in countries in which the Group may operate is subject to various laws and regulations. Licences, permits, certificates, consents or regulatory approvals may be required for, among other things, property development, addition and alteration works and building works. For example, the property development business in Singapore requires a housing developer's licence, while the addition and alteration works as well as the building works may require a licence issued by the Commissioner of Building Control, Singapore. If the Group fails to obtain the requisite approvals, it will be unable to undertake the relevant segment of the Property Business.

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# LETTER TO SHAREHOLDERS

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

## **The Group may face intense competition from existing competitors and new market entrants in the Property Business**

The Property Business is highly competitive, with strong competition from established industry participants who may have larger financial resources or stronger track records. The Group may not be able to provide comparable services at lower prices or respond more quickly to market trends than potential or existing competitors who may have larger financial resources and stronger track records. In the event that the Group is unable to be competitive, the Group's financial position and performance may be adversely affected.

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

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

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

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

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

The Group's performance in the Property Business is also dependent on its ability to identify profitable property development projects, and following such identification, to successfully complete such projects. The viability and profitability of the Group's property development projects are subject to fluctuations and are dependent on, *inter alia*, the demand for the Group's development projects, the pricing and number of property development projects and the overall schedules of the Group's projects which are in turn, to

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# LETTER TO SHAREHOLDERS

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a large extent, affected by the market sentiment, market competition, general economic and property market conditions, as well as government regulations.

## **The Group may not be able to generate adequate returns on its properties held for long term investment**

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

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

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

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

## **The Group is subject to risks of late payment or non-payment by its clients**

The Group faces uncertainties over the timeliness of clients' payments and their solvency or creditworthiness in respect of purchases of the Group's development properties. There is no assurance that the Group will be able to collect any progress payments on a timely basis, or at all.

In the event that there are defaulting purchasers or a significant delay in collecting progress payments from purchasers, the Group may face stress on its cash flow and a material increase in bad and doubtful debts, which may have an adverse impact on the Group's financial performance.

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

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

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# LETTER TO SHAREHOLDERS

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damages from purchasers of the properties or clients for property enhancement works projects. Accidents during the course of construction may give rise to personal injuries and third party liability.

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

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

The investment returns available from the property development and property investment business depend, to a large extent, on the amount of capital appreciation generated. The ability to eventually dispose of properties at a profit will depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuations. Further, completed projects and invested properties are relatively illiquid, and the Group may be unable to convert real estate asset portfolio into cash on short notice. To facilitate a sale of illiquid property assets on short notice, the Group may have to lower the selling price substantially. Illiquidity of property assets also limits the Group's ability to vary its portfolio in response to changes in economic or other conditions in a timely manner. In the event of any adverse change in market conditions or in the event of a need to lower the prices of properties to effect the sale of properties, the Group may not be able to sell its property projects or property investments at above its costs, resulting in the Group suffering losses on the project or property and adversely affecting the Group's financial position.

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

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

**The Group is subject to changes in economic situation, government regulations and the property industry for the Property Business**

The performance of the Property Business depends largely on the economic situation and the performance of the property industry and there is no assurance that the property sectors of countries in which the Group undertakes the Property Business will continue to grow. Should the economy or the property market experience a downturn, whether globally or in any country in which the Group undertakes the Property Business, the performance of these segments may be adversely affected. In addition, as the gestation period for a property development project is long, typically between two to three years, any downturn in the economy or the property market, during the course of a development project may affect the profitability of such development project, thereby adversely affecting the Group's financial performance. Changes in government regulations in any country in which the Group undertakes the Property Business may also result in the Group being unable to complete any property development project, or sell any completed property development project or purchased property at a profit, or at all. This may adversely affect the financial position and/or performance of the Group.

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# LETTER TO SHAREHOLDERS

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

## **The Group may be subject to risks in relation to pre-sale policies for properties under development**

The practice of pre-sales (that is, selling properties under construction prior to the receipt of construction completion and examination certificate) is adopted in the property industry of many countries including Singapore. Should the Shareholders approve the proposed diversification into the Property Business, in line with the relevant industry practice, the Group may pre-sell most of the properties developed under the Property Business prior to completion. There are certain risks relating to the pre-sale of properties. In the event of a failure or delay in the delivery of pre-sold properties to purchasers, the Group may be liable for potential losses that purchasers may suffer as a result. There is no guarantee that these losses will not exceed the purchase price paid in respect of the pre-sold units. Failure to complete a property development on time may be attributed to factors such as time taken and costs involved in completing construction, which are in turn adversely affected by factors such as delays in fitting out works, shortages of labour, adverse weather conditions or natural disasters.

If the delay in delivery extends beyond the contractually specified period, the purchasers may also be entitled to terminate the pre-sale agreements and claim refunds of monies paid, damages and/or compensation for late delivery. There is no assurance that there will be no circumstances which will result in liabilities arising from pre-sale arrangements which have experienced significant delays in completion or delivery, resulting in the Group having to compensate purchasers for late delivery, or refund of monies paid in situations where purchasers have terminated the sale and purchase agreements. This may adversely affect the Group's business and financial performance.

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

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

## **The Group's property development projects and property enhancement works projects are dependent on the services rendered by contractors**

The Group may rely on main contractors and sub-contractors to provide various services for the property development and property enhancement works projects, including building construction works, piling and foundation works, structural works, architectural works and engineering works. The services rendered by the Group's contractors may not be satisfactory to the Group or meet the Group's requirements for quality. Furthermore, the contractors engaged may experience financial or other difficulties that may affect their ability to carry out the work for which they are contracted to complete, thus delaying the completion of, or failing to complete, the projects and resulting in additional costs or exposures to the risk of liquidated damages to the Group. In the event of any loss or damage which arises from the default

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# LETTER TO SHAREHOLDERS

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of such contractors, the Group may have to incur losses to rectify such defects, materially and adversely affecting the Group's financial performance and financial condition.

**The property development and property enhancement works businesses may be adversely affected by any shortage in the supply of workers or increases in the costs of hiring workers**

The construction of property development projects, addition and alteration works and building works is highly labour intensive, and is therefore vulnerable to any shortage in the supply of, or increases in the costs of workers. Such changes in the supply of workers may result from changes in government policies. In the event of any disruption to the supply of workers, or if the costs cannot be controlled, the overall construction costs may increase and the Group's financial performance may be materially and adversely affected.

**The Property Business will be subject to risks in relation to interest rate movements**

Risks arising from interest rate movements, particularly as a result of the debts that may be undertaken to finance developments and the cost of building materials in its operations, may affect the Group's Property Business. Changes in interest rates will affect the Group's interest income and interest expense from short term deposits and other interest-bearing financial assets and liabilities which could have a material and adverse effect on the profitability of the Group. An increase in interest rates would also adversely affect the willingness and ability of prospective customers to purchase properties, the Group's ability to service loans and its ability to raise and service long term debt.

**The Group may face difficulties in remitting capital, profits and dividends out of the countries it may operate in pursuant to the Property Business**

The Group may undertake property development projects outside of Singapore, and may incorporate or utilize foreign entities for the purpose of carrying out such projects. The Group's foreign entities may experience difficulty in remitting capital, profits and dividends out of its countries of operation, as such remittances will may be subject to scrutiny and specific approval of the government or regulatory authorities in such countries, or may be subject to foreign exchange policies and conditions prevailing from time to time.

**The Property Business will be subject to risks in relation to supply of raw materials and fluctuations in commodity prices**

The Property Business will require building materials for construction works, such as concrete, cement, sand, granite and steel. These building materials are generally subject to international market forces. As a property developer, the practice is to enter into fixed or guaranteed maximum price construction contracts with construction companies (which may not be part of our Group), each of which concerns the development of a significant part of the overall development project and which typically cover both the supply of the building materials and the construction of the property for a construction period of one to three years. Therefore, should the price of building materials increase significantly prior to the entering into a fixed or guaranteed maximum price construction contract, the Group (as either a property developer or property development project investor) might be required to pay more to prospective contractors, which could materially and adversely affect the results of operations and financial condition of the Property Business. Any disruption in the supply or cost increase of these materials may also have a direct adverse impact on project timing and costs and hence the profitability of the Property Business, causing the Group to suffer an adverse impact on its financial performance.



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# LETTER TO SHAREHOLDERS

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## **The Property Business is subject to the general risk of doing business overseas**

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

## **3. THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE TRADING BUSINESS**

### **3.1. Background Information**

Please refer to Section 2.1 for the background information of the existing businesses of the Group.

### **3.2. Information regarding the Trading Business**

At present, the Group engages in the trading of ACMV related products under its Manufacturing business. Further to the Group's move into the Building and Construction Solutions Business, under which the Group provides total building and construction solutions to its customers and the Group's acquisition of Cyber Builders Pte Ltd, the Group proposes to expand its business in the trading of construction materials such as sand, timber, ceiling boards, copper, aluminum coils and piping into a new business segment of the Group and diversify into the Trading Business, under which the Group will buy and re-sell the aforementioned construction materials, subject to the approval of Shareholders for the proposed diversification into the Trading Business being obtained at the EGM.

The Group intends to embark on the Trading Business in Asia. The Trading Business will become a new segment of the Group's business under the Trading Business unit, which will be operated via a new vehicle for the purpose of risk management. The Company will also consider the growth of its Trading Business organically or through acquisitions, joint ventures or strategic alliances.

### **3.3. Rationale for the proposed diversification into Trading Business**

In connection with its Building and Construction Solutions Business, the Group purchases construction materials such as sand, timber, ceiling boards, copper aluminum coils and piping. In this respect, the Company believes that the Building and Construction Solutions Business and the Trading Business are synergistic, for the following reasons:

- (a) **The Trading Business will provide additional streams of revenue for the Group.** With the proposed diversification into the Trading Business, the Group is well-positioned to leverage on opportunities it encounters for the re-sale of construction materials which it purchases for the Building and Construction Solutions Business to access additional revenue streams.

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# LETTER TO SHAREHOLDERS

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- (b) **The Group may enjoy cost savings for its Building and Construction Solutions Business.** The Group may avail itself of economies of scale and benefit from cost savings for its Building and Construction Solutions Business as it may purchase construction materials on a larger scale. Additional construction materials purchased may be re-sold under its Trading Business.
- (c) **The Group may utilise its premises in Singapore more efficiently.** At the extraordinary general meeting of the Company held on 23 April 2014, Shareholders approved the Group's acquisition of a new factory located at 53 Loyang Drive Singapore 508957 (the "**Factory**"), spanning land area of 65,061 square feet and a build-in area of approximately 86,021 square feet. At present, the Factory is undergoing upgrading works which are scheduled for completion by Q4 2016. The Company's wholly owned subsidiary, Cyber Builders Pte. Ltd., has also exercised an option for and is in the process of completing its acquisition of a property located at 34 Sungei Kadut Loop, Singapore 729488 (the "**Property**"). Should there be extra space in the Factory and/or the Property, the Company may, in addition to the possibility of renting out any extra space, utilise the extra space by using it for storage of inventory for the Trading Business, thereby maximising its utilisation of the Factory and the Property.

In view of the potential synergies provided by the Trading Business to its existing Building and Construction Solutions Business, the Company believes that the proposed diversification into the Trading Business to Singapore and other countries in Asia is in the interest of the Group.

### 3.4. Management of the Trading Business

The Trading Business will be managed by the existing management of the Group, led by our Executive Chairman and Chief Executive Officer, Mr. Chu Sau Ben. Mr. Chu Sau Ben is the founder of the Group and has been involved in the construction industry for over 30 years, and has led the Group in the trading of ACMV related products and steel under the Group's existing Manufacturing Business and Building and Construction Solutions Business. The Board believes that Mr. Chu Sau Ben is experienced and well-positioned to lead the Group in the proposed diversification into and setting up of the Trading Business. Mr. Chu Sau Ben will be assisted by William Kong Ong Sing, a director of Cyber Builders Pte. Ltd, a wholly owned subsidiary of the Company, who is familiar with the construction industry and currently assists Mr. Chu Sau Ben with the operation of the Group's Building and Construction Solution Business.

The Group may consider hiring additional staff, should the need arise, in connection with the proposed diversification into the Trading Business. The Board will also receives updates from the management on the health of the Trading Business and where necessary or appropriate, direct the appointment of in-house or external consultants or professional advisers to assist the management in the Trading Business. The Group also intends to leverage on its network of contacts in the Building and Construction Solutions Business to implement and execute the Trading Business by fostering partnerships with these contacts. Such partnerships may be established on a case-to case basis or on a fixed term basis.

Before undertaking any major contract for the Trading Business, and where relevant, the management of the Company will prepare a feasibility study containing financial forecasts, risk analysis, market study, background of the potential customer or supplier, funding needs, projected returns or profit margins of the proposed contract and its assessment of the benefits and detriments of the contract. The management, led by Mr Chu Sau Ben, the Company's Executive Chairman and Chief Executive Officer, will present the proposal to the Board. The Board will discuss, deliberate, understand and decide on the nature and extent of the Group's undertaking in such contract. In addition, the Risk Committee will regularly review the risk exposure of the Trading Business at intervals of no less than six months and report to the AC and the Board on material findings.

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# LETTER TO SHAREHOLDERS

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## 3.5. Funding for the Trading Business

It is anticipated that the Trading Business may require significant cash outlay. Further, the Group may be required to expend capital in order to avail itself of warehouse or storage space for the storage of inventory in relation to the Trading Business (should it require additional space in addition to the Factory and/or Property). The Company intends to fund the Trading Business through a combination of internal sources of funds and external borrowings. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises by tapping the capital markets including but not limited to rights issues, share placements and/or issuance of debt instruments.

## 3.6. Risk Factors Relating to the proposed diversification into Trading Business

The following is an identified but by no means exhaustive list of risk factors which are associated with the Trading Business:

### **The Trading Business is dependent on the construction industry in Singapore and Asia, which is in turn dependent on the health of the local and regional property market and general economy**

At present, our Group derives all our revenue from the construction industry in Singapore, and we are exposed to the cyclical nature of the construction industry in Singapore which is in turn dependent on the health of the property market and the general economy of Singapore. The further expansion of our business to include the Trading Business will further increase our Group's reliance on the construction industry in Singapore and Asia. A downturn in the economy of Singapore and/or any of the countries in Asia that the Group operates the Trading Business in will dampen general sentiments in the property market locally and regionally thus reducing demand for construction activities and construction materials, which may have a material adverse effect on our business, profit margins and financial performance.

### **The Trading Business correlates with economic conditions which impact the demand for construction materials**

The demand for construction materials correlates closely with general economic growth rates. The occurrence of recessions or other periods of low or negative economic growth can have a direct adverse impact on the Group's results. Other factors that affect general economic conditions in the world or in a major region, such as changes in population growth rates or periods of civil unrest, also impact the demand for such resources and materials. Economic conditions that impair the functioning of financial markets and institutions also pose risks to the Group, including risks to the safety of its financial assets and to the ability of its partners and customers to fulfil their commitments to the Group.

### **The Group is expanding into a new business segment and the current management may not have the relevant expertise to ensure success**

While the Group has experience in the trading of steel under its Building and Construction Solutions Business, and in the trading of ACMV related products under its Manufacturing Business, the trading of a large variety of construction materials in Asia is a relatively unfamiliar area of business and new geographical region to the Group. The Group faces the usual risks, uncertainties and problems associated with the entry into any new business which it has no prior track record in. These risks, uncertainties and problems include, among other things, the inability to expand operations and potentially increasing costs, the failure to attract and retain customers, failure to generate sufficient level of revenue and profit margins the Group is expecting.

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# LETTER TO SHAREHOLDERS

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In addition, the Group's current management may not have the relevant expertise to ensure success in these areas. Should the Group seek to engage additional persons with the relevant experience for the Trading Business, there is no assurance that the Group will be able to attract and retain the right persons for the Trading Business. If the Group is unable to attract and retain a sufficient number of suitably skilled and qualified personnel it requires, the Group's business, results of operations and financial condition may be materially adversely affected.

## **Changes in government legislation, regulations or policies which affect the construction industry directly or indirectly may adversely affect our business operations and financial performance**

As the bulk of our revenue is derived from the construction business, any changes in government legislation, regulations or policies affecting the construction industry directly or indirectly (which may include legalisation, regulation or policy changes relating to the property market) in Singapore or Asia may have a negative effect on the demand for construction materials and in turn could adversely affect our revenue, profit margins and business operations.

## **The Group may be required to obtain, maintain and renew certain licenses and approvals to conduct its business and operations for the Trading Business**

Depending on the requirements on the relevant governing authority and jurisdiction, the Group may be required to obtain certain licenses and approvals from local government and other government agencies to conduct its business and operations.

These licenses and approvals include general corporate and labour-related licences and approvals, and, if the Group incorporates or acquires a foreign subsidiary, foreign investment-related licences and approvals, among others. A failure to obtain or renew, or a loss of, any significant license or approval that is required to conduct the business and operations could have a material adverse effect on the Group's business, financial performance, financial condition, results of operations and prospects.

Further, changes in legislation and regulations or changes in the interpretation or implementation of the relevant legislation and regulations could also result in consequences which would adversely affect the Group's business, financial performance, financial condition, results of operations and prospects. These consequences include, but are not limited to (i) additional cost arising from increased compliance activities, capital expenditures and increased royalty and tax payments to the local government; (ii) restrictions and delays in the operations; and/or (iii) restrictions on foreign participation in the industries relating to the Trading Business, the extent of which cannot be predicted.

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

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

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# LETTER TO SHAREHOLDERS

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## **The Group may be affected by its inventory holding costs and a downward adjustment in the net realisable value of its inventory**

For the purpose of the Trading Business, we may maintain an inventory of construction material, whether for the purpose of meeting the demands of our customers promptly or should an opportunity to obtain stock at a lower price avail itself. Our level of inventory will mainly be based on the actual and anticipated demand of our customers as well as economic considerations.

As a result of holding and managing a significant level of inventory, we may incur high holding costs such as financing costs, warehousing and logistic costs and insurance costs. A significant increase in these costs may have a material and adverse impact on our financial position.

While we will review our inventory range and level periodically to ensure that we have sufficient inventories on hand to meet confirmed and projected sales orders, we are unable to predict with certainty our customers' demands. There is also no certainty that our customers will not cancel or amend their orders. In the event that we are unable to convert our inventory into sales with a satisfactory profit margin, our operating cash flow and financial position may be materially and adversely affected.

In addition, as our accounting policies require us to record our inventories at the lower of cost or net realisable value, any downward adjustment in the carrying value of these inventories may have a material adverse impact on our financial position.

## **The Group could be subject to foreign exchange exposure and currency fluctuations**

The Group may be subject to risks arising from foreign exchange fluctuations in relation to the Trading Business. The Group's revenue is denominated in S\$ while its accounts payable and receivable for the Trading Business could be denominated in the currencies of the jurisdictions where it operates in future. Any unfavourable fluctuations in currency exchange rates will result in exchange losses arising from transactions carried out in foreign currencies and translations of foreign currency monetary assets and liabilities as at the end of the relevant reporting periods. If the exchange losses are substantial, it could have a negative impact on the Group's financial performance and financial condition.

## **The Group may be subject to risks in relation to interest rate movements**

Risks arising from interest rate movements, particularly as a result of the debts that may be undertaken to finance the Trading Business or any acquisitions, joint ventures or strategic alliances in relation thereto, may affect the Group's Trading Business. Changes in interest rates will affect the Group's interest income and interest expense from short term deposits and other interest-bearing financial assets and liabilities which could have a material and adverse effect on the profitability of the Group. An increase in interest rates would also adversely affect the Group's ability to service loans and its ability to raise and service long term debt.

## **The Group may face difficulties in remitting capital, profits and dividends out of the countries it may operate in pursuant to the Trading Business**

The Group may incorporate foreign subsidiaries to engage in the Trading Business outside of Singapore. The Group's foreign subsidiaries which may be engaged in the Trading Business may experience difficulty in remitting capital, profits and dividends out of its countries of operation, as such remittances will may be subject to scrutiny and specific approval of the government or regulatory authorities in such countries, or may be subject to foreign exchange policies and conditions prevailing from time to time.

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# LETTER TO SHAREHOLDERS

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**Product liability claims may be brought against the Group and may materially and adversely affect our business, results of operations and financial condition.**

The Group proposes to expand its core business to include the trading of construction materials. Although these products must pass applicable industry tests and may have to comply with contractual specifications and regulatory requirements, there is no assurance that product claims will not be brought against the Group. If such claims are brought against the Group, they may adversely affect the reputation of the Group and may materially and adversely affect the Group's business, results of operations and financial condition.

**The Group is subject to intense competition and may not be able to establish or maintain its competitiveness in the business of trading construction materials**

The trading of construction materials is highly competitive and the Group may face competition from existing traders as well as new entrants to the sector. There can be no assurance that competition from existing traders as well as new entrants will not adversely affect the new business of the Group. If we are required to lower selling prices or increase our credit terms to attract customers, we may incur higher operating costs and this may adversely affect our profit margins. In addition, we face competition from existing construction material traders as well as new entrants to the market. Some of these competitors may have larger financial resources that enable them to avail themselves of greater economies of scale and price their products lower than us. We may have to offer higher quality products at more competitive prices.

However, there is no assurance that we will be able to compete successfully with our existing and future competitors and that we will be able to adapt to new trends and conditions. In the event that we are unable to compete successfully against our competitors and to adapt to market conditions, our business, financial position and performance may be adversely affected.

