

CIRCULAR DATED 29 AUGUST 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your ordinary shares (the “Shares”) in the capital of Chip Eng Seng Corporation Ltd. (the “Company”), you should immediately forward this Circular, the Notice of EGM (as defined herein) and the enclosed Proxy Form (as defined herein) 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.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the dealing in, listing of and quotation for the Rights Shares (as defined herein) on the Main Board of the SGX-ST, subject to certain conditions. The Rights Shares will be admitted to the Official List of the SGX-ST and official quotation is expected to commence after all conditions imposed by the SGX-ST are satisfied, all certificates relating thereto having been issued and the notification letters from The Central Depository (Pte) Limited (“CDP”) having been despatched.

Approval in-principle granted by the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Rights Issue (as defined herein), the Rights Shares, the Company and/or its subsidiaries. The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

This Circular shall not constitute an offer to sell or a solicitation of an offer to buy shares or other securities, including the Nil-Paid Rights (as defined herein) and the Rights Shares. This Circular may not be sent to any person or any jurisdiction in which it would not be permissible to deliver the Nil-Paid Rights and the Rights Shares or make an offer of the Nil-Paid Rights and the Rights Shares, and the Nil-Paid Rights and the Rights Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, to any such person or in any such jurisdiction. This Circular is issued to Shareholders (as defined herein) solely for the purpose of providing Shareholders with the information pertaining to, and seeking Shareholders’ approval for the resolutions to be proposed at the EGM (as defined herein). Shareholders are authorised to use this Circular solely for the purpose of considering the approvals sought. Persons to whom a copy of this Circular has been issued shall not circulate to any other person, reproduce or otherwise distribute this Circular or any information herein for any purpose whatsoever nor permit or cause the same to occur.

The distribution of this Circular and/or the transfer of the Nil-Paid Rights and the Rights Shares into jurisdictions other than Singapore may be prohibited or restricted by law. Persons into whose possession this Circular comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.



CHIP ENG SENG CORPORATION LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199805196H)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO:

- (1) THE PROPOSED RENOUNCEABLE UNDERWRITTEN RIGHTS ISSUE OF 156,503,515 RIGHTS SHARES AT AN ISSUE PRICE OF S\$0.63 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FOUR (4) EXISTING SHARES HELD BY ENTITLED SHAREHOLDERS AS AT THE BOOKS CLOSURE DATE, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED;**
- (2) THE PROPOSED PAYMENT OF THE SUB-UNDERWRITING COMMISSION BY THE MANAGER AND UNDERWRITER TO THE CONTROLLING SHAREHOLDERS FOR THE SUB-UNDERWRITING COMMITMENT IN CONNECTION WITH THE RIGHTS ISSUE; AND**
- (3) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHT OF THE INDEPENDENT SHAREHOLDERS TO RECEIVE A MANDATORY GENERAL OFFER FROM THE CONCERT PARTY GROUP FOR THE REMAINING SHARES NOT ALREADY OWNED OR CONTROLLED BY THE CONCERT PARTY GROUP.**

Manager and Underwriter of the Rights Issue



UNITED OVERSEAS BANK LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 193500026Z)

Independent Financial Adviser to the Independent Directors in respect of the Whitewash Resolution



SAC CAPITAL PRIVATE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200401542N)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of the Proxy Form : 10 September 2019 at 10.00 a.m. (Singapore time)
Date and time of the EGM : 13 September 2019 at 10.00 a.m. (Singapore time)
Place of the EGM : Emerald Suite, Golf Clubhouse – Level II
Orchid Country Club, No. 1 Orchid Club Road
Singapore 769162

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DEFINITIONS

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

- “Announcement”** : The announcement dated 22 August 2019 by the Company in relation to the Rights Issue
- “ARE”** : Application form for Rights Shares and excess Rights Shares to be issued to Entitled Depositors in respect of their provisional allotments of Rights Shares under the Rights Issue
- “ARS”** : Application form for Rights Shares to be issued to purchasers of the provisional allotments of Rights Shares under the Rights Issue traded on the SGX-ST through the book-entry (scripless) settlement system
- “Associates”** : (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30 per cent. or more; and
- (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30 per cent. or more
- “ATM”** : Automated teller machine of a Participating Bank
- “Authority”** : Monetary Authority of Singapore
- “Board”** : The board of Directors of the Company from time to time
- “Books Closure Date”** : Subject to the approval of Shareholders for the Rights Issue Resolution, the Sub-underwriting Resolution and the Whitewash Resolution being obtained at the EGM, the time and date as the Directors may determine on which the Register of Members and the Share Transfer Books of the Company will be closed, for the purpose of determining the provisional allotments of Rights Shares of the Entitled Shareholders under the Rights Issue

DEFINITIONS

“CDP”	:	The Central Depository (Pte) Limited
“Celine Tang”	:	Celine Tang @ Chen Huaidan @ Celine Tang, the Non-Executive Chairman and a Non-Independent and Non-Executive Director of the Company
“Chip Eng Seng Employee Share Option Scheme 2013”	:	The share option scheme which was approved and adopted at an extraordinary general meeting of the Company held on 25 April 2013
“Circular”	:	This circular to Shareholders dated 29 August 2019 in relation to the Rights Issue
“Closing Date”	:	The time and date to be determined by the Directors, being the last time and date for acceptance of and/or excess application and payment for the Rights Shares under the Rights Issue
“Code”	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
“Companies Act”	:	Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
“Company”	:	Chip Eng Seng Corporation Ltd.
“Concert Party Group”	:	The Controlling Shareholders and parties acting or deemed to be acting in concert with them in respect of the Shares
“Controlling Shareholders”	:	Celine Tang and Gordon Tang
“Controlling Shareholders Relevant Shares”	:	The Shares in which the Controlling Shareholders have a joint direct interest as at the date of the Controlling Shareholders’ Irrevocable Undertaking, being 168,907,000 Shares, representing approximately 26.98 per cent. of the total number of issued Shares
“Controlling Shareholders’ Irrevocable Undertaking”	:	The irrevocable undertaking dated 22 August 2019 given by the Controlling Shareholders to the Company to, <i>inter alia</i> , subscribe and pay in full and/or procure the subscription and payment in full for their entire <i>pro-rata</i> entitlement to the Rights Shares under the Rights Issue, details of which are set out in paragraph 4.1 of this Circular
“CPF”	:	Central Provident Fund
“CPF Funds”	:	CPF account savings

DEFINITIONS

“CPFIS”	:	CPF Investment Scheme
“Directors”	:	The directors of the Company as at the date of this Circular
“EGM”	:	The extraordinary general meeting of the Company to be convened on 13 September 2019 at 10.00 a.m., notice of which is given on pages E-1 to E-4 of this Circular
“Entitled Depositors”	:	Shareholders with Shares standing to the credit of their Securities Accounts as at the Books Closure Date and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents
“Entitled Scripholders”	:	Shareholders whose share certificates have not been deposited with CDP (and who have tendered to the Share Registrar valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date) and whose registered addresses with the Company are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents
“Entitled Shareholders”	:	Entitled Depositors and Entitled Scripholders
“EPS”	:	Earnings per Share
“Foreign Purchasers”	:	Purchasers of Nil-Paid Rights whose registered addresses with CDP are outside Singapore
“Foreign Shareholders”	:	Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) Market Days prior to the Books Closure Date, provided the Share Registrar or CDP, as the case may be, with addresses in Singapore for the service of notices and documents
“FY2016”	:	Financial year ended 31 December 2016
“FY2017”	:	Financial year ended 31 December 2017
“FY2018”	:	Financial year ended 31 December 2018
“FY2019”	:	Financial year ending 31 December 2019
“Gordon Tang”	:	Gordon Tang @ Tang Yigang @ Gordon Tang

DEFINITIONS

“Group”	:	The Company and its subsidiaries
“HY2018”	:	Financial period for the six (6) months ended 30 June 2018
“HY2019”	:	Financial period for the six (6) months ended 30 June 2019
“IFA”	:	SAC Capital Private Limited, the independent financial adviser appointed to advise the Independent Directors in relation to the Whitewash Resolution
“IFA Letter”	:	The letter from the IFA to the Independent Directors in relation to the Whitewash Resolution dated 29 August 2019, reproduced in Appendix B to this Circular
“Independent Directors”	:	The Directors who are considered independent for the purposes of making the recommendation to the Shareholders in relation to the Rights Issue Resolution, the Sub-underwriting Resolution and the Whitewash Resolution, being all the Directors, save for Celine Tang
“Independent Shareholders”	:	Shareholders, other than the Concert Party Group and parties not independent of them, who are deemed to be independent for the purposes of voting on the Whitewash Resolution
“Ineligible Shareholders”	:	Shareholders other than the Entitled Depositors and the Entitled Scripholders
“Irrevocable Undertakings”	:	The Controlling Shareholders’ Irrevocable Undertaking and the Raymond Chia’s Irrevocable Undertaking
“Issue Price”	:	S\$0.63 per Rights Share
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 22 August 2019
“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended or modified from time to time
“Management and Underwriting Agreement”	:	The management and underwriting agreement dated 22 August 2019 entered into between the Company and the Manager and Underwriter in relation to the Rights Issue, the details of which are set out in paragraph 4.2 of this Circular
“Manager and Underwriter”	:	United Overseas Bank Limited, the manager and underwriter of the Rights Issue
“Market Day”	:	A day on which the SGX-ST is open for trading in securities