**There may be credit risks associated with the Trading Business**

As with the Group's existing businesses, in order for the Group to benefit and profit from the Trading Business, the Group will need to be able to receive payment promptly from its customers, which is dependent on the creditworthiness of its customers and their ability to honour the repayment terms contained in the Group's contracts. There is no assurance that the Group will be able to collect all or any part of its trade receivables within the credit terms stipulated in its contracts. In the event that the Group's customers default on their payments, our cash flow and financial performance may be adversely affected.

**The Group may face risks arising from fluctuations in transportation costs and disruptions in transportation**

The Group generally bears the costs of transportation and responsibility for the timely delivery of goods to the customer. Any fluctuations in the costs of transportation or disruptions in the transportation network may result in an increase in costs for us and/or a delay in the delivery of goods to the customer, and such fluctuations in the cost of transportation may result from the volatility of the prices of oil and gas and its substitutes. Any of the foregoing factors could have a material adverse effect on the Group's Trading Business, financial condition, results of operations and prospects.

**We may be required to pay penalties or liquidated damages for failure to meet delivery deadlines**

We are required to adhere to delivery schedules as agreed in the contracts with our customers. We may encounter situations where we are unable to deliver our products and/or services on schedule due to, amongst other reasons, inclement weather conditions or shortage of materials, equipment

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# LETTER TO SHAREHOLDERS

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and components from our suppliers. In the event that we fail to meet delivery deadlines, we could be contractually required to compensate our customers, such as through liquidated damages based on the value of the contract. If such liquidated damages are significant, it will result in a material adverse impact on our business reputation, operation, cash flow and financial position. Our customers may also elect to terminate their contracts or relationships with us, which will adversely affect our reputation and results of operations.

**We may not be able to procure construction materials which we trade in from suppliers in a timely manner, on satisfactory terms or at all**

The Trading Business will be dependent on a sufficient supply of construction materials. Some of these construction materials, such as copper, may only be available at the specifications and standards specified by our customers. We cannot assure you that there will not be any substantial fluctuations in the supply and price of these construction materials or that we will be able to secure sufficient amounts of these construction materials from suppliers, in a timely manner, at commercially viable terms or at all. In the event of any disruption or shortage of supply in the market, the costs of such construction materials may increase. There can be no assurance that we will be able to pass on the increase in costs to our customers and sustain our profit margins, which may result in our results of operations and financial performance being adversely affected. If any of our suppliers fail to supply these construction materials in a timely manner, on satisfactory terms or at all, and our customers do not accept substitutes from us, our operations may be disrupted and our relationships with customers may be harmed. We may also be required to compensate our customers for any delays in delivery schedules. Any of these events could have a material adverse effect on our business, results of operations and cash flows.

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

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

## **4. THE PROPOSED EXTENSION OF THE GROUP'S EXISTING M&E SERVICES TO THE OFFSHORE AND MARINE INDUSTRY**

### **4.1. Background Information**

Please refer to Section 2.1 for the background information of the existing businesses of the Group, in particular, of its existing M&E Services.

### **4.2. Information regarding and Rationale for the Proposed Extension**

The Company proposes to extend the scope of its existing M&E Services business segment to provide M&E services to the offshore and marine industry in Asia, in addition to its existing offering to residential, commercial and industrial buildings in Singapore. The Company believes that this will allow the Group to expand its business to include customers such as ship builders and owners, and to transfer its expertise in M&E services to generate additional revenue streams for the Group. The Company believes that there is significant potential in Asia for the provision of M&E services to the offshore and marine industry.

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# LETTER TO SHAREHOLDERS

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The Group may also incorporate new vehicles to undertake major M&E projects in the offshore and marine industry.

## 4.3. Management of the Proposed Extension

The management of the M&E Services business segment, after the Proposed Extension, shall continue to be spearheaded by our Executive Chairman and Chief Executive Officer, Mr Chu Sau Ben. Mr Chu Sau Ben has extensive experience of over 30 years in the construction industry. His vision and extensive experience has enabled the Group to identify new opportunities and grow, and the Board believes that Mr Chu Sau Ben will be able to lead the Group as it seeks to provide M&E services to the offshore and marine industry. Mr Chu Sau Ben will also be supported by a management team and staff with experience in the provision of M&E services to the offshore and marine industry who will be recruited to assist the Group in the Proposed Extension. The management will monitor and review the progress of the Group in M&E projects in the offshore and marine industry and where necessary, appoint external consultants and professional advisers to assist the management with such projects.

Before undertaking any major project in relation to the Proposed Extension, the management of the Company will prepare a feasibility study based on our current project commitments, available resources such as machinery and manpower and the amount of resources required to complete the project within the timeframe stipulated by the project or ship owner, the complexity and requirements of the project, the projected profits and profit margins of the project, funding needs and the background of the project owner and its assessment of the suitability of the Group's undertaking of such project based on the nature and the extent of the work required for such project. The management, led by Mr Chu Sau Ben, the Company's Executive Chairman and Chief Executive Officer, will present the proposal to the Board. The Board will discuss, deliberate, understand and decide on the nature and extent of the Group's investment in such project. In addition, the Risk Committee will regularly review the risk exposure of the M&E Services business following the Proposed Extension at intervals of no less than six months and report to the AC and the Board on material findings.

## 4.4 Funding for the Proposed Extension

The Company intends to explore the Proposed Extension organically as well as through non-organic ways such as potential acquisitions, joint ventures or strategic alliances with parties which are experienced in the business and may require significant cash outlay. The Company intends to fund the Proposed Extension through a combination of internal sources of funds and borrowings from financial institutions. As and when necessary and deemed appropriate, the Group may develop secondary fund raising exercises by tapping the capital markets including but not limited to rights issues, share placements and/or issuance of debt instruments.

## 4.5 Risk Factors Relating to the Proposed Extension

The following is an identified but by no means exhaustive list of risk factors which are associated with the Proposed Extension:

### **The Group has no prior track record and operating history in the provision of M&E services to the offshore and marine industry**

As the Group does not have a proven track record in the provision of M&E services to the offshore and marine industry, there is no assurance that the Proposed Extension will be commercially successful. If the Group does not derive sufficient revenue from or does not manage, or manage to foresee, the costs of



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# LETTER TO SHAREHOLDERS

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providing M&E services to the offshore and marine industry effectively, the overall financial position and profitability of the Group may be adversely affected.

The Group's ability to successfully diversify into the Proposed Extension is also dependent upon its ability to adapt its existing knowledge and expertise in M&E Services and translate the same for application in the offshore and marine industry. There is no assurance that the Group's existing experience and expertise will be sufficient for the Proposed Extension, or that the Group will be able to hire employees with the relevant experience and knowledge. There is no assurance that the Group will be able to compete successfully with the existing competitors or new market entrants to the business segment of the provision of M&E services to the offshore and marine industry. The Group may not be able to successfully implement the Proposed Extension and this may adversely affect the Group's financial performance and profitability.

In addition, the process of integrating the Proposed Extension with the existing M&E Services business segment may require a substantial amount of time and resources before the expected synergies may be achieved. As such, positive impact may not be experienced by the Group immediately, or at all. If the Group fails to integrate the Proposed Extension with the M&E Services business segment successfully or manage such projects profitably, it may result in the Group's expansion plans not being met, and may affect both its operations and financial performance.

An enlarged scope of business and the Proposed Extension of the M&E Services business segment to Asia ensuing from the Group's expansion plans may expose the Group to new business risks, and accordingly, may change the Group's risk and investment profile. There is no assurance that the Group will be able to eliminate or otherwise mitigate such business risks. In the event that the Group is unable to manage any new business risks effectively, this may have a material adverse effect on its business, results of operations and financial condition.

**The Proposed Extension is dependent on the health of the offshore and marine industry, which is in turn dependent on the health of the oil and gas industry and general economy**

The Proposed Extension is dependent on the health of the offshore and marine industry and the general economy of Singapore and globally. The offshore and marine industry is in turn heavily dependent on the state of, and level of capital expenditure in, the oil and gas industry. Both the offshore and marine and the oil and gas industries are subject to fluctuations in prices of oil and alternative fuels or energy and factors such as demand and supply of oil and alternative fuels or energy. These industries are also heavily regulated and affected by laws, regulations, policies and directives relating to energy, investment and taxation and other laws and regulations promulgated by the various governments from which licences and permits must be obtained in order to engage in the exploration, development and production of oil and natural gas or other forms of energy supply. The offshore and marine industry is also affected by changes in demand and supply of vessels, freight and charter rates and capacity utilization.

Further, shipbuilding is a capital-intensive industry which requires significant investments during the construction phase. This in turn generally requires ship owners to obtain financing from banks and financial institutions for its shipbuilding projects. A slowdown in the global economy may result in difficult conditions in the financial markets and disruption in the global credit markets and the ability of ship owners to obtain financing.

If there is deterioration in the offshore and marine and/or oil and gas industry, or in global or regional economic conditions, ship owners may defer the building or procurement of new vessels and/or the execution of maintenance, repair or conversion work on existing vessels. This may in turn have a material adverse effect on our business, profit margins and financial conditions.

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# LETTER TO SHAREHOLDERS

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## **The current management may not have the relevant expertise to ensure success in the Proposed Extension**

While the Group has experience in the M&E Services business segment, the provision of M&E services to the offshore and marine industry in Asia is a new area of business and new geographical region to the Group. The Group's current management may not have the relevant expertise to ensure success in these areas. Should the Group seek to engage additional persons with the relevant experience for the Proposed Extension, there is no assurance that the Group will be able to attract and retain the right persons. If the Group is unable to attract and retain a sufficient number of suitably skilled and qualified personnel it requires, the Proposed Extension and the Group's results of operations and financial condition may be materially adversely affected.

## **Any cost overruns may adversely affect the financial performance of our Group**

Even though we carry out internal costing and budgeting estimates of labour and material costs based substantively on quotations given by suppliers in our preparation of tenders for M&E services projects, there could be unforeseen circumstances arising in the course of the projects which may result in additional unanticipated costs over and above the contract value. Such unforeseen circumstances include adverse weather conditions, unanticipated constraints at work sites or increase in the cost of labour, materials and equipment. Such unforeseen circumstances may lead to cost overruns and our profit margin for the projects may be eroded. Accordingly, our Group's profitability and financial performance may be adversely affected.

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

Depending on available opportunities, feasibility and market conditions, the Group's Proposed Extension of its M&E Services business may involve acquisitions, joint ventures and/or strategic alliances with third parties in Asia. Participation in joint ventures, strategic alliances, acquisitions or other investment opportunities involves numerous risks, including the possible diversion of management attention from existing business operations and loss of capital or other investments deployed in such joint ventures, strategic alliances, acquisitions or opportunities. Furthermore, the Group is expected to rely on its joint venture partners or strategic alliance partners at the initial stage of its foray into the business of the provision of M&E Services to the offshore and marine industry and there is a risk that if any of its joint venture or strategic alliance partners is unable to deliver its obligations or commitments under the joint venture or strategic alliance (such as failure to perform according to the expertise expected of the joint venture or strategic alliance partner or meet the financial obligations), it may result in the joint venture or strategic alliance being unable to fulfil its contractual obligations and suffer from a damage in reputation. In such events, the Group's financial performance and prospects may be adversely affected.

## **The Group could be subject to foreign exchange exposure and currency fluctuations**

The Group may be subject to risks arising from foreign exchange fluctuations in relation to the M&E Services business segment (following the Proposed Extension). The Group's revenue is denominated in S\$ while accounts payable and receivable for the M&E Services business segment (following the Proposed Extension) could be denominated in the currencies of the jurisdictions where it operates in future. Any unfavourable fluctuations in currency exchange rates will result in exchange losses arising from transactions carried out in foreign currencies and translations of foreign currency monetary assets and liabilities as at the end of the relevant reporting periods. If the exchange losses are substantial, it could have a negative impact on the Group's financial performance and financial condition.

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# LETTER TO SHAREHOLDERS

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## **The Group may be subject to risks in relation to interest rate movements**

Risks arising from interest rate movements, particularly as a result of the debts that may be undertaken to finance the Proposed Extension or any acquisitions, joint ventures or strategic alliances in relation thereto, may affect the Group's M&E Services business. Changes in interest rates will affect the Group's interest income and interest expense from short term deposits and other interest-bearing financial assets and liabilities which could have a material and adverse effect on the profitability of the Group. An increase in interest rates would also adversely affect the Group's ability to service loans and its ability to raise and service long term debt.

## **The Group may face difficulties in remitting capital, profits and dividends out of the countries it may operate in pursuant to the Proposed Extension**

The Group may establish foreign entities to provide M&E Services to the offshore and marine industry outside of Singapore. The Group's foreign entities which may be engaged in the provision of such M&E Services following the Proposed Extension outside of Singapore may experience difficulty in remitting capital, profits and dividends out of its countries of operation, as such remittances will may be subject to scrutiny and specific approval of the government or regulatory authorities in such countries, or may be subject to foreign exchange policies and conditions prevailing from time to time.

## **The Group is liable for delays in the completion of projects and any liquidated damages arising from such delays**

The Group's M&E engineering contracts typically include a provision for the payment of pre-determined liquidated damages by the Group in the event the project is completed after the stipulated date of completion stated in the contract.

Delays in the completion of a project could occur from time to time due to several factors including, but not limited to, adverse weather conditions, shortages of labour, equipment and materials, the occurrence of natural disasters, labour disputes, disputes with suppliers and sub-contractors, industrial accidents, work stoppages arising from accidents or mishaps at the worksite or delays in the delivery of materials by the suppliers. In the event of any delay in the completion of the project due to factors within the Group's control, it could be liable to pay liquidated damages under the contract and incur additional overheads that may adversely affect its earnings and erode its profit margin for the Group's project. In such an event, this may have an adverse impact on the Group's financial performance and financial condition.

## **The Group may be subject to risks associated with the highly regulated industries in which its customers operate**

We may be subject to risks associated with the highly regulated industries in which our customers operate. For instance, our customers which are ship builders or vessel owners are subject to the stringent regulations of the shipping industry and are required to comply with extensive and evolving environmental protection laws and other regulations in the form of various international conventions, local laws and international regulations in force. Compliance with such laws and regulations may entail significant expenses on our customers' part, including expenses for ship modifications, maintenance and inspection requirements, changes in operating procedures, compliance with environmental, health and human safety requirements, and renewal of the required certificates and permits. As these international conventions, laws and regulations are often revised, and as additional laws and regulations may be adopted, the business of our customers may be adversely affected. The demand for and potential for growth of our Group's M&E services may be affected if our customers cannot meet such standards and/or obtain the necessary licences or if such licences are suspended, revoked due to any changes in laws,

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# LETTER TO SHAREHOLDERS

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regulations or operating requirements. Any delays or cancellations of projects could have a material adverse effect on the Group's M&E Services business, financial condition and results of operations.

## **The Group is subject to risks of late payment or non-payment by its clients**

The Group faces uncertainties over the timeliness of clients' payments and their solvency or creditworthiness in respect of the Group's M&E Services for the offshore and marine industry. There is no assurance that the Group will be able to collect any progress payments on a timely basis, or at all. In the event that there are defaulting main contractors or owners or a significant delay in collecting payments from such main contractors or project owners, the Group may face stress on its cash flow and a material increase in bad and doubtful debts, which may have an adverse impact on the Group's financial performance.

## **Excessive warranty claims will adversely affect our financial performance and financial position**

We may be exposed to potential liabilities arising from defects in the vessels which we may provide M&E Services following the Proposed Extension for the construction, repair or modification thereof, which may include the supply and installation of ACMV systems, fire alarms and fire protection systems and electrical systems. The limited defects liability covers defects of the products and materials used in the project. We expect to provide warranties in respect of M&E Services that we may perform for new vessels and in connection with the repair, modification and conversion of ships. Rectification and repair works to be carried out by us that are covered by the warranty would not be chargeable to our customers. We may experience warranty claims from our customers that may adversely affect our profitability. In the event that our suppliers are not liable, or able to perform their obligations under the warranty, we will be liable for the claims under the warranty. Excessive warranty claims for rectification and repair works may have an adverse effect on our financial performance and financial position.

## **The Group may be affected by accidents at its work sites or at its premises**

Accidents or mishaps may occur at our work sites or at our premises even though we have put in place certain safety measures. Such accidents or mishaps may severely disrupt our operations and lead to a delay in the completion of a project. In the event of such a delay, we could be liable for liquidated damages under the shipbuilding or maintenance contract in respect of our M&E Services with our customers which may result in an adverse and material effect on our financial performance. Further, we may be subject to personal injury claims from workers or other persons involved in such accidents or mishaps suffered by them, and any significant claims which are not covered by our insurance policies may materially and adversely affect our financial performance. In addition, any accidents or mishaps resulting in significant damage to our machinery, equipment or premises may have a significant adverse effect on our business, financial position and results of operations.

## **The Group is subject to general safety regulations imposed by the MOM and/or the regulatory authorities in the countries its operate in, and affected by stop-work orders that are imposed on the main contractors**

The MOM places considerable emphasis on inculcating a culture of safety and health in all workplaces. The Workplace Safety and Health Act requires us to take reasonably practicable measures to ensure the safety and health of workers at our factory and at our work sites. Following the Proposed Extension, we will also be required to comply with the safety and healthcare regulations imposed by the regulatory authorities of the countries we operate in.

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# LETTER TO SHAREHOLDERS

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In the event that our factory or the work sites contravene the requisite safety and health standards imposed by the regulatory authorities, we could be fined by the regulatory authorities. In addition, in the event that the work sites of the main contractors in the projects that we are involved in contravene the requisite safety and health standards imposed by the regulatory authorities, these work sites may be issued with partial or full stop-work orders.

The issuance of such stop-work orders may severely disrupt our operations and lead to a delay in the completion of projects or products ordered by our customers or required in our projects. These circumstances may generate negative publicity and adversely affect our market reputation as well as cause a material adverse impact on our business, results of operations and financial position.

**The Group may be adversely affected by any shortage in the supply of foreign workers or increase in levy for foreign workers, or any restriction on the number of foreign workers that it can employ for a project**

The M&E Services business is highly labour-intensive. As the pool of local workers who are skilled and suitable for employment in the marine engineering industry in Singapore is scarce and the cost of local labour is high, the Group may have to rely heavily on foreign manpower for its projects relating to the Proposed Extension. Such workers are expected to originate mainly from China, Malaysia and the Philippines and will be subject to foreign workers' levy. On this basis, the Group's business operations, financial performance and financial condition are vulnerable to any shortage in the supply of foreign workers and any increase in the cost of foreign labour.

Any changes in the policies of the foreign workers' countries of origin may affect the supply of foreign labour and cause disruptions to the Group's business operations which may result in a delay in the completion of its projects. The supply of foreign labour and the number of foreign workers that the Group is allowed to employ are further subject to the policies and regulations imposed by the MOM. Increases in the foreign worker levies will increase the Group's operation costs and may materially and adversely affect its profitability and financial performance.

In addition, if there are any changes in the foreign labour policies imposed by the MOM that result in restrictions on the supply of foreign labour, the Group may have to seek alternative and more costly sources of labour for its projects. If the Group is not able to increase its productivity and/or has to employ more costly sources of labour, the Group's overall costs will increase and its financial performance may be materially and adversely affected.

**Overtime work in excess of permitted limits**

Due to frequent tight deadlines for our contracted works and the nature of the provision of M&E Services to the offshore and marine industry, our workers may have to put in overtime hours. We currently employ in excess of 100 workers and we have in place a system to monitor the overtime hours of our workers as well as potential breaches of regulatory thresholds for overtime work. Nonetheless, there may be instances where some of our workers inadvertently exceed 12 hours a day or 72 hours a month of overtime work, especially during peak periods.

In the event that disciplinary proceedings are undertaken by the regulatory authorities in Singapore or elsewhere relating to our use of foreign labour, and there are no suitable and timely replacements obtainable or if any penalties (financial or otherwise) are levied on us, our operations and financial performance may be adversely affected.

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# LETTER TO SHAREHOLDERS

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

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

## **The Group may be affected by terrorist attacks, natural disasters and other events beyond its control**

Terrorist attacks such as those that occurred in the United States of America and Indonesia, natural disasters and other events beyond our control that could occur in the markets in which we operate may lead to uncertainty in the economic outlook of these markets leading to an economic downturn. This will in turn have an adverse impact on the construction industry, the industry of our customers, the global economy in general and our business.

Although such acts have not in the past targeted our assets or those of our customers, there can be no assurance that they will not do so in the future.

Our current insurance policies do not cover terrorist attacks. The consequences of any such terrorist attacks, natural disasters or other events beyond our control are unpredictable, and we are not able to foresee events of such nature, which could cause interruptions to parts of our business and have an adverse effect on our business operations and financial position.

## **5. THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE HOSPITALITY BUSINESS**

### **5.1. Background Information**

Please refer to Section 2.1 for the background information of the existing businesses of the Group.

### **5.2. Information regarding the Hospitality Business**

The Group proposes to undertake the business of owning, leasing, operation and management of hotels.