DEFINITIONS

“NAV”	:	Net asset value
“Net Proceeds”	:	The net proceeds from the Rights Issue
“Nil-Paid Rights”	:	Provisional allotments of the Rights Shares under the Rights Issue
“Notice of EGM”	:	The notice of EGM which is set out on pages E-1 to E-4 of this Circular
“Offer Information Statement”	:	The offer information statement, together with the PAL, the ARE, the ARS and all other accompanying documents, including any supplementary or replacement document, to be issued by the Company and lodged with the Authority in connection with the Rights Issue
“PAL”	:	The provisional allotment letter to be issued to Entitled Scripholders, setting out their provisional allotments of Rights Shares under the Rights Issue
“Participating Banks”	:	The banks that will be participating in the Rights Issue by making available their ATMs to Entitled Depositors and persons purchasing Nil-Paid Rights through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore, for acceptances of the Rights Shares and applications for excess Rights Shares, as the case may be, to be made under the Rights Issue
“Proxy Form”	:	The proxy form in respect of the EGM as set out in this Circular
“Raymond Chia”	:	Chia Lee Meng Raymond, an Executive Director and the Group Chief Executive Officer of the Company
“Raymond Chia Relevant Shares”	:	The Shares in which Raymond Chia has a direct interest as at the date of the Raymond Chia’s Irrevocable Undertaking, being 11,125,000 Shares, representing approximately 1.78 per cent. of the total number of issued Shares
“Raymond Chia’s Irrevocable Undertaking”	:	The irrevocable undertaking dated 22 August 2019 given by Raymond Chia to the Company to, <i>inter alia</i> , subscribe and pay in full and/or procure the subscription and payment in full for his entire <i>pro-rata</i> entitlement to the Rights Shares under the Rights Issue, based on the number of Shares in which he has a direct interest, details of which are set out in paragraph 4.1 of this Circular
“Register of Members”	:	Register of members of the Company

DEFINITIONS

“Rights Issue”	:	The renounceable underwritten rights issue by the Company to raise gross proceeds of approximately S\$98.6 million, pursuant to which 156,503,515 Rights Shares will be offered at the Issue Price, on the basis of one (1) Rights Share for every four (4) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded
“Rights Issue Resolution”	:	The resolution proposed to approve the Rights Issue and the issue of Rights Shares pursuant to the Rights Issue, as set out in Ordinary Resolution 1 of the Notice of EGM
“Rights Shares”	:	156,503,515 new Shares to be allotted and issued by the Company pursuant to the Rights Issue
“Securities Account”	:	The securities account maintained by a Depositor with CDP but not including a securities sub-account maintained with a Depository Agent
“Senz”	:	Senz Holdings Limited, a company in which Celine Tang is a director
“Senz Relevant Shares”	:	The Shares in which Celine Tang has a deemed interest through Senz as at the date of the Controlling Shareholders’ Irrevocable Undertaking, being 17,198,000 Shares, representing approximately 2.75 per cent. of the total number of issued Shares
“SFA”	:	Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
“SFR”	:	Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018, as amended or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Options”	:	Share options granted under the Chip Eng Seng Employee Share Option Scheme 2013
“Share Registrar”	:	RHT Corporate Advisory Pte. Ltd., the share registrar of the Company
“Share Transfer Books”	:	The share transfer books of the Company

DEFINITIONS

“Shareholders”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to those Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with those Shares. Any reference to Shares held by or the shareholding of Shareholders shall include Shares standing to the credit of their respective Securities Accounts
“Shares”	:	Ordinary shares in the capital of the Company
“SIC”	:	Securities Industry Council of Singapore
“SRS”	:	Supplementary Retirement Scheme
“Substantial Shareholder”	:	A person who has an interest in voting shares in the Company and the total votes attached to which is not less than five (5) per cent. of the total votes attached to all the voting shares in the Company
“Sub-underwriting Agreement”	:	The sub-underwriting agreement dated 22 August 2019 entered into between the Manager and Underwriter and the Controlling Shareholders in relation to the Rights Issue, details of which are set out in paragraph 4.3 of this Circular
“Sub-underwriting Commission”	:	The commission payable by the Manager and Underwriter to the Controlling Shareholders pursuant to the Sub-underwriting Agreement, details of which are set out in paragraph 4.3 of this Circular
“Sub-underwriting Commitment”	:	The sub-underwriting commitment provided by the Controlling Shareholders pursuant to the Sub-underwriting Agreement, details of which are set out in paragraph 4.3 of this Circular
“Sub-underwriting Resolution”	:	The resolution proposed to approve the payment of the Sub-underwriting Commission by the Manager and Underwriter to the Controlling Shareholders, as set out in Ordinary Resolution 2 of the Notice of EGM
“Undertaken Rights Shares”	:	The 49,307,500 Rights Shares which the Undertaking Shareholders have undertaken to subscribe and pay in full and/or procure the subscription and payment in full for pursuant to the Irrevocable Undertakings
“Undertaking Shareholders”	:	Celine Tang, Gordon Tang and Raymond Chia

DEFINITIONS

“Underwriting Commission”	:	The commission payable by the Company to the Manager and Underwriter pursuant to the Management and Underwriting Agreement, details of which are set out in paragraph 4.2 of this Circular
“Underwritten Rights Shares”	:	The 107,196,015 Rights Shares (being the number of Rights Shares other than the Undertaken Rights Shares) that are underwritten by the Manager and Underwriter pursuant to the Management and Underwriting Agreement
“Whitewash Resolution”	:	The resolution to be approved by way of a poll by a majority of the Independent Shareholders present and voting at the EGM to waive their rights to receive a mandatory general offer from the Concert Party Group, pursuant to Rule 14 of the Code in relation to the Rights Issue, further details of which are set out in paragraph 5 of this Circular, as set out in Ordinary Resolution 3 of the Notice of EGM
“Whitewash Waiver”	:	The waiver granted by the SIC of the obligations of the Concert Party Group to make a mandatory general offer pursuant to Rule 14 of the Code for the remaining Shares not already owned or controlled by the Concert Party Group, arising from the acquisition of Rights Shares by the Controlling Shareholders pursuant to the Controlling Shareholders’ Irrevocable Undertaking and the Sub-underwriting Commitment, subject to the satisfaction of certain conditions, details of which are set out in paragraph 5.4 of this Circular
“%” or “per cent.”	:	Per centum or percentage
“S\$” or “cents”	:	The lawful currency for the time being of the Republic of Singapore

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The term **“subsidiary”** shall have the meaning ascribed to it in Section 5 of the Companies Act.

The term **“acting in concert”** shall have the meaning ascribed to it in the Code.

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

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 Companies Act, the Code, the SFA, the SFR, the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning ascribed to it under the Companies Act, the Code, the SFA, the SFR, the Listing Manual or any statutory modification thereof, as the case may be.

DEFINITIONS

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

Any reference to a time of day or date in this Circular shall be a reference to a time of day or date, as the case may be, in Singapore unless otherwise stated.

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

INDICATIVE TIMETABLE

An indicative timetable listing certain important dates and times relating to the Rights Issue is set out below.

All dates and times referred to below are Singapore dates and times.

Latest date and time for lodgement of the Proxy Form for the EGM	:	10 September 2019 at 10.00 a.m.
Date and time of the EGM	:	13 September 2019 at 10.00 a.m.
Expected date on which Shares trade “ex-rights” to the Rights Issue	:	20 September 2019 from 9.00 a.m.
Expected Books Closure Date	:	23 September 2019 at 5.00 p.m.
Expected date of lodgement of the Offer Information Statement with the Authority	:	23 September 2019
Expected despatch of the Offer Information Statement (together with the application forms) to Entitled Shareholders	:	26 September 2019
Expected commencement of trading of Nil-Paid Rights	:	26 September 2019 from 9.00 a.m.
Expected last date and time for trading of Nil-Paid Rights	:	4 October 2019 at 5.00 p.m.
Expected last date and time for acceptance of/application and payment for Rights Shares and excess Rights Shares ⁽¹⁾	:	10 October 2019 at 5.00 p.m. (9.30 p.m. for electronic applications through ATMs)
Expected date of issue of Rights Shares	:	17 October 2019
Expected date of commencement of trading of Rights Shares on the SGX-ST	:	18 October 2019

Shareholders should note that save for the latest date and time for the lodgement of the Proxy Form and the date and time of the EGM, the above timetable is indicative only and may be subject to change. For the events listed above which are described as “expected”, please refer to future announcement(s) by the Company and/or the SGX-ST for the exact dates of these events.