The Group plans to build up a portfolio or chain of hotels which it owns or has interests in, leases, operates and manages for third parties. The building up of such portfolio could be effected by the acquisition of hotel brands and trademarks, acquisition or leasing of properties for building or developing, and operating new hotels, the acquisition of existing hotels, renovating them, and re-branding them under brand names that the Group owns, or managing existing hotels under brand names that the Group owns. Where opportunities arise, the Group will consider the acquisition or leasing of new properties to build new hotels, upgrading and expanding existing hotels and developing new properties and redeveloping existing properties as hotels. When the Group has built up a portfolio of hotels, it may, where opportunities arise, consider the sale of some of its hotels which can fetch a good market price (whilst retaining the right to manage such hotels). The Group will also seek to explore, formulate and implement various brand building initiatives.

The Group could undertake the Hospitality Business either independently, or in joint venture or collaboration with third parties who have the ability to contribute successfully to the joint venture or collaboration.

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# LETTER TO SHAREHOLDERS

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The decision on whether a project should be undertaken by the Group independently or in collaboration with third parties will be made by the Board after the consideration of several factors, such as the nature and scale of the project, the amount of investment required and risks associated with such investment, the nature of the expertise required, the period of time that is required to complete the project, the then existing market conditions, whether it has the necessary financing and technical expertise for the project, the timing of the project, the revenue which the project may generate, and the standing and contribution of its business partner, if any, before proceeding with such project.

The Group intends to embark on the Hospitality Business starting in Southeast Asia before expanding further in Asia. The Hospitality Business will become a new segment of the Group's business under the Hospitality Business Unit, which will be operated via a new vehicle for the purpose of risk management.

### 5.3. Rationale for the proposed diversification into Hospitality Business

The Company is of the view that the prospects in relation to the hospitality services industry is positive, due to, *inter alia*, the expected continuation of strong growth figures for international tourism and the proliferation of regional low cost carriers.

The Company believe that the hospitality services industry in Asia have a positive outlook. For example, the figures for tourist arrivals in the Association of South East Asia Asian Nations ("ASEAN") countries has also been on an upward trend, rising from approximately 65.7 million tourist arrivals for the year 2009 to over 98 million tourist arrivals for the year 2013<sup>1</sup>.

The Company believe that the above statistics, together with affordable air travel and easy connectivity provided by regional low cost carriers, has created a demand for affordable, quality lodging for cost-conscious travellers.

Thus, given the robust travel industry, and the proliferation of regional low cost carriers, the Company believes that, barring unforeseen circumstances, this expansion into the Hospitality Business will yield an additional source of revenue for the Group.

### 5.4. Management of the Hospitality Business

The Hospitality Business will be overseen by Mr Chu Sau Ben, the Company's Executive Chairman and Chief Executive Officer and where appropriate, the Hospitality Business will be managed by a separate management team to be set up, who will report directly to Mr. Chu Sau Ben.

The Group intends to hire qualified personnel with suitable expertise and experience to support the growth of the Hospitality Business. The Group's management team may also, where appropriate, seek the advice of external consultants and industry experts when making decisions in respect of the Hospitality Business. The Board will also receive updates from the management on the health of the Hospitality Business and where necessary or appropriate, direct the appointment of in-house or external consultants or professional advisers to assist the management in the Hospitality Business.

Before undertaking any major contract for the Hospitality Business, and where relevant, the management of the Company will prepare a feasibility study containing financial forecasts, risk analysis and contingency

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<sup>1</sup> Source: Website of the ASEAN Tourism Statistics (<http://www.asean.org/news/item/tourism-statistics>) The ASEAN Secretariat has not consented to the inclusion of the above information in this Circular and is therefore not liable for such information. The Company has included the above information in their proper form and context in this Circular and has not verified the accuracy of the above information.

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# LETTER TO SHAREHOLDERS

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plans, market study, assessment of current and available resources, funding needs, projected returns and profit margins of the proposed contract and its assessment of the benefits and detriments of the contract. The management, led by Mr Chu Sau Ben, the Company's Executive Chairman and Chief Executive Officer, will present the proposal to the Board. The Board will discuss, deliberate, understand and decide on the nature and extent of the Group's undertaking in such contract. In addition, the Risk Committee will regularly review the risk exposure of the Hospitality Business at intervals of no less than six months and report to the AC and the Board on material findings.

## **5.5. Funding for the Hospitality Business**

It is anticipated that the Hospitality Business will require substantial capital investments or cash outlay. The Company intends to fund the Hospitality Business through a combination of internal resources, bank borrowings and/or other fund-raising activities arranged with other financial institutions and/or individuals. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises by tapping the capital markets including but not limited to rights issues, share placements and/or issuance of debt instruments.

## **5.6. Risk Factors Relating to the proposed diversification into Hospitality Business**

The following is an identified but by no means exhaustive list of risk factors which are associated with the Hospitality Business:

### **The Group has no prior track record and operating history in the Hospitality Business**

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

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

### **The Group may not have the ability or sufficient expertise to execute the proposed diversification into Hospitality Business**

The Group's ability to successfully diversify into the Hospitality Business is dependent upon its ability to adapt its existing knowledge and expertise and to understand and navigate the Hospitality Business. There is no assurance that the Group's existing experience and expertise will be sufficient for the Hospitality Business, or that the Group will be able to hire employees with the relevant experience and knowledge. The Group may not be able to successfully implement the Hospitality Business and this may adversely affect the Group's financial performance and profitability.

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

Depending on available opportunities, feasibility and market conditions, the Group's expansion into the Hospitality Business may involve acquisitions, joint ventures and/or strategic alliances with a hotel management group or other third parties in Asia. Participation in joint ventures, strategic alliances,



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# LETTER TO SHAREHOLDERS

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acquisitions or other investment opportunities involves numerous risks, including the possible diversion of management attention from existing business operations and loss of capital or other investments deployed in such joint ventures, strategic alliances, acquisitions or opportunities. Furthermore, there is a risk that if any of its joint venture partners is unable to deliver its obligations or commitments under the joint venture or strategic alliance (such as failure to perform according to the expertise expected of the joint venture partner or strategic alliance or meet the financial obligations), it may cause disruption in the Hospitality Business operation and/or result in additional costs to the Group. In such events, the Group's financial performance may be adversely affected.

## **The Group is heavily dependent on the economies of Asian countries**

The Group's operations in the Hospitality Business depend heavily on the economies of the Asian countries that the Group's hotels are intended to be located in. If these economies experience a downturn due to recession, deterioration in general economic conditions, fear of terrorism, fear of outbreak of epidemics or any other factors, the demand for hotels will be reduced, and the business, financial condition and results of operations of the Group may be adversely affected.

## **The business of the Group may be severely affected by competition from other hotel companies**

The Group's operations in the Hospitality Business may face competition from other international, regional and independent hotel companies, some of which may have greater name recognition and financial resources than the Group (including competition in relation to hotel room rates, convenience, services or amenities offered). Such competition may result in the Group not being able to gain sufficient market share and demand for its services. This could result in a reduction in its revenue and have an adverse effect on the Group's business, financial condition and results of operations.

## **The business of the Group may be severely affected by property damage**

The Group's operations in the Hospitality Business may be severely affected by losses arising out of damage to the Group's hotels, where such losses may not be covered or inadequately covered by insurance policies, as a result of uninsurable risk or where such losses are in excess of the amount for which the hotels are insured. Such property damage could result in a loss of revenue or asset value during such time that the hotels are damaged and may have an adverse effect on the Group's business, financial condition and results of operations.

## **The business of the Group may be severely affected, if the Group's future expansion is unsuccessful**

The Group's contemplated strategies, if implemented, may result in a significant increase in the total number of hotel rooms in hotels in which the Group holds an interest in and/or which are managed by the Group and hotels granted franchises to by the Group. The ability of the Group to expand and the success of any new hotel operations will depend on a number of factors, including the Group's ability to obtain financing on favourable terms, the availability and selection of suitable locations, the management of brands and the progress of construction of new hotel properties, some of which may be beyond the control of the Group. The Group does not have an operating history with respect to the hotel assets it will acquire, or manage as it ventures into the Hospitality Business. The Group cannot assure the returns of such hotel operations, and the Group may incur losses from such investments in the future. In addition, the rapid growth of hotel properties in which the Group holds an interest in and/or which are managed by the Group may require additional resources and commitment from the Group's management and higher demands on the Group's financial reporting and information systems. There is no assurance that the plans of the Group will be successful, that the Group will recruit and retain sufficient number of experienced management and employees for its new hotels, or that the new hotels as currently planned

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# LETTER TO SHAREHOLDERS

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will be profitable. Less than successful investments or operations may have an adverse effect on the Group's business, financial condition and results of operations.

**The operating results of the Group may be adversely affected by the departure of experienced employees**

The Group intends to hire qualified personnel with suitable expertise and experience to support the growth of the Hospitality Business. The ability of the Group to attract and retain experienced employees as well as its directors and senior management will, to a certain extent, depend on the adoption of appropriate remuneration (including salary, housing and other benefits) and incentive schemes by the Group. The loss of any directors or senior management by the Group or its inability to recruit and retain a sufficient number of experienced employees in respect of the Hospitality Business could affect the ability of the Group to operate, manage, and franchise hotels successfully and consequently could have a material and adverse effect on the business, financial condition and results of operations of the Group.

**The Group relies on the reputation of its brands and protection of its intellectual property rights**

The hotel brands that the Group will own are susceptible to imitation and infringement and the Group cannot guarantee that third parties will not copy or otherwise obtain and use such trademarks without authorisation. In the event of imitation and infringement there may be an adverse impact on the Group's business reputation and performance if the Group fails to successfully assert its intellectual property rights. The Group may also face difficulties and costly litigation in protecting and enforcing its intellectual property rights. Such events may affect the reputation of the Group or even limit the Group's ability to utilise and franchise the brand names, thereby adversely affecting the results of operations of the Group.

**The Group may be subject to substantial liability should the consumption of any of the food and beverages in the Group's hotels cause personal injuries or illnesses**

Food and beverage products may be served in the hotels owned, lease, operated, managed, or franchised by the Group. The serving of food and beverage products for human consumption involves an inherent risk of injury to consumers. Such injuries may result from tampering by unauthorised third parties or product contamination or degeneration, including the presence of foreign contaminants, chemicals, substances, or other agents or residues during the various stages of the procurement, production and serving process. While food and beverage operations are subject to governmental inspections and regulations, the Group cannot assure Shareholders that its service of food and beverages will not cause health-related illnesses, or that it will not be subject to claims or lawsuits relating to such matters. In the event of any injury or illness arising from the serving of food and beverage, the Group's insurance coverage may not be adequate to cover the financial damage and its reputation, business, financial condition and results of operations may be adversely affected.

**The Group may be subject to the withdrawal of land use rights by the respective governments of different cities**

The Group may be subject to the withdrawal of land use rights by the respective governments of the different cities where its hotels are located in. The imposition of terms and conditions, or the non-renewal of the land use rights granted by respective governments may have an adverse effect on the Group's business, financial condition and results of operations.

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# LETTER TO SHAREHOLDERS

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## **The Group may require additional financing for the Hospitality Business in the future**

The Group may need to tap the capital markets for debt or equity financing to fund capital expenditure for the Hospitality Business in the future. Additional equity financing may result in a dilution to the shareholdings of Shareholders if Shareholders are unable to participate in such financing. Additional debt financing is subject to interest payments and interest rate fluctuations and may also be subject to conditions that restrict or require consent for corporate restructuring or additional financing or fund raising, or restrictions on the payment of dividends and maintenance of certain financial ratios. These conditions may limit the flexibility of the Group in planning for, or reacting to, changes in the business or industry.

The ability of the Group to obtain debt financing or funds from the capital markets for its requirements depends on prevailing market conditions, the ongoing performance of the Group and the acceptability of the financing terms offered. The Group cannot ensure that future financing will be available or available on acceptable terms, or in an amount sufficient to fund the needs of the Group. In the event that the Group is unable to obtain acceptable and adequate financing, it may not be able to undertake certain new projects and this may have an adverse effect on the Group's business, financial condition and results of operations.

## **The Group's business may be adversely affected by a reduction in travel or discretionary consumer spending as a result of a downturn in the Asian or global economy**

The Group may be adversely affected by a reduction in travel or discretionary consumer spending as a result of a downturn in the Asian or global economy. Consumer demand for hotel accommodation may be sensitive to downturns in the economy. Changes in consumer preferences, or the level of discretionary consumer spending brought about by factors such as fear of war and future acts of terrorism, deterioration in general economic conditions, decreases in disposable consumer income, fear of recession or decline in consumer confidence in the economy could reduce consumers' demand for the services provided by the Group, thus imposing practical limits on pricing and consequently having an adverse effect on the Group's business, financial condition and results of operations.

## **An outbreak of MERS, SARS, bird flu, Ebola, or other highly infectious diseases may adversely affect the number of visitors to the Group's hotels, as well as disrupting its operations**

A resurgence of the outbreak of MERS, SARS, bird flu, Ebola, or any other contagious disease in Asia could have a material adverse effect on the Group's business, financial condition and results of operations. If an outbreak of MERS, SARS, bird flu, Ebola, or any other contagious disease occurs, it may lead to decreases in the number of travellers internationally, and hence the number of visitors to the Group's hotels. Furthermore, an outbreak of a contagious or virulent disease might disrupt the ability of the Group to adequately staff its business and could generally disrupt the operations of the Group. If any of the employees or customers of the Group were suspected of having contracted MERS, SARS, bird flu, Ebola, or any other highly contagious disease, the Group may be required to quarantine such customers or employees or the affected areas of the Group's facilities, and temporarily suspend all or part of its operations at the affected facilities. This could have a material adverse effect on the business, financial condition and results of operations of the Group.

## **The Group's business may be adversely affected by any reduction in the willingness of its customers to travel due to any acts or threats of terrorism**

The Group's results of operations are affected by the number of international travellers which is in turn dependent on consumers' willingness to travel. In the event of any acts or threats of terrorism,

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# LETTER TO SHAREHOLDERS

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the willingness to travel of potential customers may be drastically reduced. Furthermore, any increase in anti-terrorism measures and the tightening of visa or other entry requirements to some countries may also deter some potential customers from travelling. The Group cannot predict the extent to which disruptions in travelling caused by any future terrorist acts would adversely affect its business, financial condition and results of operations.

## **The Group's business may be adversely affected by natural disasters**

In recent years, various Asian countries have experienced numerous natural disasters, such as earthquakes, tsunamis, increasing typhoon activities and floods, resulting in numerous losses of lives and massive destruction to properties. Should these natural disasters increase in their severity or frequency in the future, the willingness of travellers to travel throughout Asia may be affected and the hospitality services industry will be affected and experience a downturn in demand. This would adversely affect the Group's business, financial condition and results of operations.

## **The Group may be exposed to significant operating risks**

The Hospitality Business is susceptible to operating risks common to the hospitality industry. These risks include competition from other hotels, oversupply in rooms, increase in operating costs due to inflation, dependence on tourism, increase in energy and labour costs and other expenses and adverse effects of general and local economic conditions.

## **The Group's business may be adversely affected by increase in insurance premiums**

In the aftermath of terrorist attacks, epidemics, hurricanes and other natural disasters, insurance companies may increase insurance premiums. This could erode profit margins, and adversely affect the Group's business, financial condition and results of operations if the insurance premiums that it has to bear for insurance policies in respect of its Hospitality Business increases.

## **The hospitality services industry is subject to numerous government regulations**

The hospitality services industry could be subject to numerous government regulations, including, without limitation, those relating to the operation of hotels, the preparation and sale of food and beverages, and general building and zoning requirements. The Group will also be subject to laws governing its relationship with hotel employees including, without limitation, minimum wage requirements, overtime, working conditions, and work permit requirements. Compliance with the relevant laws and regulations may increase the operating costs of the hotels or otherwise adversely affect the business, financial condition and results of operations of the Group. The Group's business, financial condition and results of operation may also be adversely affected by any failure to maintain its existing or obtain future licenses, permits or approvals or by fines or other penalties imposed in the event that it is found to have violated applicable regulations.

## **The Group could be subject to foreign exchange exposure and currency fluctuations**

The Group may be subject to risks arising from foreign exchange fluctuations in relation to the Hospitality Business. The Group's revenue is denominated in S\$ while revenue generated from the Hospitality Business could be denominated in the currencies of the jurisdictions where the operations of the Group may take place in future. Any unfavourable fluctuations in currency exchange rates will result in exchange losses arising from transactions carried out in foreign currencies and translations of foreign currency monetary assets and liabilities as at the end of the relevant reporting periods. If the exchange losses are substantial, it could have a negative impact on the Group's financial performance and financial condition.

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# LETTER TO SHAREHOLDERS

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## **The Group may be subject to risks in relation to interest rate movements**

Risks arising from interest rate movements, particularly as a result of the debts that may be undertaken to finance the Hospitality Business or any acquisitions, joint ventures or strategic alliances in relation thereto, may affect the Group's Hospitality Business. Changes in interest rates will affect the Group's interest income and interest expense from short term deposits and other interest-bearing financial assets and liabilities which could have a material and adverse effect on the profitability of the Group. An increase in interest rates would also adversely affect the Group's ability to service loans and its ability to raise and service long term debt.

## **The Group may face difficulties in remitting capital, profits and dividends out of the countries it may operate in pursuant to the Hospitality Business**

The Group may establish foreign entities to provide hospitality services under its Hospitality Business outside of Singapore and in Asia. The Group's foreign entities which may be engaged in the Hospitality Business may experience difficulty in remitting capital, profits and dividends out of its countries of operation, as such remittances will may be subject to scrutiny and specific approval of the government or regulatory authorities in such countries, or may be subject to foreign exchange policies and conditions prevailing from time to time.

## **The Group may be exposed to risks arising from the illiquidity of property investment**

Real estate investments are relatively illiquid. Such illiquidity limits the ability of the Group to vary its portfolio in response to changes in economic or other conditions in a timely manner. In the event that there is a need for the sale of such illiquid assets on short notice under harsh market conditions, the Group may not be able to sell off the assets at a favourable price. Such sales at unfavourable prices will have an adverse effect on the financial position of the Group.

## **6. THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE TOURISM BUSINESS**

### **6.1. Background Information**

Please refer to Section 2.1 for the background information of the existing businesses of the Group.

### **6.2. Information regarding the Tourism Business**

The Group proposes to undertake tourism and travel related activities which shall include the following:

- (a) Leisure travel services: We intend to provide enquiry services for leisure travel, which includes advising and making arrangements for air tickets and accommodation and advising on leisure travel packages. We will also offer other travel-related services and products such as arranging for travel insurance, visa applications, and land transfers between airport and accommodation.
- (b) Corporate travel services: We intend to provide flight/air ticket enquiry services, which includes advising on flight schedules and making arrangements for air tickets, as well as make arrangements for land transportation and accommodation to meet the specific requirements for business travel of our corporate customers. We will also organise MICE events for our corporate customers where we arrange meetings, incentive travel, conferences and conventions that may involve inbound and/or outbound travel based on customers' requirements. Our organisation of MICE events will involve complex pre-planning of our customers' itinerary that may involve many aspects including air ticketing, accommodation, meeting venue, travel itinerary, leisure activities and visa applications.

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# LETTER TO SHAREHOLDERS

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The Group will undertake the Tourism Business either independently, or via joint venture or collaboration with third parties who have the ability to contribute successfully to the joint venture or collaboration.

The decision on whether a project should be undertaken by the Group independently or in collaboration with third parties will be made by the Board after the consideration of several factors, such as the nature and scale of the project, the amount of investment required and risks associated with such investment, the nature of the expertise required, the period of time that is required to complete the project, the then existing market conditions, whether it has the necessary financing and technical expertise for the project, the timing of the project, the revenue which the project may generate, and the standing and contribution of its business partner, if any, before proceeding with such project.

The Group intends to embark on the Tourism Business starting in Southeast Asia before expanding further in Asia. The Tourism Business will become a new segment of the Group's business under the Tourism Business Unit, which will be operated via a new vehicle for the purpose of risk management.

### 6.3. Rationale for the proposed diversification into Tourism Business

The Company is of the view that the prospects in relation to the tourism and travel services industry is positive, due to, *inter alia*, the expected continuation of strong growth figures for international tourism and the proliferation of regional low cost carriers.

The Company believe that the tourism and travel services industry in Asia have a positive outlook. For example, the figures for tourist arrivals in ASEAN countries has also been on an upward trend, rising from approximately 65.7 million tourist arrivals for the year 2009 to over 98 million tourist arrivals for the year 2013<sup>2</sup>. In 2014, leisure travel spending (inbound and domestic) accounted for 72.3% of direct travel and tourism gross domestic product in countries in South East Asia (US\$158.0 billion) while the business travel spending accounted for the balance (US\$60.7 billion)<sup>3</sup>. The World Travel & Tourism Council expected the leisure travel spending in ASEAN countries to rise by 5.7% per annum to US\$285.0 billion in 2025 and business travel spending in ASEAN countries to rise by 4.3% per annum to US\$99.0 billion in 2025<sup>4</sup>.

The Company believes that the above statistics, together with affordable air travel and easy connectivity provided by regional low cost carriers, has created a demand for affordable, quality travel services for cost-conscious travellers. Thus, given the robust travel industry, and the proliferation of regional low cost carriers, the Company believes that, barring unforeseen circumstances, this expansion into the Tourism Business will yield an additional source of revenue for the Group.

### 6.4. Management of the Tourism Business

The Tourism Business will be overseen by Mr Chu Sau Ben, the Company's Executive Chairman and Chief Executive Officer and where appropriate, the Tourism Business will be managed by a separate management team to be set up, who will report directly to Mr Chu Sau Ben.