Note:

- (1) This does not apply to CPFIS investors, SRS investors and investors who hold Shares through a finance company and/or Depository Agent. CPFIS investors, SRS investors and investors who hold Shares through a finance company and/or Depository Agent should refer to the Offer Information Statement after the lodgement of the same with the Authority.

LETTER TO SHAREHOLDERS

CHIP ENG SENG CORPORATION LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199805196H)

Directors

Mrs Celine Tang @ Chen Huaidan @ Celine Tang
(*Non-Executive Chairman and Non-Independent and Non-Executive Director*)
Mr Chia Lee Meng Raymond (*Executive Director and Group Chief Executive Officer*)
Mr Tan Tee How (*Executive Director*)
Mr Ang Mong Seng (*Lead Independent Director*)
Mr Lui Tuck Yew (*Independent Director*)
Mr Abdul Jabbar Bin Karam Din (*Independent Director*)
Mr Lock Wai Han (*Independent Director*)

Registered Office

171 Chin Swee Road
#12-01 CES Centre
Singapore 169877

29 August 2019

To: Shareholders of Chip Eng Seng Corporation Ltd.

Dear Sir/Madam

1. INTRODUCTION

- 1.1 Rights Issue.** On 22 August 2019, the Company announced that it is undertaking a renounceable underwritten rights issue to raise gross proceeds of approximately S\$98.6 million, pursuant to which 156,503,515 Rights Shares will be offered at the Issue Price of S\$0.63 for each Rights Share, on the basis of one (1) Rights Share for every four (4) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.
- 1.2 Irrevocable Undertakings.** In support of the Rights Issue, Celine Tang, Gordon Tang and Raymond Chia (the “**Undertaking Shareholders**”) have given the Irrevocable Undertakings to the Company to, *inter alia*, subscribe and pay in full and/or procure the subscription and payment in full for their entire *pro-rata* entitlements to the Rights Shares under the Rights Issue. Accordingly, the Undertaking Shareholders collectively will subscribe and pay in full and/or procure the subscription and payment in full for an aggregate of 49,307,500 Rights Shares, which constitute approximately 31.51 per cent. of the total number of Rights Shares.
- 1.3 Underwriting of the Rights Issue.** The Underwritten Rights Shares have been underwritten by the Manager and Underwriter at the Issue Price on the terms and subject to the conditions of the Management and Underwriting Agreement. Pursuant to the Management and Underwriting Agreement, in consideration of the Manager and Underwriter’s agreement to underwrite the Underwritten Rights Shares, the Company will pay to the Manager and Underwriter the Underwriting Commission.
- 1.4 Sub-underwriting of the Rights Issue.** In connection with the Rights Issue, Celine Tang and Gordon Tang (the “**Controlling Shareholders**”) have entered into the Sub-underwriting Agreement with the Manager and Underwriter pursuant to which they have agreed, on the terms and subject to the conditions of the Sub-underwriting Agreement, to subscribe for the

LETTER TO SHAREHOLDERS

Underwritten Rights Shares to the extent that such Rights Shares are not successfully subscribed for under the Rights Issue. In consideration of the Sub-underwriting Commitment, the Manager and Underwriter will pay to the Controlling Shareholders the Sub-underwriting Commission.

- 1.5 Whitewash Waiver.** The fulfilment by the Controlling Shareholders of their obligations under the Sub-underwriting Agreement may result in the Controlling Shareholders acquiring Rights Shares resulting in them increasing their shareholding in the Company above 30 per cent.. Accordingly, an application was made to the SIC, and the SIC has granted its approval on 26 July 2019, for, *inter alia*, a waiver of the obligations of the Concert Party Group to make a mandatory general offer pursuant to Rule 14 of the Code for the remaining Shares not already owned or controlled by the Concert Party Group. Independent Shareholders are requested to vote by way of a poll on the Whitewash Resolution, waiving their rights to receive a mandatory general offer from the Concert Party Group for the remaining Shares not already owned or controlled by the Concert Party Group.
- 1.6 Independent Financial Adviser.** SAC Capital Private Limited has been appointed as the IFA to advise the Independent Directors in respect of the Whitewash Resolution. The IFA Letter, setting out the IFA's advice to the Independent Directors in full, is reproduced in **Appendix B** to this Circular.
- 1.7 EGM.** The purpose of this Circular is to explain the rationale for, and provide Shareholders with information relating to, the Rights Issue, the Sub-underwriting Commitment and the Whitewash Waiver, and to seek Shareholders' approval at the EGM for the Rights Issue Resolution, the Sub-underwriting Resolution and the Whitewash Resolution.