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<sup>2</sup> Source: Website of the ASEAN Tourism Statistics (<http://www.asean.org/news/item/tourism-statistics>). The ASEAN Secretariat has not consented to the inclusion of the above information in this Circular and is therefore not liable for such information. The Company has included the above information in their proper form and context in this Circular and has not verified the accuracy of the above information.

<sup>3</sup> Source: Website of the World Travel & Tourism Council (WTTC) (<http://www.wttc.org/-/media/files/reports/economic%20impact%20research/regional%202015/southeastasia2015.pdf>). The WTTC has not consented to the inclusion of the above information in this Circular and is therefore not liable for such information. The Company has included the above information in their proper form and context in this Circular and has not verified the accuracy of the above information.

<sup>4</sup> *Ibid.*

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# LETTER TO SHAREHOLDERS

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Mr Chu Sau Ben has experience in the Tourism Business through his investment in YC Travel and Tours Sdn Bhd (“**YC Travel**”) since 2008. Currently, YC Travel has 15 staff and a fleet of 5 vehicles to service its customers and run daily operations. YC Travel is one of Malaysia’s leading travel and tour operator that provides a wide array of travel services including inbound and outbound tour packages, customized and private touring experiences, educational programs and niche holiday programs targeted towards the Muslim market segment.

The Group intends to hire qualified personnel with suitable expertise and experience to support the growth of the Tourism Business. The Group’s management team may also, where appropriate, seek the advice of external consultants and industry experts when making decisions in respect of the Tourism Business. The Board will also receive updates from the management on the health of the Tourism Business and where necessary or appropriate, direct the appointment of in-house or external consultants or professional advisers to assist the management in the Tourism Business.

Before undertaking any major contract for the Tourism Business, and where relevant, the management of the Company will prepare a feasibility study containing financial forecasts, risk analysis and contingency plans, market study, assessment of current and available resources, funding needs, projected returns and profit margins of the proposed contract and its assessment of the benefits and detriments of the contract. The management, led by Mr Chu Sau Ben, the Company’s Executive Chairman and Chief Executive Officer, will present the proposal to the Board. The Board will discuss, deliberate, understand and decide on the nature and extent of the Group’s undertaking in such contract. In addition, the Risk Committee will regularly review the risk exposure of the Tourism Business at intervals of no less than six months and report to the AC and the Board on material findings.

## **6.5. Funding for the Tourism Business**

It is anticipated that the Tourism Business will require substantial capital investments or cash outlay. The Company intends to fund the Tourism Business through a combination of internal resources, bank borrowings and/or other fund-raising activities arranged with other financial institutions and/or individuals. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises by tapping the capital markets including but not limited to rights issues, share placements and/or issuance of debt instruments.

## **6.6. Risk Factors Relating to the proposed diversification into Tourism Business**

The following is an identified but by no means exhaustive list of risk factors which are associated with the Tourism Business:

### **The Group has no prior track record and operating history in the Tourism Business**

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

The Tourism Business also involves business risks including the financial costs of setting up new operations, capital investment and maintaining working capital requirements. If the Group does not derive

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# LETTER TO SHAREHOLDERS

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sufficient revenue from or does not manage the costs of the Tourism Business effectively, the overall financial position and profitability of the Group may be adversely affected.

**The Group may not have the ability or sufficient expertise to execute the proposed diversification into Tourism Business**

The Group's ability to successfully diversify into the Tourism Business is dependent upon its ability to adapt its existing knowledge and expertise and to understand and navigate the Tourism Business. There is no assurance that the Group's existing experience and expertise will be sufficient for the Tourism Business, or that the Group will be able to hire employees with the relevant experience and knowledge. The Group may not be able to successfully implement the Tourism Business and this may adversely affect the Group's financial performance and profitability.

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

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

**The Group may be affected by an economic downturn which would affect demand for travel products and services**

In times of economic downturn, it is common for businesses as well as individuals to reduce expenditure and cost and one of the aspects of cost-saving measures may be placing limitations on the frequency and/or class of leisure and corporate travel. In addition, businesses may adopt alternatives to corporate travels for business meetings such as video conferencing or conference calls which may continue to replace corporate travel for such purposes even when the economy recovers. We would be affected in terms of demand for our travel products and services in the event our customers limit their leisure or corporate travel for any reason. In such event, our financial performance would be materially and adversely affected.

**The Group's success depends on its ability to source airlines and hotels for the supply of its travel products as well as our access to our suppliers' inventories**

The range of travel products we have to offer impacts our success and this is largely dependent on our ability to source for and be granted access to the inventory of travel suppliers. We will rely on access to the inventory of our travel suppliers which are mainly airlines and hotels so as to be able to offer such travel products to our customers. Our travel suppliers will offer us access to their inventory based on our sales performance and the quality of our service. In the event of poor sales performance or poor quality of service, our travel suppliers may increase the cost of the travel products which we sell on their behalf. If we are unable to access this inventory or access to this inventory is reduced significantly due to poor sales performance, poor quality of service or for any other reason, we will have to source for alternative



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# LETTER TO SHAREHOLDERS

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travel suppliers, such as local travel agents and global distribution systems suppliers, and access the inventory of such travel suppliers instead of accessing the inventory of airlines and hotels directly. In the event we access the inventory of such alternative travel suppliers, it would usually be at a higher cost and would require a larger cash outlay as compared to when we sell directly on behalf of airlines and hotels. Consequently, our financial performance and position may be adversely affected.

## **Termination or non-renewal of customer contracts would have an adverse effect on our financial performance**

We will enter into contracts with our customers for the provision of travel services and our customer contracts will generally be non-exclusive. We will not prohibit customers from engaging the services of another travel services provider or purchasing travel products from our competitors during the contract term. As such, there is no assurance that customers which enter into contracts with us will purchase travel products from us or require our travel services. In addition, a customer may not renew or may terminate our contract for a variety of reasons, such as failure to deliver timely services, failure to invoice a customer in a timely and accurate manner, poor response, poor staff attitude, change of the relevant personnel responsible for procurement of our services, failure to meet any agreed service level requirements; or change of control of the customer. In the event our customers terminate or do not renew our contract or cease business with us for any reason, our financial performance would be adversely affected.

## **The Group's operating results may fluctuate throughout the year and may be adversely affected by events which disrupt travel activities**

Our operating results may fluctuate throughout the year depending on the revenue contribution from various segments. Revenue contribution from our corporate customers may decline during the summer and festive holiday periods which are times when many corporate travellers are on holiday while revenue contribution from our leisure customers may increase during the summer, school holidays and festive holiday periods. Travel activities may be adversely affected by various factors such as occurrence of economic downturns, health epidemics, social and political unrests, terrorist activities, imposition of surcharges or price increases by airlines, strikes within the travel industry, travel-related accidents, increase in use of video-conferencing facilities and bad weather. Such events could materially disrupt travel activities in the regions in which we operate and have a negative impact on our financial results.

## **The Tourism Business is a service-oriented business and is reliant on our employees**

In addition to our management, our continued success depends in part upon our ability to attract, motivate and retain a sufficient number of competent and skilled employees. Failure to recruit relevant personnel and to retain our key employees may have an adverse impact on our operations and expansion plans. Any material increase in employee turnover rates in any of our operations could also have a material adverse effect on our business operations and financial performance in the event we are unable to find replacements for our key employees in a timely manner. In addition, competition for competent employees may require us to pay higher wages to attract and retain sufficient and capable employees. This could result in higher employee benefits expenses, thereby adversely affecting our business and financial performance.

## **The travel industry is highly competitive**

The travel industry has a large number of players and is subject to rapid change and intense competition. We will compete with other travel services providers, some of which are specialized in certain products or

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# LETTER TO SHAREHOLDERS

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destinations or may have longer operating histories, larger customer bases, larger teams of professional staff, greater brand recognition and/or greater financial, technical, marketing and other resources.

We may not be able to respond effectively to our competitors' pricing strategies, technological advances, advertising campaigns, strategic partnerships and other initiatives. In the event that our competitors are able to provide products and services of comparable or better quality at competitive prices, our business and financial performance may be adversely affected. In particular, pricing strategies of our competitors may have a material adverse effect on our revenue and profits as we may have to decrease our prices for our services or include additional services in our service offerings to remain competitive, thus reducing or eliminating our profit margins.

In order to maintain and improve our service standards as well as respond to our competitors' technological advances, we would need to continue to improve and upgrade our systems, technology, networks and infrastructure which will require us to commit substantial financial, operational and technical resources. However, we may fail to use, implement or integrate such new technologies and products effectively or at all or may fail to adapt such technology, systems or network infrastructure to our customers' requirements on a timely basis or at all. In such events, our business performance and position would be adversely affected. In addition, in the event there is any failure or interruption in our systems, technology, networks or infrastructure or in the access to them, or any deterioration in their performance, whether due to computer virus, computer hacking or otherwise, we would not be able to compete effectively and our business performance would be adversely affected.

## **The Group's business may be adversely affected by the revocation or suspension of our travel agent licences**

In order to embark on the Tourism Business, the Group must obtain the necessary licences, permits and/or approvals to operate as travel agents in the countries that the Group intends to operate. The duration of these permits and licences are generally for fixed periods and are renewable upon expiry but renewability is subject to fulfilling the standards and requirements set out by the regulatory authorities. The non-renewal, revocation or suspension of the licences, permits or approvals, or the imposition of any penalties, whether as a result of the infringement of regulatory requirements or otherwise, may have an adverse impact on our ability to operate as a travel agency providing travel and related services thereby adversely affecting our profitability. In addition, any changes in existing regulations or introduction of new regulations governing the issuance and/or maintenance of such licences, permits and/or approvals that may impose onerous conditions on the conduct of our business would increase our costs of operations. If we fail to maintain the relevant licences, permits and/or approvals or to comply with any regulations, which may be required under new regulations, we may be compelled to cease part of or all of our operations which would in turn materially affect our financial position.

## **The Group may rely on third party systems and services and the Group's business may suffer if they become unavailable in the future or if they no longer offer quality performance**

We may have to integrate our information technology systems/networks with those of third party suppliers and service providers (such as the airlines) to conduct our business.

In the event that our systems become outdated and cease to be compatible with the systems of third party suppliers and the service providers, or if new technologies we implement cannot successfully interface with third parties suppliers and service providers in the intended manner or timescale, this would adversely affect the delivery of our services.

We may rely on third-party service providers, through which we make bookings with suppliers of airlines and hotels. Any interruption or termination in the services or deterioration in the performance of the

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# LETTER TO SHAREHOLDERS

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global distribution systems could seriously disrupt our business, our service levels, our reputation and negatively impact our operating results. If our arrangements with any of these third party service providers are terminated, we may have to source for alternative service providers and/or negotiate the commercial terms with our new service providers, which may adversely affect our business.

While we input substantial financial, operational and technical resources for technological services, interruptions and failures may occur from time to time. Any such occurrences may have a material adverse effect on our business and in turn affect our financial performance.

## **The Group's business operations are subject to foreign currency exposure which may adversely affect the Group's operating results and financial position**

We are exposed to foreign exchange risks to the extent that our receipts from customers in local currencies do not match with the respective foreign currency denominated payments to suppliers at a later time. Payments of foreign currency denominated costs and receipts of foreign currency denominated sales are recorded at rates of exchange at the dates of payment and receipt respectively. The different exchange rates prevailing at the times of payment and receipt may give rise to foreign currency exchange gains and losses. We also monitor the amount of foreign currency exposure which arise from the mismatch between the currencies of sales to that of our payments and may enter into forward or spot contracts to hedge the foreign exchange risks. In the event our foreign currency contracts are not entered at a rate to match our sales, we may incur foreign exchange losses.

## **The Group may face uncertainties associated with the expansion of its Tourism Business**

As our Group and our Tourism Business operations expand, we will be required to continue to improve, and where appropriate, upscale our operational and financial systems, information technology systems and online platforms, procedures and internal controls and expand, retain, manage and train our employees. There is a risk of an adverse impact on our financial performance if we are not able to manage our expansion and growth efficiently and effectively.

We intend to expand on the Tourism Business through business acquisitions, technology acquisitions, investments in businesses, joint-ventures and/or strategic alliances as and when the opportunities arise. However, as there may be limited opportunities for suitable acquisitions, strong competition in acquiring favourable targets as well as unforeseen expenses, difficulties, complications and delays in respect of executing any potential expansion plans, there is no assurance that we may identify and enter into arrangements with suitable partners such that our expansion plans will be successful.

In making any material acquisitions, we may require additional financing. Execution of our expansion strategies may strain our financial resources and we may be required to incur additional debt or issue equity or utilise our operating cash flow to finance such acquisitions or investments. Additional equity financing could be significantly dilutive to shareholders, while additional debt financing could involve restrictions on operating activities. We cannot assure that we will be successful in implementing these expansion strategies. Failure to do so may result in us incurring expenses and possible losses, which would have a material and adverse impact on our business, financial condition and results of operations. Alternatively, if we are unable to obtain additional financing where needed, we may have to reduce the scope of our anticipated expansion or abandon any planned acquisitions.

If we succeed in acquiring a business, product or technology, we may not have adequate experience in integrating such a business, product or technology into our existing business. The process of integration may also produce unforeseen delays or operating difficulties and substantial expenditures and may absorb significant attention of our management that would otherwise be available for the ongoing development of our business. Furthermore, we may not be able to manage such acquired businesses profitably.

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# LETTER TO SHAREHOLDERS

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In the case of our overseas expansion, we have to address issues on relevant foreign investment laws and regulations. We would also need to familiarise ourselves comprehensively with the relevant business, economic, social and political conditions. If we fail to achieve a sufficient level of revenue or if our expansion plans result in a lapse of customer service, integration problems with an acquired company, potential dilutive issuances of equity securities or the incurrence of debt, contingent liabilities, possible impairment charges related to goodwill or other intangible assets or any other unanticipated adverse events or circumstances, our future financial position and performance may be materially and adversely affected.

**The leisure and corporate travel market continually undergoes change and development and the Group may not always be equipped to react adequately and quickly**

General trends and practices of the leisure and corporate travel market may change from time to time, and there can be no guarantee that we are able to adapt quickly to new developments and trends in the market. In the event we are not able to react adequately and quickly, our financial performance may be adversely affected.

Some examples of such change may include: (a) an increased number of customers making direct bookings with airlines and hotels rather than via a travel services provider; (b) more corporate customers setting up their own in-house travel department to take care of their own travel needs resulting in our role as a travel services provider being marginalised or diminished; (c) there is significant change in the operations of global distribution systems suppliers, the airlines or other suppliers such that we are not able to access to their inventory; or (d) an unexpected change in the requirements of our customers in relation to our services, and if we fail to foresee it, or react too slowly, or lack the financial resources to respond appropriately, all of which could materially affect our Tourism Business.

**Our Group may rely heavily on automated systems and the Internet for the operation of the Tourism Business and any failure of these systems may have a material adverse effect on our business**

Our Group may rely on automated systems to operate our Tourism Business, including websites and online booking and revenue management systems, some of which are provided by third parties. Any inability of such third parties to deliver such services could significantly disrupt our operations and harm our business. The websites and online reservation systems of our Group and/or the third parties who provide such services to our Group must be able to accommodate a high volume of traffic and deliver important flight information. There can be no assurance that system failures will not occur in the future.

Any disruption in our automated systems may result in the loss of important data, increase our expenses, and materially and adversely affect our reputation and ticket sales and consequently, our business. Any disruption in internet networks or compromise of Internet security could prevent or deter people from using the Internet or from using it to conduct transactions that involve transmitting confidential information. Our Group may also incur significant costs to protect against the threat of security breaches, particularly if the perceived risks of terrorist activity and/or third party misappropriation of information lead to government-imposed increases in Internet security and greater restrictions on ticket purchases or tourism bookings made remotely. Further, alleviating these problems may cause interruptions, delays or cessations in service to our customers, which may cause them to cease using our service or to make claims against our Group.

Our Group may also retain personal information received from customers and will be required to put in place security measures for personal data privacy reasons and to protect against unauthorised access to such information. Personal information which may be held both offline and online is highly sensitive and, if third parties were to access such information without our customers' prior consent or if third parties

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# LETTER TO SHAREHOLDERS

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were to misappropriate that information, our reputation will be adversely affected and customers may possibly bring legal claims against us, any of which will adversely affect our business, financial condition and results of operations. In addition, our Group may be liable to credit card companies should any credit card information be accessed and misused and/or for fraudulent credit card transactions as a result of lack of sufficient security systems implemented by us.

## **The Group could be subject to foreign exchange exposure and currency fluctuations**

The Group may be subject to risks arising from foreign exchange fluctuations in relation to the Tourism Business. The Group's revenue is denominated in S\$ while revenue generated from the Tourism Business could be denominated in the currencies of the jurisdictions where the operations of the Group may take place in future. Any unfavourable fluctuations in currency exchange rates will result in exchange losses arising from transactions carried out in foreign currencies and translations of foreign currency monetary assets and liabilities as at the end of the relevant reporting periods. If the exchange losses are substantial, it could have a negative impact on the Group's financial performance and financial condition.

## **The Group may be subject to risks in relation to interest rate movements**

Risks arising from interest rate movements, particularly as a result of the debts that may be undertaken to finance the Tourism Business or any acquisitions, joint ventures or strategic alliances in relation thereto, may affect the Group's Tourism Business. Changes in interest rates will affect the Group's interest income and interest expense from short term deposits and other interest-bearing financial assets and liabilities which could have a material and adverse effect on the profitability of the Group. An increase in interest rates would also adversely affect the Group's ability to service loans and its ability to raise and service long term debt.

## **The Group may face difficulties in remitting capital, profits and dividends out of the countries it may operate in pursuant to the Tourism Business**

The Group may establish foreign entities to provide tourism and travel related services under its Tourism Business outside of Singapore and in Asia. The Group's foreign entities which may be engaged in the Tourism Business may experience difficulty in remitting capital, profits and dividends out of its countries of operation, as such remittances will may be subject to scrutiny and specific approval of the government or regulatory authorities in such countries, or may be subject to foreign exchange policies and conditions prevailing from time to time.

## **The Group is exposed to customer payment risks and delay**

We are exposed to customer credit risks including payment delays and defaults. Travel agencies usually do not receive down payments or deposits from their wholesale or corporate customers and most of their business is conducted on credit terms. There is no assurance on the timeliness of our customers' payments and whether they will be able to fully settle their payment obligations.

Any inability on the part of our customers to pay or settle promptly such amounts due to us for our services may affect our operating results as well as our working capital position. For example, in the event that our customers default on their payments to us, we would have to make provisions for doubtful debts, or incur bad debt write-offs.

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# LETTER TO SHAREHOLDERS

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## **7. APPLICATION OF CHAPTER 10 OF THE CATALIST RULES TO THE PROPOSED DIVERSIFICATIONS**

As the Proposed Diversifications will involve new business areas which are substantially different from the Group's existing core business as described in Paragraph 2.1 above, it is envisaged that the Proposed Diversifications will change the existing risk profile of the Group. Accordingly, the EGM will be convened by the Company to seek the Shareholders' approval to approve the Proposed Diversifications.

Upon the approval by Shareholders of the Proposed Diversifications, any acquisition which is in, or in connection with, the Proposed Diversifications, may be deemed to be in the Group's ordinary course of business and therefore not fall under the definition of a "transaction" under Chapter 10 of the Catalist Rules. Accordingly, the Group may, in its ordinary course of business, enter into transactions relating to the Proposed Diversifications which will not change the risk profile of the Group, in an efficient and timely manner without the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential transactions relating to the Proposed Diversifications arise, even where they crossed the thresholds of a "major transaction". This will reduce substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group. Pursuant to Rule 1014 of the Catalist Rules, a major transaction is a transaction (as defined in Rule 1002(1) of the Catalist Rules) where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 75% but is less than 100% (for an acquisition) or exceeds 50% (for a disposal) and must be made conditional upon approval by shareholders at a general meeting.

For the avoidance of doubt, notwithstanding the Proposed Diversifications, in respect of transactions:

- (a) which fall within the definition of Rule 1002(1) of the Catalist Rules, Rules 1010 and 1014 of the Catalist Rules will still apply;
- (b) where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 100% or results in a change in control of the issuer, Rule 1015 of the Catalist Rules will still apply to such transactions and such transactions must be, among others, made conditional upon approval by shareholders at a general meeting;
- (c) which constitute an "interested person transaction" as defined under the Catalist Rules, Chapter 9 of the Catalist Rules will apply to such transaction and the Company will comply with the provisions of Chapter 9 of the Catalist Rules; and
- (d) which involve the expansion of the Proposed Diversifications into other countries beyond Asia resulting in a consequential change in the risk profile of the Group, the Company will make the relevant announcement(s) and seek the approval of the Shareholders at a general meeting before venturing into countries other than in Asia.

## **8. PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE**

### **8.1. Introduction**

It is a requirement under the Act that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at a general meeting of shareholders. It is also a requirement under the Catalist Rules that an issuer who wishes to purchase its own shares should obtain prior approval of its shareholders in a general meeting. In this regard, the approval of Shareholders is now being sought from Shareholders at the EGM for the Share Buy-Back Mandate.

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# LETTER TO SHAREHOLDERS

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If the Share Buy-Back Mandate is approved by Shareholders, the authority conferred by the Share Buy-Back Mandate will remain in force until the date on which the next AGM is held or required by law to be held (when it will lapse unless it is renewed) or the date on which the Share Buy-Back are carried out to the full extent mandated, whichever is the earlier, unless prior to that, it is varied or revoked by resolution of the Shareholders in a general meeting (the “**Relevant Period**”).

Any purchase or acquisition of Shares by the Company would have to be made in accordance with and in the manner prescribed by the Act and the Catalist Rules and such other laws and regulations as may, for the time being, be applicable.

## **8.2. Rationale for the Share Buy-Back Mandate**

The approval of the Share Buy-Back Mandate authorising the Company to purchase or acquire its own Shares would give the Company the flexibility to undertake Share Buy-Back up to the 10% limit described in Paragraph 8.3.1 below at any time, during the period when the Share Buy-Back Mandate is in force. The rationales for the Company to obtain the Share Buy-Back Mandate are as follows:

- (a) In managing the business of the Group, management strives to increase Shareholders’ value by improving, *inter alia*, the return on equity of the Group. A Share Buy-Back is one of the ways through which the return on equity of the Group may be enhanced;
- (b) The Share Buy-Back Mandate will provide the Company with a mechanism to facilitate the return of surplus cash over and above the Group’s working capital requirements in an expedient and cost efficient manner. Share Buy-Back also allows the Company to exercise greater flexibility over, *inter alia*, the Company’s share structure and its dividend policy;
- (c) The Company may undertake Share Buy-Back to mitigate short-term market volatility (by way of stabilising the supply and demand of issued Shares) and offset the effects of share price speculation; and
- (d) The Company has adopted a share-based incentive scheme (namely, the Libra Performance Share Plan). Shares acquired through Share Buy-Back undertaken by the Company may be held as treasury shares and utilised to satisfy the Company’s obligation to furnish Shares to Participants under the Plan, thus giving the Company greater flexibility in selecting the method of providing Shares to the Participants which is most beneficial to the Company and its Shareholders.

If and when circumstances permit, the Directors will decide whether to effect the Share Buy-Back via Market Purchases (as defined hereinafter) or Off-Market Purchases (as defined hereinafter), after taking into account the amount of surplus cash available, the then prevailing market conditions and the most cost effective and efficient approach.

The Share Buy-Back will only be undertaken as and when the Directors consider it to be in the best interests of the Company and/or Shareholders. No Share Buy-Back will be made in circumstances which the Directors believe will have or may have a material adverse effect on the liquidity and the orderly trading of the Shares and the working capital requirements and gearing level of the Company and the Group.

## **8.3. Authority and Limits of the Share Buy-Back Mandate**

The authority and limitations placed on the Share Buy-Backs by the Company under the proposed Share Buy-Back Mandate, if approved at the EGM, are summarised below:

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# LETTER TO SHAREHOLDERS

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## 8.3.1. Maximum Number of Shares

Only Shares that are issued and fully paid-up may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate.

The total number of Shares which can be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate during the Relevant Period is limited to that number of Shares representing not more than 10% of the total issued ordinary share capital of the Company as at the date of the EGM at which the Share Buy-Back Mandate is approved (the “**Approval Date**”) unless the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Act, or the court has, at any time during the Relevant Period, made an order under Section 78I of the Act confirming the reduction of share capital of the Company, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the special resolution of the Company or the order of the court, as the case may be. For the purposes of calculating the percentage of issued Shares above, any of the Shares which are held as treasury shares will be disregarded.

Purely for illustrative purposes, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date, comprising 119,269,000 Shares and assuming that no further Shares are issued on or prior to the EGM, not more than 11,926,900 Shares (representing 10% of the issued share capital of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate during the duration referred to in Paragraph 8.3.2 below.

## 8.3.2. Duration of Authority

Under the Share Buy-Back Mandate, Share Buy-Back may be made, at any time and from time to time, on and from the date of the EGM, at which the Share Buy-Back Mandate is approved, up to the earlier of:

- (a) the date of the next AGM or the date by which such AGM is required by law to be held;
- (b) the date on which the Share Buy-Back are carried out to the full extent mandated; or
- (c) the date on which the authority contained by the Share Buy-Back Mandate is revoked or varied by the Shareholders in a general meeting.

The authority conferred on the Directors by the Share Buy-Back Mandate to purchase Shares may be renewed at each AGM or other general meeting of the Company. When seeking the approval of the Shareholders for the adoption of the Share Buy-Back Mandate, the Company is required to disclose details pertaining to any Share Buy-Back made 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 Share Buy-Back, where relevant, and the total consideration paid for such Share Buy-Back.

## 8.3.3. Manner of Share Buy-Back

Share Buy-Back may be made by way of:

- (a) on-market purchases through the SGX-ST’s ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose (“**Market Purchase**”); and/or
- (b) off-market purchases (if effected otherwise than on a securities exchange) in accordance with any equal access scheme(s) as defined in Section 76C of the Act (“**Off-Market Purchase**”).



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# LETTER TO SHAREHOLDERS

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

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

In addition, the Catalist Rules provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

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

#### 8.3.4. Maximum Purchase Price

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

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter) of the Shares; and
- (b) in the case of an Off-Market Purchase, 115% of the Average Closing Price (as defined hereinafter) of the Shares,

(the "**Maximum Price**") in either case, excluding related expenses of the Share Buy-Back.

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# LETTER TO SHAREHOLDERS

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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 transactions in the Shares were recorded, preceding the day of the Market Purchase or, as the case may be, preceding the date of the making of the offer for an Off-Market Purchase and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the Share Buy-Back, 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.

## 8.4. **Status of Purchased Shares under the Share Buy-Back Mandate**

A Share purchased or acquired by the Company under the Share Buy-Back Mandate (“**Purchased Shares**”), unless held in treasury in accordance with the Act, is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation). 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.

At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company and as the Directors deem fit in the interests of the Company at that time.

## 8.5. **Treasury Shares**

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

### 8.5.1. **Maximum Holdings**

The maximum number of treasury shares which may be held by the Company is as follows:

- (a) where the Company has Shares of only one class, the aggregate number of Shares held as treasury shares must not at any time exceed 10% of the total number of Shares of the Company at that time; and
- (b) where the Company’s Share capital is divided into Shares of different classes, the aggregate number of the Shares of any class held as treasury shares shall not at any time exceed 10% of the total number of the Shares in that class at that time.

In the event that the Company exceeds the stated thresholds, the Company must dispose of or cancel these excess Shares within six (6) months, in accordance with Section 76K of the Act or such further period as the Registrar of Companies may allow.

### 8.5.2. **Voting and Other Rights**

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

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# LETTER TO SHAREHOLDERS

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

### 8.5.3. Disposal and Cancellation

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

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

Where Shares purchased or acquired by the Company under the Share Buy-Back Mandate are cancelled, such Shares will be automatically de-listed by the SGX-ST. Certificates in respect of such cancelled Shares will be cancelled and destroyed by the Company as soon as is reasonably practicable after the Shares have been acquired.

As at the Latest Practicable Date, the Company does not hold any of its Shares as treasury shares.

### 8.6. **Reporting Requirements**

Within thirty (30) days of the passing of a Shareholders' ordinary resolution to approve any purchase or acquisition of Shares by the Company, the Company shall lodge a copy of such ordinary resolution with ACRA.

The Company shall notify ACRA within thirty (30) days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchase, including the date of the purchase or acquisition, the total number of Shares purchased or otherwise acquired 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 or acquisition of Shares, the Company's issued share capital after the purchase or acquisition of Shares, the amount of consideration paid by the Company for the purchase or acquisition, whether the Shares were purchased or acquired out of profits or the capital of the Company and such other particulars as may be required by ACRA.

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

The Catalist Rules specifies that a listed company must announce any purchase or acquisition of its shares no later than 9.00 a.m.:-

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and

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# LETTER TO SHAREHOLDERS

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- (b) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The announcement of such purchase or acquisition of shares shall be in such form and shall include such details that the SGX-ST may prescribe. 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 announcements via SGXNET.

In the event that the treasury shares purchased or acquired by the Company under the Share Buy-Back Mandate are subsequently sold, transferred, cancelled and/or used, the Company will, pursuant to Rule 704(31) of the Catalist Rules, immediately announce any sale, transfer, cancellation and/or use of the treasury shares, stating the following:-

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

## **8.7. Source of Funds**

In undertaking Share Buy-Back, the Company may only apply funds legally available for such purchase in accordance with the Memorandum and Articles of Association of the Company and the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than cash or, in the case of a Market Purchase, for settlement other than in accordance with the trading rules of the SGX-ST. As stated in the Act, the Share Buy-Back may be made out of the Company's profits or capital so long as the Company is solvent (as defined in Section 76F(4) of the Act).

Pursuant to Section 76F(4) of the Act, a company is solvent if (a) it is able to pay its debts in full at the time of payment and will be able to pay its debts as they fall due in the normal course of business in the 12 months following such date of payment; and (b) the value of its assets is not less than the value of its liabilities (including contingent liabilities) and such value of its assets will not, after any purchase of shares for purposes of any proposed acquisition or release of the company's obligations, become less than the value of its liabilities (including contingent liabilities). In determining whether the Company is solvent, the Directors must have regard to the most recently audited financial statements, other relevant circumstances, and may rely on valuations or estimation of assets or liabilities. In determining the value of contingent liabilities, the Directors may take into account the likelihood of the contingency occurring, as well as any counter claims by the Company.

The Company intends to use internal resources and/or external borrowings to finance its Share Buy-Back. No purchase or acquisition of Shares pursuant to the Share Buy-Back Mandate will be made in a manner which would have or may have a material adverse effect on the working capital and/or gearing of the Group.

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# LETTER TO SHAREHOLDERS

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## 8.8. Financial Effects of the Share Buy-Back Mandate

It is not possible for the Company to realistically calculate or quantify the financial effects on the Group and the Company arising from its purchase or acquisition of Shares which may be made pursuant to the Share Buy-Back Mandate, which will depend on, *inter alia*, whether the Shares purchased or acquired is a Market Purchase or an Off-Market Purchase, whether the Shares are purchased or acquired out of capital and/or profits of the Company, the number of Shares purchased or acquired and the consideration paid for such Shares.

As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S\$18,393,204, comprising 119,269,000 Shares.

For **illustrative purposes only**, the financial effects on the Company and the Group arising from the Share Buy-Back, based on the audited financial statements of the Company and the Group for FY2014, are prepared on the assumptions set out below:

- (a) the Share Buy-Back comprised 11,926,900 Shares (representing 10% of the 119,269,000 issued Shares as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the EGM);
- (b) in the case of Market Purchases, the Maximum Price was S\$0.213 (being 5% above the Average Closing Price) and accordingly the maximum amount of funds required for effecting such Market Purchases (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses), would amount to approximately S\$2,542,219;
- (c) in the case of Off-Market Purchases, the Maximum Price was S\$0.233 (being 15% above the Average Closing Price) and accordingly the maximum amount of funds required for effecting such Off-Market Purchases (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses), would amount to approximately S\$2,784,335; and
- (d) the Share Buy-Back Mandate had been effective on 1 January 2014;
- (e) the Share Buy-Back took place on 1 January 2014;
- (f) the Share Buy-Back were made entirely out of the Company's capital and financed entirely by internal cash of the Group; and
- (g) S\$621,335 had been disbursed from a wholly owned subsidiary to the Company prior to the purchase or acquisition of Shares by the Company by way of distribution of dividends by the subsidiary.

If the purchased or acquired Shares are cancelled, the issued share capital of the Company will be reduced by the corresponding total purchase price of the Shares purchased or acquired by the Company. The consideration to be paid by the Company for the purchase or acquisition of Shares (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company (for the purchase or acquisition of Shares made out of profits). If, on the other hand, the purchased or acquired Shares are not cancelled but held in treasury, then there is no change in the Company's issued capital. In both cases, the shareholders' funds are reduced by the corresponding total purchase price of the Shares purchased or acquired by the Company. The financial effects are illustrated in Paragraphs 8.8.1 and 8.8.2 respectively.

# LETTER TO SHAREHOLDERS

## 8.8.1. Assuming Shares were purchased out of capital and cancelled

	Group			Company		
	Before Share Buy-Back	After Share Buy-Back		Before Share Buy-Back	After Share Buy-Back	
	S\$'000	Market Purchase S\$'000	Off-Market Purchase S\$'000	SS\$'000	Market Purchases S\$'000	Off-Market Purchase S\$'000
<b>As at 31 December 2014</b>						
Share capital	17,393	14,851	14,609	17,393	14,851	14,609
Equity attributable to owners of the Company	17,804	15,262	15,020	18,866	16,324	16,082
NTA	17,804	15,262	15,020	18,866	16,324	16,082
Current assets	37,036	34,494	34,252	3,947	1,405	1,163
Current liabilities	26,776	26,776	26,776	2,112	2,112	2,112
Working capital						
Cash & cash equivalents	10,388	7,758	7,508	2,163	0	0
Total borrowings	23,232	23,232	23,232	12,800	12,800	12,800
Profit after tax attributable to owners of the Company	5,318	5,318	5,318	2,940	2,940	2,940
Number of issued Shares ('000)	114,724	102,797	102,797	114,724	102,797	102,797
<b>Financial Ratios</b>						
NTA per Share (Singapore cents) <sup>(1)</sup>	0.155	0.148	0.146	0.164	0.159	0.156
Gross gearing (times) <sup>(2)</sup>	1.305	1.522	1.547	0.678	0.784	0.796
Current ratio (times) <sup>(3)</sup>	1.383	1.288	1.279	1.869	0.665	0.551
Earnings per Share (Singapore cents) <sup>(4)</sup>	5.16	5.84	5.84	2.86	3.23	3.23

### Notes:

- (1) "NTA per Share" represents NTA divided by the number of issued Shares as at the Latest Practicable Date, adjusted for the effect of the Share Buy-Back.
- (2) "Gross gearing" represents total borrowings divided by equity attributable to owners of the Company.
- (3) "Current ratio" represents current assets divided by current liabilities.
- (4) Earnings per Share represents profit after tax attributable to owners of the Company for FY2014 divided by the weighted average number of issued Shares for FY2014.

# LETTER TO SHAREHOLDERS

## 8.8.2 Assuming Shares were purchased out of capital and held as treasury shares

	Group			Company		
	Before Share Buy-Backs	After Share Buy-Backs		Before Share Buy-Backs	After Share Buy-Backs	
		Market Purchase	Off-Market Purchase		Market purchases	Off-Market Purchase
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>As at 31 December 2014</b>						
Share capital	17,393	17,393	17,393	17,393	17,393	17,393
Shares held in Treasury	-	(2,542)	(2,784)	-	(2,542)	(2,784)
Equity attributable to owners of the Company	17,804	15,262	15,020	18,866	16,324	16,082
NTA	17,804	15,262	15,020	18,866	16,324	16,082
Current assets	37,036	34,494	34,252	3,947	1,405	1,163
Current liabilities	26,776	26,776	26,776	2,112	2,112	2,112
Working capital						
Cash & cash equivalents	10,388	7,758	7,508	2,163	0	0
Total borrowings	23,232	23,232	23,232	12,800	12,800	12,800
Profit after tax attributable to owners of the Company	5,318	5,318	5,318	2,940	2,940	2,940
Number of issued Shares, net of treasury shares ('000)	114,724	102,797	102,797	114,724	102,797	102,797
<b>Financial Ratios</b>						
NTA per Share (Singapore cents) <sup>(1)</sup>	0.155	0.148	0.146	0.164	0.159	0.156
Gross gearing (times) <sup>(2)</sup>	1.305	1.522	1.547	0.678	0.784	0.796
Current ratio (times) <sup>(3)</sup>	1.383	1.288	1.279	1.869	0.665	0.551
Earnings per Share (Singapore cents) <sup>(4)</sup>	5.16	5.84	5.84	2.86	3.23	3.23

**Notes:**

- (1) "NTA per Share" represents NTA divided by the number of issued Shares as at the Latest Practicable Date, net of treasury shares.
- (2) "Gross gearing" represents total borrowings divided by equity attributable to owners of the Company.
- (3) "Current ratio" represents current assets divided by current liabilities.
- (4) Earnings per Share represents profit after tax attributable to owners of the Company for FY2014 divided by the weighted average number of issued Shares for FY2014.

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# LETTER TO SHAREHOLDERS

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The Directors do not propose to exercise the Share Buy-Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements and/or gearing of the Company and the Group. The Share Buy-Back will only be effected after taking into consideration both financial factors (such as cash surplus, debt position and working capital requirements of the Group) and non-financial factors (such as market conditions and performance of the Shares).

**Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on the audited financial statements of the Company and the Group for FY2014 and is not necessarily representative of the future financial performance of the Company and the Group. Although the Share Buy-Back Mandate would authorise the Company to purchase up to 10% of the Company's issued Shares as at the date the Share Buy-Back Mandate is obtained, the Company may not necessarily purchase or be able to purchase 10% of the issued Shares in full.**

## 8.9. **Catalist Rules**

### 8.9.1. Listing Status

As at the Latest Practicable Date, approximately 50.32% of the issued share capital of the Company is held in the hands of the public. Assuming that the Company repurchased the maximum of 10% of its issued share capital as at the Latest Practicable Date from members of the public by way of a Market Purchase, the percentage of Shares held by the public would be approximately 44.80%, and accordingly, the Company will be able to undertake Share Buy-Back up to the full 10% limit pursuant to the Share Buy-Back Mandate without affecting the listing status of the Shares on the Catalist of the SGX-ST.

The Directors will ensure that the Share Buy-Backs will not have any effect on the listing of the Company's securities including the Shares listed on the SGX-ST, or cause market illiquidity or adversely affect the orderly trading of the Shares. Rule 723 of the Catalist Rules requires at least 10% of any class of a company's listed securities to be held by the public at all times.

### 8.9.2. Timing of Share Buy-Backs

While the Catalist Rules do not expressly prohibit any buy-back of shares by a listed company of its own shares during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase of its issued shares, the Company will not undertake any buy-back of Shares pursuant to the proposed Share Buy-Back Mandate at any time after any matter or development of a price sensitive nature has occurred or has been the subject of a decision until such price sensitive information has been publicly announced. In particular, in line with Rule 1204(19)(c) of the Catalist Rules, the Company would not purchase or acquire any Shares through Market Purchases during the period commencing one month immediately preceding the announcement of the Company's interim (half year) results and the annual (full-year) results.

## 8.10. **Tax Implications**

Shareholders should note that the following general overview of the Singapore tax position is not to be regarded as advice on the tax position of any Shareholder, or on any tax implications arising from the Share Buy-Back Mandate. Shareholders who are in doubt as to their respective tax positions or the tax implications arising from the purchase or acquisition of Shares by the Company, or who may be subject to tax in a jurisdiction, should consult their own professional advisers.



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# LETTER TO SHAREHOLDERS

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(a) Company's Treatment

Under Section 10J of the Singapore Income Tax Act (Cap 134), where a company tax resident in Singapore purchases or otherwise acquires shares issued by it from any shareholder of the company and such shares are deemed cancelled under Section 76B of the Act by way of a Market Purchase or an Off-Market Purchase, to the extent that the payment for a Share Buy-Back is made out of the contributed capital of the company, such payment should not be regarded as a payment of dividend by the company to the shareholders, and an amount equal to the payment shall be debited to the contributed capital account kept by the company. However, to the extent that the payment for a Share Buy-Back is not made out of the contributed capital of the company, such payment should be deemed to be a dividend paid by the company on the date of the payment and the dividend should be treated as a tax exempt (1-tier) dividend.

(b) Shareholder's Treatment

From a shareholder's perspective, the tax treatment of the receipt from a Share Buy-Back would depend on whether the sale is by way of a Market Purchase or an Off-Market Purchase. A sale by a shareholder of his shares through a normal ready market counter will be treated like any other sale made on the SGX-ST, and not as a dividend. Whether the proceeds from such a sale are taxable in the hands of the shareholder will depend on whether such proceeds are receipts of an income or a capital nature.

Proceeds received in an Off-Market Purchase effected by way of an equal access scheme as defined in Section 76C of the Act will be treated as a receipt of a dividend in the hands of the shareholder if the payment for the Share Buy-Back is not made out of the contributed capital of the company. In the case where the consideration received pursuant to the Share Buy-Back is treated as a tax exempt (1-tier) dividend in the hands of a shareholder, the dividend should be exempt from Singapore income tax in the hands of that shareholder (both resident and non-resident) in Singapore. Accordingly, no deduction of the cost of the shares sold will be allowed, but the cost base will be apportioned among the remaining shares.

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

## 8.11. Take-over Code implications arising from Share Buy-Back

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

### 8.11.1. Obligation to make a take-over offer

If, as a result of Share Buy-Back(s), a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in a change of control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

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# LETTER TO SHAREHOLDERS

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## 8.11.2. Persons acting in concert

Under the Take-over Code, persons acting in concert ("**concert parties**") comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, inter alia, be presumed to be acting in concert:

- (a) a company with its parent company, its subsidiaries, its fellow subsidiaries, and their associated companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights, all with one another. For this purpose, ownership or control of at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the voting rights of a company will be regarded as the test of associated company status;
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10.0% or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons for the purchase of voting rights.

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

## 8.11.3. Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or

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# LETTER TO SHAREHOLDERS

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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 would increase by more than 1% in any period of 6 months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy-Back Mandate.