The Rights Issue Resolution, the Sub-underwriting Resolution and the Whitewash Resolution are inter-conditional as described in **paragraph 2.3** of this Circular. Please see the Notice of EGM set out on **pages E-1 to E-4** of this Circular for details of the resolutions.

2. RIGHTS ISSUE

- 2.1 Principal Terms.** The principal terms of the Rights Issue and the Rights Shares are summarised below:

Basis of Provisional Allotment : The Rights Issue will be made on a renounceable basis to Entitled Shareholders on the basis of one (1) Rights Share for every four (4) existing Shares standing to the credit of the Securities Accounts of the Entitled Depositors or held by the Entitled Scripholders, as the case may be, as at the Books Closure Date, fractional entitlements to be disregarded.

LETTER TO SHAREHOLDERS

Issue Price : S\$0.63 for each Rights Share, payable in full upon acceptance and/or application.

The Issue Price represents:

- (a) a discount of approximately 7.35 per cent. to the closing price of S\$0.68 per Share on the SGX-ST on 22 August 2019, being the date of the Announcement; and
- (b) a discount of approximately 5.97 per cent. to the theoretical ex-rights price of S\$0.67 (being the theoretical market price of each Share assuming the completion of the Rights Issue, and which is calculated based on the closing price of S\$0.68 per Share on the SGX-ST on 22 August 2019, being the date of the Announcement).

Status of Rights Shares : The Rights Shares are payable in full upon acceptance and/or application and will, upon allotment and issue, rank *pari passu* in all respects with the then existing issued Shares, except that they will not rank for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares.

Number of Rights Shares : Based on the issued share capital of the Company as at the Latest Practicable Date of 626,014,061 Shares (excluding treasury shares), the Company will issue 156,503,515 Rights Shares.

As of the Latest Practicable Date, the Company has 50,000,000 Share Options outstanding, of which 35,000,000 Share Options held by Raymond Chia have vested. The remaining 15,000,000 Share Options which are held by Raymond Chia and Tan Tee How (an Executive Director of the Company) will vest only in April 2021.

Pursuant to the Raymond Chia's Irrevocable Undertaking, Raymond Chia has irrevocably undertaken that, *inter alia*, he shall not exercise on or prior to the Books Closure Date any of his 35,000,000 vested Share Options.

Eligibility to Participate in the Rights Issue : Only Entitled Shareholders are eligible to participate in the Rights Issue. Please see **Appendix D** to this Circular for details of the eligibility of Shareholders to participate in the Rights Issue.

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Listing of the Rights Shares : On 22 August 2019, the SGX-ST granted its approval in-principle for the dealing in, listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, subject to certain conditions, details of which are set out in **paragraph 2.5** of this Circular.

The SGX-ST's approval in-principle is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Company and/or its subsidiaries. The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

Trading of the Rights Shares : Upon the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, the Rights Shares will be traded on the Main Board of the SGX-ST under the book-entry (scripless) settlement system. For the purposes of trading on the Main Board of the SGX-ST, each board lot of Shares will comprise 100 Shares.

Trading of Odd Lots of Shares : Eligible Shareholders who hold odd lots of Shares (that is, lots other than board lots of 100 Shares) and who wish to trade in odd lots are able to trade odd lots of Shares on the SGX-ST's Unit Share Market. The SGX-ST's Unit Share Market is a ready market for trading of odd lots of Shares with a minimum size of one (1) Share.

Trading of Nil-Paid Rights : Entitled Depositors who wish to trade all or part of their provisional allotments of Rights Shares on the SGX-ST can do so during the trading period for the Nil-Paid Rights.

Entitled Depositors should note that the Nil-Paid Rights will be tradable in board lots of 100 and one (1).

Acceptance, Excess Application and Payment Procedures : Entitled Shareholders will be at liberty to accept, decline, renounce or, in the case of Entitled Depositors, trade on the SGX-ST during the provisional allotment trading period prescribed by the SGX-ST, in whole or in part, their Nil-Paid Rights, and are eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue.

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Fractional entitlements to the Rights Shares will be disregarded in arriving at the entitlements of the Entitled Shareholders and will, together with provisional allotments which are not taken up or allotted for any reason, be aggregated and used to satisfy excess applications for Rights Shares (if any) or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company.

In the allotment of excess Rights Shares, preference will be given to Shareholders for the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board, will rank last in priority for rounding of odd lots and allotment of excess Rights Shares.

The procedures for, and the terms and conditions applicable to, acceptances, renunciation and/or sales of the Nil-Paid Rights and for the applications for excess Rights Shares, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement.