#### 8.11.4. Application of the Take-over Code

Based on the information in the Company's Register of Directors' shareholdings and the Register of Members' shareholdings as at the Latest Practicable Date (which is set out in this Paragraph, Mr Chu Sau Ben, a Controlling Shareholder and the Executive Chairman and Chief Executive Officer of the Company, holds (directly and indirectly) an aggregate of 59,248,000 Shares, which is equivalent to approximately 49.68% of the Company's issued shares as at the Latest Practicable Date.

In the event that the Company undertakes any purchase or acquisition of Shares of up to the maximum limit of 10% of its issued Shares as permitted by the Share Buy-Back Mandate, the aggregate shareholdings and voting rights of Mr Chu Sau Ben and persons presumed to be acting in concert with him under the Code<sup>5</sup> (if any) (the "**Relevant Parties**") in the Company will increase from approximately 49.68% to approximately 55.20%. Accordingly, if such increase in shareholding were to occur over any 6-month period, the shareholding of the Relevant Parties would have increased by more than 1% and they would be required to make a general offer for the Shares held by the other Shareholders pursuant to Rule 14.1(b) of the Take-over Code.

The Relevant Parties will be exempted from the requirement to make a take-over offer under Rule 14 of the Take-over Code, subject to the following conditions:

- (a) this Circular to contain advice to the effect that by voting in favour of the proposed Share Buy-Back Mandate, Shareholders are waiving their right to a general offer at the required price from the Relevant Parties who, as a result of the Company buying back its shares, would increase their voting rights to 30% or more, or, if they together hold between 30% and 50% of the Company's voting rights, would increase their voting rights by more than 1% in any period of 6 months; and the names of such Relevant Parties, their voting rights at the time of the resolution and after the proposed buy-back to be disclosed in this same Circular;
- (b) the resolution to authorise the Share Buy-Back Mandate to be 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 the proposed adoption of the Share Buy-Back Mandate;
- (c) the Relevant Parties to abstain from voting for and/or recommending Shareholders to vote in favour of the resolution to authorise the proposed adoption of the Share Buy-Back Mandate;
- (d) within 7 days after the passing of the resolution to authorise the Share Buy-Back Mandate, each of the Directors to submit to the SIC a duly signed form as prescribed by the SIC;
- (e) the Relevant Parties not to have acquired and not to acquire any Shares between the date on which they know that the announcement of any Share Buy-Back proposal is imminent and the earlier of:

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<sup>5</sup> As at the Latest Practicable Date, there is no person acting in concert with Mr Chu Sau Ben.

# LETTER TO SHAREHOLDERS

- (1) the date on which the authority of the Share Buy-Back Mandate expires; and
- (2) the date on which the Company announces it has bought back such number of Shares as authorised by Shareholders at the latest general meeting or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the Share Buy-Back, would cause their aggregate voting rights to increase to 30% or more; and

- (f) The Relevant Parties, together holding between 30% and 50% of the Company's voting rights, not to have acquired and not to acquire any Shares between the date on which they know that the announcement of the Share Buy-Back proposal is imminent and the earlier of:

- (1) the date on which the authority of the Share Buy-Back Mandate expires; and
- (2) the date on which the Company announces it has bought back such number of Shares as authorised by Shareholders at the latest general meeting or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the Share Buy-Back, would cause their aggregate voting rights to increase by more than 1% in the preceding six (6) months.

It follows that where the aggregate voting rights held by the Relevant Parties increase by more than 1% solely as a result of the Share Buy-Back and none of them has acquired any Shares during the relevant period defined above, then the Relevant Parties would be eligible for the SIC's exemption from the requirement to make a general offer under Rule 14, or where such exemption had been granted, would continue to enjoy the exemption.

As at the Latest Practicable Date, the aggregate shareholdings and voting rights of the Relevant Persons and in the event of Share Buy-Backs up to the maximum of 10% of the issued share capital of the Company as permitted by the proposed adoption of the Share Buy-Back Mandate is as follows:

	Percentage of Shares and voting rights as at the Latest Practicable Date <sup>(1)</sup>			Percentage of Shares and voting rights after the maximum Share Buy-Backs permitted under the Share Buy-Back Mandate <sup>(2)</sup>		
	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest
	Number of Shares	Number of Shares	% <sup>(1)</sup>	Number of Shares	Number of Shares	% <sup>(2)</sup>
Mr Chu Sau Ben	34,928,000	24,320,000	49.68	34,928,000	24,320,000	55.20

**Notes:**

- (1) Based on the Company's issued and paid-up share capital of 119,269,000 issued Shares as at the Latest Practicable Date.
- (2) Based on the issued and paid-up share capital of 107,342,100 Shares and on the assumption that the purchased Shares by the Company will be cancelled immediately.

Based on the above illustration, Mr Chu Sau Ben may incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company.

**Shareholders should note that by voting in favour of the Share Buy-Back Mandate, they are waiving their rights to a take-over offer at the required price from the Relevant Parties. Such a take-over offer,**

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# LETTER TO SHAREHOLDERS

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**if required to be made and had not been exempted by the SIC, would have to be made in cash or be accompanied by a cash alternative at the required price.**

Appendix 2 of the Take-over Code requires that the resolution to authorise the Share Buy-Back Mandate to be 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 under the Take-over Code as a result of the Share Buy-Back. Accordingly, the said resolution is proposed to be taken on a poll and the Relevant Parties shall abstain from voting on such resolution.

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 Take-over Code would ensue as a result of a Share Buy-Back.

The statements in this Circular do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisers and/or the relevant authorities at the earliest opportunity as to whether they would incur any obligation to make a take-over offer as a result of any purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate.

## **8.12. Details of Shares bought by the Company in the previous 12 months**

The Company did not have a Share Buy-Back Mandate for the 12 months preceding the Latest Practicable Date and hence has not purchased any Shares during the same period.

## **8.13. Limits on shareholdings**

The Company does not have any limits on the shareholdings of the Shareholders.

## **9. THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The Company proposes to amend the Articles of Association:

- (a) to facilitate the implementation of the Scrip Dividend Scheme; and
- (b) to provide for all Shareholders' resolutions to be by way of poll voting.

The proposed amendments to the Articles, struck through for deletions and underlined for insertions, are set out in full in Appendix A of this Circular and are subject to Shareholders' approval by special resolution.

### **9.1. Summary of Amendments to the Articles of Association for the purpose of implementing the Scrip Dividend Scheme**

#### **ARTICLE 127A**

The Company proposes to adopt the Scrip Dividend Scheme, details of which are set out in Paragraph 10 of this Circular. To facilitate the implementation of the Scrip Dividend Scheme, the Company proposes to insert a new Article 127A in the Articles of Association, as set out in Appendix A of this Circular, to enable

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# LETTER TO SHAREHOLDERS

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Shareholders to elect to receive New Shares credited as fully paid in lieu of all of the cash amount of a Qualifying Dividend, in accordance with the proposed Scrip Dividend Scheme.

## 9.2. Summary of Amendments to the Articles of Association for the purpose of voting by poll

### ARTICLE 57

Article 57 currently provides that resolutions are to be decided on a show of hands, unless a poll is demanded. Article 57 is proposed to be amended to clarify that all resolutions should be put to vote by poll.

### ARTICLES 8, 58, 59, 60, 61, 70, 71, 72

In view of the amendment to Article 57, consequential amendments are required to be made to the existing Articles 8, 58, 59, 60, 61, 70, 71 and 72 for clarity and consistency of reading of the Articles of Association.

## 10. THE PROPOSED SCRIP DIVIDEND SCHEME

### 10.1 Introduction

To facilitate the implementation of the Scrip Dividend Scheme by the Directors, it is proposed that a new Article 127A be added to, *inter alia*, enable Shareholders to elect to receive New Shares credited as fully paid in lieu of the whole cash amount of a Qualifying Dividend, in accordance with the Scrip Dividend Scheme. The new Article 127A is set out in Appendix A of this Circular. The Scrip Dividend Scheme Statement is set out in Appendix B of this Circular. Accordingly, Shareholders should note that the ordinary resolution which relates to the Scrip Dividend Scheme is conditional upon the passing of the special resolution which relates to the proposed amendments to the Articles.

### 10.2 Rationale and Purpose

The Scrip Dividend Scheme, if and when adopted, will provide an opportunity for Shareholders to elect to receive Dividend in the form of Shares, credited as fully paid-up instead of cash. It will enable Shareholders to participate in the equity capital of the Company without incurring brokerage fees, stamp duty and other related costs. The Company will also benefit from the participation by Shareholders in the Scrip Dividend Scheme as, to the extent that Shareholders elect to receive Dividend in the form of Shares, the cash which would otherwise be payable by way of cash dividend may be retained to fund the growth and expansion of the Group. The issue of Shares in lieu of cash Dividend under the Scrip Dividend Scheme will also enlarge the Company's share capital base and the retention of cash will strengthen its working capital position.

### 10.3 Election to Receive Dividends in the Forms of Shares in lieu of Cash

Under the Scrip Dividend Scheme, whenever a Dividend has been declared and the Directors have determined that the Scheme is applicable to the Dividend, each Shareholder has the following two options in respect of his entitlement to the Dividend:

- (a) elect to receive his entitlement to the Dividend in cash; or
- (b) elect for an allotment of New Shares (credited as fully paid-up) in lieu of the whole cash amount of his entitlement to the Dividend.

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# LETTER TO SHAREHOLDERS

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An announcement will be made by the Company as soon as practicable following the determination by the Directors that the Scrip Dividend Scheme is to apply to a particular Dividend, and in any event, by no later than the Market Day immediately following the Books Closure Date for the Dividend. Shareholders may only participate in respect of their shareholdings as at the Books Closure Date for any Qualifying Dividend.

The Company will, at its discretion, send to a Shareholder one or more notices of election (each, a “**Notice of Election**”) in relation to all the Shares held by him.

A Shareholder may also make a permanent election to receive New Shares in respect of his entitlement to all future Qualifying Dividends to which each notice of entitlement relates. For the avoidance of doubt, a Shareholder may not make a permanent election to participate in respect of part only of his holdings of Shares to which each Notice of Election relates for all future Qualifying Dividends. When a permanent election has been made, the participating Shareholder may, by giving the appropriate notice, cancel his participation and withdraw from the Scrip Dividend Scheme at any time. The cancellation of a permanent election by a Shareholder would not preclude him from making a fresh permanent election, should he wish to do so, at a later time.

A Shareholder receiving two or more Notices of Election may elect to receive New Shares in respect of all of his entitlement to which one Notice of Election relates and decline to receive New Shares in respect of his entitlement to which any other Notice of Election relates. A Shareholder receiving two or more Notices of Election and wishing to receive New Shares in respect of all of his entitlement to the Qualifying Dividend in respect of all of his holding of Shares must complete all Notices of Election to the Company and/or CDP, as the case may be. A Shareholder will receive his entitlement to any Qualifying Dividend in cash if his Notice of Election is not received or if he does not elect to participate in the Scrip Dividend Scheme. Shareholders need not take any action if they wish to receive their entitlement to the Qualifying Dividend in cash.

#### **10.4. New Shares Allotted under the Scrip Dividend Scheme**

For the purpose of calculating the number of New Shares to be allotted to the Shareholders, the issue price of a New Share shall not be set at more than 10% discount (or such other discount as may be permitted by the Catalist Rules) to, nor shall it exceed the average of the last dealt prices of a Share on the SGX-ST for each of the Market Days during the Price Determination Period. In the event that there is no trading in the Shares during the Price Determination Period, the issue price of a New Share shall not exceed the average of the last dealt prices of a Share on the SGX-ST for each of the three (3) Market Days where there were trades of the Shares on the SGX-ST immediately preceding the Price Determination Period.

Accordingly, where the Directors have resolved that the Scrip Dividend Scheme applies to a particular Dividend, it will not be possible until after the close of business on the relevant Dividend Books Closure Date to determine the exact number of New Shares to which Shareholders electing to receive New Shares will be entitled. An announcement will be made setting out the issue price of a New Share to be used in the calculation of Shareholders’ entitlements to the New Shares in respect of such Dividend. In addition, Notices of Election will be sent to Shareholders after the Books Closure Date. A further announcement will be made on the last day (which will be a date fixed by the Directors) on which Shareholders will be entitled to make their election of the above alternatives, in respect of such Qualifying Dividend. The New Shares to be issued pursuant to the Scrip Dividend Scheme will rank *pari passu* in all respects with the existing Shares then in issue save only as regards to participation in the Qualifying Dividend which is the subject of the election (including the right to make any election pursuant to the Scrip Dividend Scheme) or any other distribution, bonuses or rights paid, made, declared or announced prior to, or contemporaneous with, the payment or declaration of the Qualifying Dividend which the subject of the election, unless the Directors shall otherwise specify.

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# LETTER TO SHAREHOLDERS

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## **10.5. Fractional Entitlements**

Fractional entitlements to New Shares will be rounded down to the nearest whole number or otherwise dealt with in such manner as the Directors may deem fit in the interests of the Company and as acceptable to the SGX-ST.

## **10.6 Odd Lots**

The Company's Shares are currently traded in board lots of 100 shares. A Shareholder who elects to receive New Shares in lieu of the cash amount of the Qualifying Dividend may receive such New Shares in odd lots. Shareholders who receive odd lots of New Shares and who wish to trade such odd lots on the SGX-ST should do so on the Unit Share Market, which allows trading of odd lots with a minimum of one (1) share.

## **10.7. Qualifying Dividend Received in Cash if No Election**

Shareholders will receive the Qualifying Dividend in cash if they do not elect to participate in the Scrip Dividend Scheme.

Shareholders need not take any action if they wish to receive their entitlement to the Qualifying Dividend in cash.

## **10.8. Availability of the Scrip Dividend Scheme**

Notwithstanding a determination by the Directors that the Scrip Dividend Scheme shall apply to any Dividend, if before the allotment and issue of New Shares in respect of such Dividend, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such determination) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement the Scrip Dividend Scheme in respect of such Dividend, the Directors may, at their absolute discretion and as they may deem fit in the interests of the Company and without assigning any reason thereof, cancel the application of the Scrip Dividend Scheme to the Dividend. In such event, the Dividend shall be paid in cash to Shareholders in the ordinary manner.

## **10.9. Eligibility**

All Shareholders including Directors, Substantial Shareholders and other interested persons of the Company who hold Shares, are eligible to participate in the Scrip Dividend Scheme, subject to the restrictions on Overseas Members (as elaborated in Paragraph 10.10 of this Circular) and except that participation in the Scrip Dividend Scheme shall not be available to such Shareholders or class of Shareholders, as the Directors may in their discretion determine, and further subject to the requirement that such participation by a Shareholder will not result in a breach of any other restriction on such Shareholder's holding of Shares which may be imposed by any statute, law or regulation in force in Singapore or any other relevant jurisdiction, as the case may be, or prescribed in the Memorandum or the Articles of Association.

## **10.10. Overseas Members**

The offer of the Scrip Dividend Scheme may be prohibited or restricted (either absolutely or unless various requirements are complied with) in certain jurisdictions under the relevant securities laws. For practical reasons and to avoid any violation of the securities laws applicable in countries outside Singapore where Shareholders may have their registered addresses, the Scrip Dividend Scheme may, at the discretion of the Directors, not be offered to Overseas Members. No Overseas Members shall have any claims whatsoever against the Company, the Company's Share Registrar, CDP, or their respective agents, as a result of the Scrip Dividend Scheme not being offered or made available to such Overseas Members.



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# LETTER TO SHAREHOLDERS

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If the Directors have decided to offer the Scrip Dividend Scheme to Overseas Members, and Overseas Members who wish to be eligible to participate in the Scrip Dividend Scheme should provide an address in Singapore for the service of notices and documents by notifying the Company c/o the Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #02-00, Singapore 068898 (or such other address as may be announced by the Company from time to time) or, if the Overseas Member is a Depositor, the CDP, at 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588 (or any such address as may be announced by the Company from time to time) not later than five (5) Market Days prior to the Books Closure Date. Shareholders should note that all correspondence and notices will be sent to their last registered address with the Company or CDP, as the case may be.

## 10.11. Obligation to extend take-over offer

The attention of Shareholders is drawn to the Take-over Code. In particular, a Shareholder should note that pursuant to Rule 14 of the Take-over Code, he may be under an obligation to extend a takeover offer for the Company if:

- (a) he acquires, by participating in the Scrip Dividend Scheme in relation to any Qualifying Dividend, whether at one time or different times, Shares which (taken together with Shares held or acquired by him or persons acting in concert with him) carry 30% or more of the voting rights of the Company; or
- (b) he, together with persons acting in concert with him holds not less than 30% but not more than 50% of the voting rights of the Company and he, or any person acting in concert with him, acquire additional Shares by participating in the Scrip Dividend Scheme in relation to any Qualifying Dividend or otherwise in any period of six (6) months, thereby increasing such percentage of the voting rights of the Company by more than 1%.

**The statements herein do not purport to be a comprehensive or exhaustive description of all the relevant provisions of, or all implications that may arise under, the Take-over Code or other relevant legislation or regulations. Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer under the Take-over Code as a result of any acquisition of Shares through their participation in the Scrip Dividend Scheme are advised to consult their professional advisers and/or the SIC of Singapore at the earliest opportunity.**

## 10.12. Listing on the Catalist

The Company, via its Sponsor, shall make the necessary application(s) for the listing and quotation of the New Shares to be issued for the purposes of, in connection with or where contemplated by the Scrip Dividend Scheme.

## 10.13. Taxation

The Company takes no responsibility for the taxation liabilities of Shareholders who choose to participate in the Scrip Dividend Scheme or the tax consequences of any election made by the Shareholders. As individual circumstances and laws may vary considerably, specific tax advice should be obtained by Shareholders if they are in doubt or if they otherwise require. The Company accepts no responsibility for the correctness or accuracy of any information as to tax liability contained in the Scrip Dividend Scheme Statement set out in Appendix B to this Circular.

As a general indication, however, it is understood that as at the date of this Circular, under tax legislation in Singapore, a Shareholder's Singapore tax liability in relation to the Dividends received will not alter, nor is there any tax advantage to be gained, by reason of having elected to participate in the Scrip Dividend Scheme.

# LETTER TO SHAREHOLDERS

## 10.14. Modification and Termination of the Scrip Dividend Scheme

The Scrip Dividend Scheme may be modified or terminated by the Directors as they deem fit upon giving notice in writing to all Shareholders, except that no material modifications shall be made without the prior approval of the SGX-ST. In the case of a modification, the Scrip Dividend Scheme will continue as modified in relation to each Shareholder who has made a permanent election under the Scrip Dividend Scheme unless and until the Company, or as the case may be, CDP (where the Shareholder is a Depositor) receives a notice of cancellation in respect of a Notice of Election submitted by the Shareholder or his permanent election otherwise ceases to have effect as provided in paragraph 4.13 of the Scrip Dividend Scheme Statement set out in Appendix B of this Circular.

## 10.15. General

In connection with the proposed issue of New Shares in lieu of a cash Dividend, the Directors consider it appropriate to obtain the approval of Shareholders for the allotment and issue of such number of New Shares as may be required to be issued pursuant to the election by Shareholders under the Scrip Dividend Scheme.

## 10.16. Shareholders' Approval

The issue and allotment of New Shares pursuant to the Scrip Dividend Scheme is subject to Shareholders' approval and the authority to allow and issue New Shares pursuant thereto will be proposed as ordinary resolution 8 at the EGM pursuant to Section 161 of the Companies Act.

## 11. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of Directors and Substantial Shareholders in the Shares as recorded in the Register of Directors' Shareholdings and Register of Members respectively, as at the Latest Practicable Date, are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
<b>Directors</b>						
Chu Sau Ben	34,928,000	29.29	24,320,000 <sup>(2)</sup>	20.39	59,248,000	49.68
Chua Siong Kiat, Alex	339,000	0.28	–	–	339,000	0.28
Yuen Sou Wai	–	–	–	–	–	–
Eng Meng Leong	–	–	–	–	–	–
Kong Chee Keong	–	–	–	–	–	–
<b>Substantial Shareholders (other than Directors)</b>						
Toh Soon Huat	–	–	7,000,000 <sup>(3)</sup>	5.87	7,000,000	5.87

**Note:**

- (1) Based on the Company's issued and paid-up share capital of 119,269,000 issued Shares as at the Latest Practicable Date.
- (2) Mr Chu Sau Ben is the beneficial owner of (i) the 9,720,000 Shares pledged to and registered in the name of Hong Leong Finance Nominees Pte. Ltd.; (ii) the 2,600,000 Shares pledged to and registered in the name of Philip Financial Pte. Ltd.; (iii) the 5,000,000 Shares pledged to and registered in the name of SBS Nominees Private Limited; and (iv) the 7,000,000 Shares pledged to and registered in the name of Mr Toh Soon Huat.
- (3) The deemed interest arose from a charge by Mr Chu Sau Ben of 7,000,000 Shares in favour of Mr Toh Soon Huat to secure a personal loan granted to Mr Chu Sau Ben.

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# LETTER TO SHAREHOLDERS

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## 12. ABSTENTION FROM VOTING

Mr Chu Sau Ben will abstain from voting any Shares held by him at the EGM in respect of the resolution relating to the proposed adoption of the Share Buy-Back Mandate pursuant to the conditions under Appendix 2 of the Take-over Code as set out in Paragraph 8.11.4 in this Circular, and will procure that his associates will likewise abstain from voting their Shares at the EGM in respect of such resolution. Mr Chu Sau Ben and his associates will also decline to accept any appointment as proxy for any Shareholder to vote in respect of such resolution unless the Shareholder concerned shall have given instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of such resolution.

## 13. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed in this Circular, none of the Directors and Substantial Shareholders has any interest, direct or indirect, in the Proposed Diversifications, the proposed adoption of Share Buy-Back Mandate, the proposed amendments to the Articles of Association and the proposed Scrip Dividend Scheme other than through their respective shareholdings in the Company.

## 14. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 85 to 90 of this Circular, will be held at Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on 5 August 2015 at 10.00 a.m. for the purpose of considering and, if thought fit, passing, with or without any modification, the Resolutions set out in the notice of EGM.

The Shareholders should note that the passing of Resolution 8 in relation to the proposed Scrip Dividend Scheme is conditional upon the passing of Resolution 7 in relation to the proposed amendments to the Articles of Association.

## 15. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at 101 Defu Lane 10, Singapore 539222, not later than 48 hours before the time fixed for holding the EGM.

The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he so wishes (although the appointment of the proxy shall be deemed to be revoked by such attendance). A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the EGM.

## 16. DIRECTORS' RECOMMENDATION

### 16.1. The proposed diversification into the Property Business

The Directors, having considered, *inter alia*, the rationale for the proposed diversification into the Property Business, are of the opinion that the proposed diversification into the Property Business is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the Ordinary

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# LETTER TO SHAREHOLDERS

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Resolution in relation to the proposed diversification into the Property Business to be proposed at the EGM set out as Resolution 1 in the Notice of EGM on pages 85 to 90 of this Circular.

## **16.2. The proposed diversification into the Trading Business**

The Directors, having considered, *inter alia*, the rationale for the proposed diversification into the Trading Business, are of the opinion that the proposed diversification into the Trading Business is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the Ordinary Resolution in relation to the proposed diversification into the Trading Business to be proposed at the EGM set out as Resolution 2 in the Notice of EGM on pages 85 to 90 of this Circular.

## **16.3. The Proposed Extension of M&E Services**

The Directors, having considered, *inter alia*, the rationale for the Proposed Extension of M&E Services, are of the opinion that the Proposed Extension of M&E Services is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the Ordinary Resolution in relation to the Proposed Extension of M&E Services to be proposed at the EGM set out as Resolution 3 in the Notice of EGM on pages 85 to 90 of this Circular.

## **16.4. The proposed diversification into the Hospitality Business**

The Directors, having considered, *inter alia*, the rationale for the proposed diversification into the Hospitality Business, are of the opinion that the proposed diversification into the Hospitality Business is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the Ordinary Resolution in relation to the proposed diversification into the Hospitality Business to be proposed at the EGM set out as Resolution 4 in the Notice of EGM on pages 85 to 90 of this Circular.

## **16.5. The proposed diversification into the Tourism Business**

The Directors, having considered, *inter alia*, the rationale for the proposed diversification into the Tourism Business, are of the opinion that the proposed diversification into the Tourism Business is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the Ordinary Resolution in relation to the proposed diversification into the Tourism Business to be proposed at the EGM set out as Resolution 5 in the Notice of EGM on pages 85 to 90 of this Circular.

## **16.6. The proposed adoption of the Share Buy-Back Mandate**

Mr Chu Sau Ben will abstain from making any recommendations to Shareholders to vote at the EGM in respect of the resolution relating to the proposed adoption of the Share Buy-Back Mandate pursuant to the conditions under Appendix 2 of the Take-over Code as set out in Paragraph 8.11.4 in this Circular.

The Directors (save for Mr Chu Sau Ben), having considered, *inter alia*, the rationale for the proposed adoption of Share Buy-Back Mandate, are of the opinion that the proposed adoption of the Share Buy-Back Mandate is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the Ordinary Resolution in relation to the proposed adoption of Share Buy-Back Mandate to be proposed at the EGM set out as Resolution 6 in the Notice of EGM on pages 85 to 90 of this Circular.

## **16.7. The proposed amendments to the Articles of Association**

The Directors, having considered, *inter alia*, the rationale for the proposed amendments to the Articles of Association, are of the opinion that the proposed amendments to the Articles of Association is in the

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# LETTER TO SHAREHOLDERS

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best interests of the Company and accordingly recommend that Shareholders vote in favour of the Special Resolution in relation to the proposed amendments to the Articles of Association to be proposed at the EGM set out as Resolution 7 in the Notice of EGM on pages 85 to 90 of this Circular.

## **16.8. The proposed Scrip Dividend Scheme**

The Directors, having considered, *inter alia*, the rationale for the proposed adoption of the Scrip Dividend Scheme, are of the opinion that the proposed adoption of the Scrip Dividend Scheme is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the Ordinary Resolution in relation to the proposed adoption of the Scrip Dividend Scheme to be proposed at the EGM set out as Resolution 8 in the Notice of EGM on pages 85 to 90 of this Circular.

## **17. 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 Resolutions, 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 the 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 the Circular in its proper form and context.

## **18. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Company at 101 Defu Lane 10, Singapore 539222 during normal business hours from the date of this Circular up to and including the date of the EGM:

1. The Memorandum and Articles of Association; and
2. The Annual Report of the Company for FY2014;

Yours faithfully  
For and on behalf of the Board of Directors

Mr Chu Sau Ben  
Executive Chairman and Chief Executive Officer

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# APPENDIX A: THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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The proposed amendments to the Articles of Association of the Company are set out below. It is proposed that the following articles in the Articles of Association of the Company be amended in the following manner where text in strikethrough indicates deletions from and underlined text indicates additions to the Articles of Association of the Company.

8. (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these presents relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney ~~and that any holder of shares of the class present in person or by proxy or attorney may demand a poll~~ and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.
- (B) The provisions in Article 8(A) shall mutatis mutandis apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.
- (C) The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.
57. At any General Meeting a resolution put to the vote of the meeting shall be decided ~~on a show of hands unless a by poll is (before or on the declaration of the result of the show of hands) demanded by:-~~
- (a) ~~the chairman of the meeting; or~~
- (b) ~~not less than two Members present in person or by proxy and entitled to vote; or~~
- (c) ~~any Member present in person or by proxy, or where such a member has appointed two proxies any one of such proxies, or any number or combination of such Members or proxies, holding or representing as the case may be not less than one-tenth of the total voting rights of all the Members having the right to vote at the General Meeting; or~~
- (d) ~~any Member present in person or by proxy, or where such a Member has appointed two proxies any one of such proxies, or any number or combination of such Members or proxies, holding shares conferring a right to vote at the General Meeting, of which an aggregate sum has been paid up equal to not less than 10 per cent. of the total sum paid on all the shares conferring that right,~~

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# APPENDIX A: THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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~~Provided Always that no~~ No poll shall be demanded on the choice of the chairman of the meeting or on a question of adjournment. A demand for a poll may be withdrawn only with the approval of the meeting.

58. ~~Unless a poll is required, a declaration by the chairman of the General Meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a~~ A poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets or electronic means) as the chairman of the General Meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting ~~at which the poll was demanded~~. The chairman of the meeting ~~may (and if so directed by the General Meeting shall)~~ shall appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.
59. In the case of an equality of votes, ~~whether on a show of hands or on a poll~~, the chairman of the General Meeting ~~at which the show of hands takes place or at which the poll is demanded~~ shall be entitled to a casting vote.
60. A poll ~~demanded on any question~~ shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the Meeting) and place as the chairman of the Meeting may direct. No notice need be given of a poll not taken immediately. ~~The demand for a poll shall not prevent the continuance of the General Meeting for the transaction of any business other than the question on which the poll has been demanded.~~
61. Subject to any special rights or restrictions as to voting attached by or in accordance with these presents to any class of shares, and to Article 4, each Member entitled to vote may vote in person or by proxy. ~~On a show of hands every Member who is present in person or by proxy shall have one vote (provided that in the case of a Member who is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the General Meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands) and on a poll every Member who is present in person or by proxy shall have one vote for every share of which he holds or represents. For the purposes of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the references to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP to the Company. A Member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a Member, or attend, vote or act at any General Meeting.~~
70. An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting (or, if no place is so specified, at the Office) not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting ~~or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the General Meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.~~

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# APPENDIX A: THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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71. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll and to move any resolution or amendment thereto and to speak at the General Meeting.
72. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the General Meeting or adjourned General Meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.
- 127A. (A) Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary shares of the Company, the Directors may further resolve that members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:
- (i) the basis of any such allotment shall be determined by the Directors;
  - (ii) the Directors shall determine the manner in which members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to members, providing for forms of election for completion by members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Article 127A;
  - (iii) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of the election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and
  - (iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the "Elected Ordinary Shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the Elected Ordinary Shares on the basis of allotment determined as aforesaid and for such purpose (notwithstanding any provision of the Articles to the contrary), the Directors shall be empowered to do all things necessary and convenient for the purpose of implementing the aforesaid including, without limitation, the making of each necessary allotment of shares and of each necessary appropriation, capitalisation, application, payment and distribution of funds which may be lawfully appropriated, capitalised, applied, paid or distributed for the purpose of the allotment and without prejudice to the generality of the foregoing the Directors may (a) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution as



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# APPENDIX A: THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the Elected Ordinary Shares on such basis, or (b) apply the sum which would otherwise have been payable in cash to the holders of Elected Ordinary Shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the Elected Ordinary Shares on such basis.

- (B) (i) The ordinary shares allotted pursuant to the provisions of paragraph (A) of this Article 127A shall rank pari passu in all respects with the ordinary shares then in issue save only as regards to participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.
- (ii) The Directors may do all acts and things considered necessary or expedient to give effect to any appropriation, capitalisation, application, payment and distribution of funds pursuant to the provisions of paragraph (A) of this Article 127A, with full power to make such provisions as they think fit in the case of fractional entitlements to shares (including, notwithstanding any provision to the contrary in these Articles, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than the members) and to authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such appropriation, capitalisation, application, payment and distribution of funds and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.
- (iii) the Directors shall determine the manner in which members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to members, providing for forms of election for completion by members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Article 127A.
- (C) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Article 127A, determine that the rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this Article 127A shall be read and construed subject to such determination.
- (D) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Article 127A, further determine that no allotment of ordinary shares or rights of election for ordinary shares under that paragraph shall be made available or made to members whose registered addresses entered in

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# APPENDIX A: THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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the Register of Members or (as the case may be) the Depository Register is outside Singapore or to such other members or class of members as the Directors may in their sole discretion decide and in such event the only entitlements of the members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.

- (E) Notwithstanding the foregoing provisions of this Article 127A, if at any time after the Directors' resolution to apply the provisions of paragraph (A) of this Article 127A in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and as they deem fit in the interest of the Company, cancel the proposed application of paragraph (A) of this Article 127A.

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# APPENDIX B: SCRIP DIVIDEND SCHEME STATEMENT

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## 1. SCRIP DIVIDEND SCHEME STATEMENT

The Scrip Dividend Scheme Statement (the “**Statement**”) contains the terms and conditions of the Libra Group Limited Scrip Dividend Scheme (the “**Scrip Dividend Scheme**”) under which persons registered in the Register of Members of Libra Group Limited (the “**Company**”), or, as the case may be the Depository Register (as defined below), as the holders of fully paid Shares in the Company (the “**Shareholders**”), may elect and receive fully paid new Shares (the “**New Shares**”) in the Capital of the Company in lieu of all (and not part only) of the cash amount of any dividend (including any interim, final, special or other dividend) (the “**Dividend**”) which is declared on the Shares held by them (after the deduction of any applicable income tax).

## 2. SUMMARY OF THE MAIN FEATURES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme provides members with the option to elect to receive New Shares in lieu of the cash amount of any dividend or distribution (including any interim, final, special or other dividend or distribution) (the “**Dividend**”) declared on their holding of Shares (after the deduction of any applicable income tax).

Under the present law in Singapore, there are no brokerages, stamp duty or other transaction costs payable on New Shares allotted and issued under the Scrip Dividend Scheme.

All members are eligible to participate in the Scrip Dividend Scheme subject to the restrictions on Overseas Members (as defined below), more particularly described below, and except for such other members or class of members as the Directors of the Company (the “**Directors**”) may in their absolute discretion decide.

Members may elect to participate in respect of all (and not part only) of their holding of Shares to which each Notice of Election (as defined below) relates in respect of any Qualifying Dividend (as defined below) and may also make a permanent election to participate in respect of all (and not part only) their holding of Shares to which each Notice of Election relates for all future Qualifying Dividends.

Members receiving more than one Notice of Election may elect to participate in respect of their holding of Shares to which one Notice of Election relates and elect not to participate in respect of their holding of Shares to which any other Notice of Election relates. Where a permanent election has been made, participating members may cancel their participation and withdraw from the Scrip Dividend Scheme at any time, subject to giving appropriate notice in accordance with paragraph 4.13 of this Statement. However, the cancellation of a permanent election by a member would not preclude him from making a fresh permanent election should he wish to do so at a later date.

The Directors may, in their absolute discretion, determine that the Scrip Dividend Scheme will apply to any particular Dividend. An announcement will be made by the Company as soon as practicable following the determination by the Directors that the Scrip Dividend Scheme is to apply to a particular Dividend, and in any event, by no later than the next Market Day (as defined below) immediately following the Books Closure Date (as defined below) in respect of the particular Dividend. Unless the Directors have determined that the Scrip Dividend Scheme will apply to any particular Dividend, the Dividend concerned will be paid in cash to the Members in the usual manner.

New Shares allotted and issued under the Scrip Dividend Scheme will rank *pari passu* in all respects with the Shares then in issue save only as regards participation in the Qualifying Dividend which is the subject of the election (including the right to make any election pursuant to the Scrip Dividend Scheme) or any other

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# APPENDIX B: SCRIP DIVIDEND SCHEME STATEMENT

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distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the Qualifying Dividend which is the subject of the election, unless the Directors shall otherwise specify.

Members participating in the Scrip Dividend Scheme will receive, at or about each Dividend payment date, notification letters setting out, *inter alia*, the number of New Shares allotted to them under the Scrip Dividend Scheme.

### 3. HOW TO PARTICIPATE

Participation in the Scrip Dividend Scheme is optional.

A member wishing to receive New Shares in respect of any Qualifying Dividend or to make a permanent election to receive New Shares in respect of all (and not part only) of his future Qualifying Dividends to which a Notice of Election received by him relates should complete the Notice of Election and return it to the Company at the address indicated on the Notice of Election or, if the member is a Depositor (as defined below), to CDP (as defined below). A member receiving more than one Notice of Election and wishing to receive New Shares in respect of all of his entitlement to the Qualifying Dividend in respect of his holding of Shares or to make a permanent election to receive New Shares in respect of all future Qualifying Dividends must complete all Notices of Election received by him and return the completed Notices of Election to the Company and/or CDP, as the case may be.

To be effective in respect of any Qualifying Dividend to which a Notice of Election relates, such duly completed Notice of Election must be received by the Company or (as the case may be) CDP no later than the date to be specified by the Directors in respect of that Qualifying Dividend.

### 4. TERMS AND CONDITIONS OF THE SCRIP DIVIDEND SCHEME

#### 4.1. Establishment

The Scrip Dividend Scheme has been established by the Directors of the Company.

#### 4.2. Terms and Conditions

In these Terms and Conditions:

“**Act**” shall mean the Companies Act, Chapter 50 of Singapore, as amended or modified from time to time;

“**Articles**” shall mean the Articles of Association of the Company, as amended, supplemented or modified from time to time;

“**Books Closure Date**” shall mean the date to be determined by the Directors on which the Register of Members of the Company will be closed for the purpose of determining the entitlements of Members to a Dividend;

“**Books Closure Period**” shall mean the period to be determined by the Directors during which the Register of Members of the Company will be closed for the purpose of determining the entitlements of members to a Dividend;

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# APPENDIX B: SCRIPT DIVIDEND SCHEME STATEMENT

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“**CDP**” shall mean The Central Depository (Pte) Limited and the terms “Depositor”, “Depository Agent” and “Depository Register” shall have the respective meanings ascribed to them in the Act;

“**Market Day**” shall mean a day on which the SGX-ST is open for trading in securities;

“**Overseas Members**” shall mean members with registered addresses outside Singapore and who have not provided to the Company or (as the case may be) CDP, not later than five Market Days prior to the Books Closure Date, addresses in Singapore for the service of notices and documents;

“**Qualifying Dividend**” shall mean a Dividend to which the Scrip Dividend Scheme applies, as determined by the Directors;

“**Shareholders**” shall mean registered holders for the time being of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register;

“**Shares**” shall mean ordinary shares in the capital of the Company;

“**SGX-ST**” shall mean Singapore Exchange Securities Trading Limited;

“**Take-over Code**” shall mean the Singapore Code on Take-overs and Mergers, including all practice notes, rules, and guidelines thereunder, as may be amended from time to time;

“**S\$**” shall mean the lawful currency of the Republic of Singapore; and

“%” or “**per cent.**” shall mean percentage or per centum.

### 4.3. Eligibility

All members are eligible to participate in the Scrip Dividend Scheme, subject to the restrictions on Overseas Members, more particularly described below, and further subject to the requirement that such participation by the member will not result in a breach of any other restriction on such member’s holding of Shares which may be imposed by any statute, law or regulation in force in Singapore or any other relevant jurisdiction, as the case may be, or by the Articles.

### 4.4. Members Resident outside Singapore

For practical reasons and to avoid any violation of the securities laws applicable outside Singapore where members may have their registered addresses, the Directors may in their absolute discretion decide that Overseas Members shall not be eligible to participate in the Scrip Dividend Scheme. No Overseas Member shall have any claims whatsoever against the Company, the Company’s Share Registrar, CDP or any of their respective agents as a result of the Scrip Dividend Scheme not applying to such Overseas Member. Overseas Members who receive or come to have in their possession this Statement and/or a Notice of Election may not treat the same as an invitation to them and are advised to inform themselves of, and to observe, any prohibitions and restrictions, and to comply with any applicable laws and regulations relating to the Scrip Dividend Scheme as may be applicable to them. Overseas Members who wish to be eligible to participate in the Scrip Dividend Scheme should provide an address in Singapore for the service of notices and documents by notifying the Company c/o The Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #02-00, Singapore 068898 (or such other address as may be announced by the Company from time to time) or, if the Overseas Member is a Depositor, the CDP at 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588 (or such other address as may be announced by the Company from time to time) no later than five Market Days prior to the Books Closure Date. Depositors should note that all correspondences and notices will be sent to their last registered addresses with CDP.

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# APPENDIX B: SCRIPT DIVIDEND SCHEME STATEMENT

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## 4.5. Level of Participation

A member may only elect to participate in the Scrip Dividend Scheme (the “**Participating Member**”) in respect of all (and not part only) of his holding of Shares as at each Books Closure Date to which each Notice of Election received by him relates for a Qualifying Dividend (the “**Participating Shares**”), except in the case of a Shareholder who is a depository agent or nominee company of a bank, merchant bank, stockbroker or other financial institution, holding Shares as custodian. Such depository agent or nominee company may, at the discretion of the Directors, be allowed to make an election to participate in the Scrip Dividend Scheme in respect of part only of the Shares to which each Notice of Election received by it relates. Accordingly, there shall be no cash payment for Shareholders who have elected to participate in the Scrip Dividend Scheme.

## 4.6. Permanent Election

Any permanent election to participate in the Scrip Dividend Scheme is personal to the Participating Member. A member may make a permanent election in the manner set out below for participation in respect of all (and not part only) of his future Qualifying Dividends, and where a permanent election in respect of all (and not part only) of his holding of Shares to which a Notice of Election relates has been made, unless and until a notice of cancellation, in such form as the Directors may approve (the “**Notice of Cancellation**”), in relation to such Notice of Election is received by the Company or (as the case may be) CDP as provided below, the permanent election shall be effective for all future Qualifying Dividends in respect of such Notice of Election. A notice of cancellation of participation in the Scrip Dividend Scheme in any other form will not be accepted by the Company or (as the case may be) CDP.

## 4.7. Notice of Election to Participate

The Company will, at its discretion, send to each member one or more notices of election (in such form as the Directors may approve) (the “**Notice of Election**”). To be effective in respect of any Qualifying Dividend (unless a permanent election has already been made), a Notice of Election must be received by the Company or, in the case of a Notice of Election being submitted by a member who is a Depositor, by CDP, by the date to be specified by the Directors in respect of that Qualifying Dividend. A member receiving two or more Notices of Election and wishing to receive New Shares in respect of all of his entitlement to the Qualifying Dividend in respect of all his holding of Shares must complete all the Notices of Election received by him and return the completed Notices of Election to the Company and/or CDP, as the case may be. A Notice of Election to participate in the Scrip Dividend Scheme in any other form will not be accepted by the Company or (as the case may be) CDP.

If a Notice of Election in relation to a permanent election is received after the date specified by the Directors for any particular Qualifying Dividend, the Notice of Election will not, unless otherwise determined by the Directors, be effective for that Qualifying Dividend, but will be effective for all future Qualifying Dividends in respect of such Notice of Election. A Notice of Election (other than in relation to a permanent election) in respect of any Qualifying Dividend shall not, upon its receipt by the Company or (as the case may be) CDP, be withdrawn or cancelled.

A permanent election made in the Notice of Election will remain in force until cancelled in the manner provided below or until it becomes ineffective as provided in these Terms and Conditions. A member receiving more than one Notice of Election and wishing to make a permanent election in respect of all his holding of Shares must complete all Notices of Election received by him and return the Notices of Election to the Company and/or CDP, as the case may be.