Net Proceeds

- : The estimated Net Proceeds (after deducting estimated costs, expenses and commissions of approximately S\$2.3 million incurred in connection with the Rights Issue) is expected to be approximately S\$96.3 million. Please see **paragraph 2.2** of this Circular for details of the estimated Net Proceeds.

The Company is of the view that the estimated Net Proceeds, together with all cash, cash-equivalents and other financial resources and credit facilities available to the Group, will be sufficient to meet the Group's present funding requirements and its general corporate purposes.

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- Irrevocable Undertakings** : In support of the Rights Issue, the Undertaking Shareholders have given the Irrevocable Undertakings to the Company to, *inter alia*, subscribe and pay in full and/or procure the subscription and payment in full for their entire *pro-rata* entitlements to the Rights Shares under the Rights Issue. Please see **paragraph 4.1** of this Circular for details of the Irrevocable Undertakings.
- Underwriting** : Please see **paragraph 4.2** of this Circular for details of the Manager and Underwriter's underwriting commitment in respect of the Rights Issue.
- Sub-underwriting** : Please see **paragraph 4.3** of this Circular for details of the Controlling Shareholders' Sub-underwriting Commitment in respect of the Rights Issue.
- Use of CPF funds** : Persons who have previously bought their Shares using their CPF Funds, can only use their CPF Funds for the payment of the Issue Price of the Rights Shares to accept their Nil-Paid Rights and (if applicable) apply for the excess Rights Shares, subject to the applicable CPF rules and regulations. Such members who wish to accept their Nil-Paid Rights and (if applicable) apply for excess Rights Shares using CPF Funds will need to instruct their respective approved CPF agent banks to accept their Nil-Paid Rights and (if applicable) apply for the excess Rights Shares on their behalf in accordance with the terms and conditions of the Offer Information Statement. Any applications made directly through CDP, the Share Registrar, the Company and/or ATMs of the Participating Banks will be rejected. CPF Funds cannot, however, be used for the purchase of the Nil-Paid Rights directly from the market.

In the case of insufficient CPF Funds or stock limit, persons who have previously bought their Shares using CPF Funds would have to top-up cash into their CPFIS Ordinary Account before instructing their respective approved CPF agent banks to accept the Nil-Paid Rights and (if applicable) apply for excess Rights Shares.

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Use of SRS funds : Members under the SRS (“**SRS Members**”) who bought their Shares previously using their account opened with the relevant approved bank (“**SRS Account**”), can only use monies standing to the credit of their respective SRS Accounts for the payment of the Issue Price of the Rights Shares to accept their Nil-Paid Rights and (if applicable) apply for excess Rights Shares, subject to applicable SRS rules and regulations. Such SRS Members who wish to accept their Nil-Paid Rights and (if applicable) apply for excess Rights Shares using SRS monies will need to instruct the relevant approved banks in which they hold their SRS Accounts to accept their Nil-Paid Rights and (if applicable) apply for excess Rights Shares on their behalf in accordance with the Offer Information Statement. Any applications made directly through CDP, the Share Registrar, the Company and/or ATMs of the Participating Banks will be rejected. Monies in SRS Accounts cannot, however, be used for the purchase of the Nil-Paid Rights directly from the market. Such Entitled Shareholders should refer to the Offer Information Statement to be lodged with the Authority for important details relating to the offer procedure in connection with the Rights Issue.

Governing law : Laws of Singapore.

The terms and conditions of the Rights Issue are subject to such changes as the Directors, after consultation with the Manager and Underwriter, may deem appropriate. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be lodged with the Authority and despatched by the Company to Entitled Shareholders in due course, subject to, *inter alia*, the approval of Shareholders at the EGM for the Rights Issue Resolution, the Sub-underwriting Resolution and the Whitewash Resolution.

2.2 Uses of Proceeds. The gross proceeds from the Rights Issue are expected to be approximately S\$98.6 million. The estimated Net Proceeds (after deducting estimated costs, expenses and commissions of approximately S\$2.3 million incurred in connection with the Rights Issue) are expected to be approximately S\$96.3 million.

The Company intends to apply the Net Proceeds for the following purposes:

- (a) approximately S\$50.0 million or approximately 51.92 per cent. of the Net Proceeds to finance the possible expansion of the property development segment of the Group’s business in Singapore and overseas;
- (b) approximately S\$20.0 million or approximately 20.77 per cent. of the Net Proceeds to finance the Group’s possible strategic investments and/or acquisitions in the education segment of its business, which is in line with the Group’s recent diversification into the education sector;

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- (c) approximately S\$10.0 million or approximately 10.38 per cent. of the Net Proceeds to finance the growth and operations of the hospitality segment of the Group's business; and
- (d) the balance of approximately S\$16.3 million or approximately 16.93 per cent. of the Net Proceeds for general corporate purposes including general and working capital requirements of the Group.