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# APPENDIX B: SCRIPT DIVIDEND SCHEME STATEMENT

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## 4.8. Extent of Application of Scrip Dividend Scheme to each Dividend

The Directors may determine, in their absolute discretion, in respect of any Dividend, whether the Scrip Dividend Scheme shall apply to such Dividend. If, in their absolute discretion, the Directors have not determined that the Scrip Dividend Scheme is to apply to a particular Dividend, such Dividend shall be paid in cash to members notwithstanding their elections under the Scrip Dividend Scheme.

## 4.9. Share Entitlement

By electing to participate in the Scrip Dividend Scheme in respect of any Notice of Election received by him, a member elects in respect of any Qualifying Dividend (after the deduction of any applicable income tax) to which such Notice of Election relates to receive New Shares in lieu of all (and not part only) of the cash amount of the Qualifying Dividend.

In respect of any Qualifying Dividend, the number of New Shares to be allotted and issued to the Participating Member electing to receive New Shares in respect of a Notice of Election shall be calculated in accordance with the following formula:

$$N = \frac{S \times D}{V}$$

Where:

N = is the number of New Shares to be allotted and issued as fully paid to the Participating Member in respect of such Notice of Election.

S = is the number of Participating Shares held by the Participating Shareholder as at the Books Closure Date to which such Notice of Election relates.

D = is the Qualifying Dividend per Share (after deduction of any applicable income tax) to which such Notice of Election relates.

V = is the issue price of a Share, which shall for the purpose of calculating the number of New Shares to be allotted and issued as fully paid to Participating Members, pursuant to the Scrip Dividend Scheme, be an amount in Singapore dollars determined by the Directors (the "**Relevant Amount**"), which Relevant Amount shall not be set at more than 10% discount (or such other discount as may be permitted by the Catalist Rules) to, nor shall it exceed the average of the last dealt price of a Share on the SGX-ST for each of the Market Days during the period commencing on the day on which the Shares are first quoted ex-dividend on the SGX-ST after the announcement of the Qualifying Dividend and ending on the Books Closure Date in respect of such Qualifying Dividend (the "**Price Determination Period**"). In the event that there is no trading in the Shares during the Price Determination Period, the issue price of a New Share shall not exceed the average of the last dealt prices of a Share on the SGX-ST for each of the three (3) Market Days where there were trades of the Shares on the SGX-ST immediately preceding the Price Determination Period.

The Directors shall have full power to make such provisions as they think fit where the number of New Shares calculated in accordance with the above formula becomes attributable in fractions, including provisions whereby fractional entitlements are rounded down to the nearest whole number or otherwise dealt with in such manner as they may deem fit in the interests of the Company.

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# APPENDIX B: SCRIPT DIVIDEND SCHEME STATEMENT

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## 4.10. Terms of Allotment

All New Shares allotted under the Scrip Dividend Scheme will be allotted as fully-paid.

All such New Shares shall rank *pari passu* in all respects with all existing Shares then in issue save only as regards participation in the Qualifying Dividend which is the subject of the election (including the right to make any election pursuant to the Scrip Dividend Scheme) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the Qualifying Dividend which is the subject of the election, unless the Directors shall otherwise specify.

Participating Members who are Depositors and who have supplied their CDP account numbers in the Notice of Election will have the New Shares credited to their securities accounts maintained with CDP. In other cases, certificates for the New Shares will be dispatched to members, at their risk, at their registered addresses in Singapore by ordinary post.

## 4.11. Notification Letter to Participants

The Company will send to each Participating Member on or about each payment date for the Dividend which shall be a date not less than 30 Market Days but not more than 35 Market Days after the Books Closure Date for that Dividend, or such other period as the Directors may decide, a notification letter detailing, *inter alia*:

- (a) the number of the Participating Shares held by the Participating Member as at the relevant Books Closure Date; and
- (b) the number of New Shares to be allotted to the Participating Member under the Scrip Dividend Scheme.

## 4.12. Cost to Participants

Under the present law in Singapore, brokerage or other transaction costs and Singapore stamp duty will not be payable by Participating Members on New Shares allotted under the Scrip Dividend Scheme.

## 4.13. Cancellation of Participation

A Participating Member may at any time cancel his permanent election to participate in the Scrip Dividend Scheme in relation to any Notice of Election by completing and returning to the Company or (as the case may be) CDP, a Notice of Cancellation in such form as the Directors may approve (a notice of cancellation of participation in the Scrip Dividend Scheme in any other form will not be accepted by the Company or, as the case may be, CDP) in relation to such Notice of Election. To be effective in respect of any Qualifying Dividend, the Notice of Cancellation must be received by the Company or, as the case may be, CDP, by the date to be specified by the Directors for that Qualifying Dividend, failing which the Notice of Cancellation will not be effective for that Qualifying Dividend but will be effective for all future Qualifying Dividends in respect of such Notice of Election.

If a Participating Member gives notice to the Company or, if that member is a Depositor, to CDP, of a change of his registered address for the service of notices and documents from an address within Singapore to an address outside Singapore, he shall thereupon be considered an Overseas Member. Any permanent election to participate in the Scrip Dividend Scheme by such Participating Member shall be deemed to have been cancelled by him upon receipt by the Company or (as the case may be) CDP, of such change of address notification.



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# APPENDIX B: SCRIPT DIVIDEND SCHEME STATEMENT

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If a Participating Member, who is an individual, dies, any permanent election to participate in the Scrip Dividend Scheme by that member will cease upon receipt by the Company or, if that member is a Depositor, by CDP, of notice of the death acceptable to the Company or, as the case may be, CDP, or at such later date as the Directors in their discretion, upon request from the personal representative(s) of the deceased Participating Member, may determine. If the personal representative(s) of the deceased member wish(es) to participate in the Scrip Dividend Scheme in respect of any Qualifying Dividend or in respect of all future Qualifying Dividends in relation to the Shares forming part of the estate of the deceased member, the relevant Notices of Election (together with such evidence as may reasonably be required by the Company or CDP, as the case may be, to prove the authority of such personal representative(s)) must be submitted by such personal representative(s) in accordance with these Terms and Conditions.

If a Participating Member becomes bankrupt or, in the case where the Participating Member is a company, is wound up, any permanent election to participate in the Scrip Dividend Scheme by that member will cease upon receipt by the Company or, if that member is a Depositor, by CDP, of notice of the bankruptcy or, as the case may be, the winding up.

The cancellation of a permanent election by a Shareholder would not preclude him from making a fresh permanent election, should he wish to do so, at a later time.

#### **4.14. Cancellation of Application of the Scrip Dividend Scheme**

Notwithstanding any provision in these Terms and Conditions, if at any time after the Directors have determined that the Scrip Dividend Scheme shall apply to any particular Dividend and before the allotment and issue of New Shares in respect of that Dividend, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such determination) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement the Scrip Dividend Scheme in respect of such Dividend, the Directors may, at their absolute discretion and as they may deem fit in the interests of the Company and without assigning any reason thereof, cancel the application of the Scrip Dividend Scheme to the Dividend. In such event, the Dividend shall be paid in cash to members in the usual manner.

#### **4.15. Modification and Termination of the Scrip Dividend Scheme**

The Scrip Dividend Scheme may be modified or terminated at any time by the Directors as they deem fit on giving notice in writing to all members, except that no material modifications shall be made without the prior written approval of the SGX-ST.

In the case of a modification, the Scrip Dividend Scheme will continue as modified in relation to each member who has made a permanent election under the Scrip Dividend Scheme unless and until the Company or, if the member is a Depositor, CDP, receives a notice of cancellation in respect of a Notice of Election submitted by such Participating Member, from the Participating Member or his permanent election otherwise ceases to have effect in accordance with these Terms and Conditions.

#### **4.16. General Administration of the Scrip Dividend Scheme**

- (i) While Shares which a Participating Member has nominated as participating in the Scrip Dividend Scheme are subject to a charge or lien in favour of the Company, they shall unless:
  - a. otherwise provided in the terms and conditions of issue thereof; or
  - b. the Directors otherwise determine,

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# APPENDIX B: SCRIPT DIVIDEND SCHEME STATEMENT

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be treated as if the relevant Participating Member had, in relation to such Shares, not elected to so participate.

- (ii) The Directors may implement the Scrip Dividend Scheme in the manner they deem fit. The Directors have the power to:
- a. determine procedures, rules and regulations for administration of the Scrip Dividend Scheme consistent with these Terms and Conditions;
  - b. settle in such manner as they think fit any difficulty, anomaly or dispute (including relating to the interpretation of any provision, regulation or procedure or as to any rights under the Scrip Dividend Scheme) which may arise in connection with the Scrip Dividend Scheme, whether generally or in relation to any Participating Member or any Shares and the determination of the Directors will be conclusive and binding on all Shareholders and other persons to whom the determination relates;
  - c. delegate to any one or more persons, for such period and on such conditions as the Directors may determine, the exercise of any of their powers or discretions under or in respect of the Scrip Dividend Scheme and references to a decision, opinion or determination of the Directors include a reference to the decision, opinion or determination of the person or persons to whom the Directors have delegated their authority for the purposes of administering the Scrip Dividend Scheme; and
  - d. waive strict compliance by the Company or any Shareholder with any of these Terms and Conditions.

#### 4.17. Governing Law and Exclusion of Third Party Rights

This Statement, the Scrip Dividend Scheme and these Terms and Conditions shall be governed by, and construed in accordance with, the laws of Singapore. A person who is not a party to these Terms and Conditions has no right under the Contracts (Right of Third Parties) Act, Chapter 53B of Singapore to enforce against the Company any of these Terms and Conditions.

#### 4.18. Obligation to extend take-over offer

The attention of the Participating Members is drawn to the Take-over Code. In particular, a Participating Member should note that pursuant to Rule 14 of the Take-over Code, he may be under an obligation to extend a takeover offer for the Company if:

- (a) he acquires, by participating in the Scrip Dividend Scheme in relation to any Qualifying Dividend, whether at one time or different times, Shares which (taken together with Shares held or acquired by him or persons acting in concert with him) carry 30% or more of the voting rights of the Company; or
- (b) he, together with persons acting in concert with him holds not less than 30% but not more than 50% of the voting rights of the Company and he, or any person acting in concert with him, acquire additional Shares by participating in the Scrip Dividend Scheme in relation to any Qualifying Dividend or otherwise in any period of six (6) months, thereby increasing such percentage of the voting rights of the Company by more than 1%.

**The statements herein do not purport to be a comprehensive or exhaustive description of all the relevant provisions of, or all implications that may arise under, the Take-over Code or other relevant legislation or regulations. Participating Members who are in doubt as to whether they would incur any obligation to**

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# APPENDIX B: SCRIPT DIVIDEND SCHEME STATEMENT

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make a take-over offer under the Take-over Code as a result of any acquisition of Shares through their participation in the Scrip Dividend Scheme are advised to consult their professional advisers and/or the SIC of Singapore at the earliest opportunity.

## 5. APPLICATION FOR LISTING ON SGX-ST

The Company, via its Sponsor, shall make the necessary application(s) for the listing and quotation of the New Shares to be issued for the purposes of, in connection with or where contemplated by the Scrip Dividend Scheme.

## 6. TAXATION

The Company takes no responsibility for the taxation liabilities of Participating Members or the tax consequences of any election made by members. As individual circumstances and laws vary considerably, specific taxation advice should be obtained by members if required.

The Company takes no responsibility for the correctness or accuracy of any information as to taxation liability set out in this Statement.

As a general indication, however, it is understood that as at the date of this Circular, under tax legislation in Singapore, a member's Singapore tax liability in relation to the Dividends received will not alter, nor is there any tax advantage to be gained, by reason of having elected to participate in the Scrip Dividend Scheme.

## 7. INCOME TAX

The Company will deduct all income tax required to be deducted from the Qualifying Dividends in accordance with applicable law. Certificates of income deductions will be sent to Participating Members in the usual manner.

## 8. OTHER ITEMS

The New Shares are offered on the terms and conditions set out in this Statement and in the applicable provisions of the Articles. There are no other terms other than those implied by law or set out in publicly registered documents.

## 9. ENQUIRIES

Enquiries about any aspect of the Scrip Dividend Scheme should be directed to:

Libra Group Limited  
101 Defu Lane 10  
Singapore 539222

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# APPENDIX B: SCRIPT DIVIDEND SCHEME STATEMENT

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## 10. LIABILITY OF THE COMPANY

Notwithstanding anything herein, neither the Company nor any officer, agent or representative of the Company shall under any circumstances be liable or responsible to any Participating Members for any loss, damage, cost or expense (collectively, "**Loss**") or alleged Loss in connection with or as a result, directly or indirectly, of the establishment or operation of the Scrip Dividend Scheme or participation in the Scrip Dividend Scheme, including any delay in allotting or issuing any Shares or applying for their listing. No representation or warranty is given in respect of any Shares, the Company or its subsidiaries or associates company or that listing approval for the Shares will be obtained.

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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## LIBRA GROUP LIMITED

(Incorporated in the Republic of Singapore on 20 October 2010)

(Company Registration Number: 201022364R)

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“**EGM**”) of LIBRA GROUP LIMITED (the “**Company**”) will be held at Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on 5 August 2015 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following Resolutions:

### RESOLUTION 1: ORDINARY RESOLUTION

#### PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE PROPERTY BUSINESS

THAT:

- (a) approval be and is hereby given for the diversification by the Company and its subsidiaries of its core business to include property development and property investment that involve activities described in paragraph 2.2 of the Company’s circular to the Shareholders dated 13 July 2015 (the “**Property Business**”), and any other activities related to the Property Business; and
- (b) the Directors or any of them be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to this ordinary resolution as they or he may think fit.

### RESOLUTION 2: ORDINARY RESOLUTION

#### PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE TRADING BUSINESS

THAT:

- (a) approval be and is hereby given for the diversification by the Company and its subsidiaries of its core business to include the business of buying and re-selling of building and construction materials that involve activities described in paragraph 3.2 of the Company’s circular to the Shareholders dated 13 July 2015 (the “**Trading Business**”), and any other activities related to the Trading Business; and
- (b) the Directors or any of them be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to this ordinary resolution as they or he may think fit.

### RESOLUTION 3: ORDINARY RESOLUTION

#### PROPOSED EXTENSION OF M&E SERVICES TO THE OFFSHORE AND MARINE INDUSTRY

THAT:

- (a) approval be and is hereby given for the extension of the Company’s existing M&E Services to the offshore and marine industry that involve activities described in paragraph 4.2 of the Company’s circular to the

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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Shareholders dated 13 July 2015 (the "**Proposed Extension**"), and any other activities related to the Proposed Extension; and

- (b) the Directors or any of them be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to this ordinary resolution as they or he may think fit.

## **RESOLUTION 4: ORDINARY RESOLUTION**

### **PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE HOSPITALITY BUSINESS**

THAT:

- (a) approval be and is hereby given for the diversification by the Company and its subsidiaries of its core business to include the business of owning, leasing, operating and managing hotels that involve activities described in paragraph 5.2 of the Company's circular to the Shareholders dated 13 July 2015 (the "**Hospitality Business**"), and any other activities related to the Hospitality Business; and
- (b) the Directors or any of them be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to this ordinary resolution as they or he may think fit.

## **RESOLUTION 5: ORDINARY RESOLUTION**

### **PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE TOURISM BUSINESS**

THAT:

- (a) approval be and is hereby given for the diversification by the Company and its subsidiaries of its core business to include the business of providing leisure and corporate travel services that involve activities described in paragraph 6.2 of the Company's circular to the Shareholders dated 13 July 2015 (the "**Tourism Business**"), and any other activities related to the Tourism Business; and
- (b) the Directors or any of them be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to this ordinary resolution as they or he may think fit.

## **RESOLUTION 6: ORDINARY RESOLUTION**

### **THE PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE**

THAT:

- (a) for the purposes of the Companies Act [Cap. 50] of Singapore (the "**Act**"), the exercise by the directors of the Company ("**Directors**") of all the powers of the Company to purchase or otherwise acquire the issued ordinary

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (i) on-market purchases, transacted on the ready market of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), or as the case may be, other stock exchange for the time being on which the Shares may be listed or quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose (the "**Market Purchase**"); and/or
- (ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit and in the best interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Catalist Rules (the "**Off-Market Purchase**").

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being as applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buy-Back Mandate**");

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earlier of:
  - (i) the date on which the next annual general meeting of the Company is held or required by law to be held; or
  - (ii) the date on which the purchase of Shares by the Company are carried out to the full extent mandated; or
  - (iii) the date on which the authority contained in the Share Buy-Back Mandate is varied or revoked.
- (c) in this resolution:

"**Prescribed Limit**" means the number of Shares representing 10% of the total issued ordinary share capital of the Company as at the date of the passing of this resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period (as defined hereinafter), in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date on which the last annual general meeting of the Company was held and expiring on the date the next annual general meeting of the Company is held or is required by law to be held, or the date on which the purchases of the Shares are carried out to the full extent mandated, whichever is earlier, unless prior to that, it is varied or revoked by resolution of the shareholders of the Company in general meeting; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price;
- (ii) in the case of an Off-Market Purchase, 115% of the Average Closing Price,

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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where:

**“Average Closing Price”** means the average of the closing market prices of a Share over the last 5 Market Days (“Market Day” being a day on which the SGX-ST is open for securities trading), on which transactions in the Shares were recorded, immediately preceding the date of making the Market Purchase or, as the case may be, the date of making an announcement for an offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period; and

- (d) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they/he/she may consider expedient, necessary, desirable, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this resolution.

## RESOLUTION 7: SPECIAL RESOLUTION

### THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

That the Articles of Association of the Company be and are hereby amended in the manner described in Appendix A of the Company’s circular to shareholders of the Company dated 13 July 2015 (the **“Circular”**).

## RESOLUTION 8: ORDINARY RESOLUTION

### THE PROPOSED SCRIP DIVIDEND SCHEME

Subject to and contingent upon the passing of Resolution 7,

- (1) the scrip dividend scheme to be known as the **“Libra Group Limited Scrip Dividend Scheme”** (**“Scrip Dividend Scheme”**), under which the Directors of the Company may, whenever the Directors of the Company or the Company in general meeting have resolved that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, resolve that shareholders entitled to such dividend may elect to receive an allotment of ordinary shares in the Company credited as fully paid *in lieu* of cash in respect of the dividend, be and is hereby approved; and
- (2) the Directors of the Company be and are hereby authorised:
- (a) to establish and administer the Scrip Dividend Scheme;
  - (b) to modify and/or alter the Scrip Dividend Scheme from time to time and to do all such acts and things and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the Scrip Dividend Scheme;
  - (c) for the purposes of, in connection with or where contemplated by the Scrip Dividend Scheme to:
    - (i) (A) pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of ordinary shares in the capital of the Company; and/ or
    - (B) make or grant offers, agreements or options that might or would require ordinary shares in the capital of the Company to be issued during the continuance of this authority or thereafter,



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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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at any time and upon such terms and conditions and to or with such persons as the Directors of the Company may, in their absolute discretion, deem fit; and

- (ii) issue ordinary shares in the capital of the Company in pursuance of any offer, agreement, or option made or granted by the Directors of the Company while such authority was in force (notwithstanding that such issues of such ordinary shares pursuant to the offer, agreement or option may occur after the expiration of the authority contained in this Resolution); and
- (d) to complete and do all acts and things (including executing such documents as may be required in connection with the Scrip Dividend Scheme) as they may consider desirable, necessary or expedient to give full effect to this ordinary resolution and the Scrip Dividend Scheme.

By Order of the Board

Gn Jong Yuh Gwendolyn  
Company Secretary  
13 July 2015

## Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy, duly executed, must be deposited at the registered office of the Company at 101 Defu Lane 10, Singapore 539222 not less than forty-eight (48) hours before the time appointed for holding the EGM.

## Personal data privacy:-

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

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**LIBRA GROUP LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company registration no. 201022364R)

Personal data privacy

By submitting an instrument appointing a proxy and/or representative, the Shareholder accepts and agrees to the personal data privacy terms set out in Notice of EGM dated 13 July 2015.

**PROXY FORM**

(Please see notes overleaf before completing this Form)

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

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

being a member/members of Libra Group limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting (the "**Meeting**") of the Company to be held at Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on 5 August 2015 at 10 a.m.. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions	For	Against
1	To approve the proposed diversification of the business of the Group into the Property Business (as an ordinary resolution)		
2	To approve the proposed diversification of the business of the Group into the Trading Business (as an ordinary resolution)		
3	To approve the proposed extension of M&E Services business segment to the offshore and marine industry (as an ordinary resolution)		
4	To approve the proposed diversification of the business of the Group into the Hospitality Business (as an ordinary resolution)		
5	To approve the proposed diversification of the business of the Group into the Tourism Business (as an ordinary resolution)		
6	To approve the proposed adoption of the Share Buy-Back Mandate (as an ordinary resolution)		
7	To approve the proposed amendments of the Articles of Association (as a special resolution)		
8	To approve the Scrip Dividend Scheme (as an ordinary resolution)		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

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

\* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

**Notes:**

- 1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of Shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
- 2 A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
- 3 Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- 4 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 101 Defu Lane 10, Singapore 539222 not less than forty-eight (48) hours before the time appointed for the EGM.
- 5 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
- 6 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
- 7 By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees to provide the Company with written evidence of such prior consent upon reasonable request.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.