Please see **paragraph 3** of this Circular for the rationale for the Rights Issue.

Pending the deployment of the Net Proceeds, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purposes on a short-term basis as the Directors may deem appropriate in the interests of the Group. The Company will make periodic announcements on the utilisation of the Net Proceeds as and when the Net Proceeds are materially disbursed and provide a status report on the use of the Net Proceeds in the Company's annual report. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reason(s) for such deviation.

2.3 Conditions. Shareholders should note that the Rights Issue is subject to the following:

- (a) the approval of Shareholders (save for the Controlling Shareholders and their Associate, Senz) for the Rights Issue Resolution having been obtained at the EGM and not having lapsed or been withdrawn or revoked;
- (b) the approval of Shareholders (save for the Controlling Shareholders and their Associate, Senz) for the Sub-underwriting Resolution having been obtained at the EGM and not having lapsed or been withdrawn or revoked;
- (c) the approval by the Independent Shareholders for the Whitewash Resolution having been obtained at the EGM and not having lapsed or been withdrawn or revoked;
- (d) the Whitewash Waiver from the SIC which was granted on 26 July 2019 not having been withdrawn or revoked as at the date of completion of the Rights Issue;
- (e) the approval in-principle from the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Main Board of the SGX-ST which was granted on 22 August 2019 not having been withdrawn or revoked as at the date of completion of the Rights Issue; and
- (f) the lodgement of the Offer Information Statement, together with all other accompanying documents (if applicable) to be issued by the Company in connection with the Rights Issue, with the Authority.

Each of the Rights Issue Resolution, the Sub-underwriting Resolution and the Whitewash Resolution is inter-conditional upon the approval being obtained at the EGM for each of the other resolutions, and therefore the Rights Issue cannot proceed if any of these three resolutions is not passed. The three resolutions are inter-conditional for the following reasons:

- (i) as the Rights Issue is sub-underwritten by the Controlling Shareholders, who are controlling shareholders (as defined in the Listing Manual) of the Company, paragraph 2.1 of Practice Note 8.2 of the Listing Manual requires the Company to seek specific

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Shareholders' approval by way of a separate shareholder resolution for the payment of the Sub-underwriting Commission to the Controlling Shareholders. Accordingly, the sub-underwriting arrangement with the Controlling Shareholders cannot proceed if the Sub-underwriting Resolution is not passed. In addition, as stated in **paragraph 4.4(c)** of this Circular, the Manager and Underwriter has confirmed to the Board that they will not underwrite the Rights Issue without the sub-underwriting arrangement being put in place; and

- (ii) the fulfilment by the Controlling Shareholders of their obligations under the Sub-underwriting Agreement may result in the Controlling Shareholders acquiring Rights Shares resulting in them increasing their shareholding in the Company above 30 per cent., which would trigger obligations of the Concert Party Group to make a mandatory general offer pursuant to Rule 14 of the Code for the remaining Shares not already owned or controlled by the Concert Party Group, which is not the intended outcome of the Rights Issue. Therefore, an application was made to the SIC, and on 26 July 2019, the SIC granted the Whitewash Waiver, which is subject to, *inter alia*, the condition that the Whitewash Resolution is passed.

Please see the Notice of EGM set out on **pages E-1 to E-4** of this Circular for details of the resolutions.

2.4 Whitewash Waiver. On 26 July 2019, the SIC granted the Whitewash Waiver, subject to, *inter alia*, the satisfaction of certain conditions, details of which are set out in **paragraph 5.4** of this Circular.

2.5 Approval In-Principle. On 22 August 2019, the SGX-ST granted its approval in-principle for the dealing in, listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, subject to the following conditions:

- (a) compliance with the SGX-ST's listing requirements;
- (b) Shareholders' approval for the Rights Issue Resolution, the Sub-underwriting Resolution and the Whitewash Resolution;
- (c) a written undertaking from the Company that it will comply with Listing Rules 704(30), 815 and 1207(20) in relation to the use of the proceeds from the Rights Issue and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report;
- (d) a written undertaking from the Company that it will comply with the confirmation given under Listing Rule 877(10) with regards to the allotment of any excess Rights Shares; and
- (e) a written confirmation from financial institution(s) as required under Listing Rule 877(9) that the Undertaking Shareholders have sufficient financial resources to fulfill their obligations under the Irrevocable Undertakings.

The SGX-ST's approval in-principle is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Company and/or its subsidiaries. The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

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- 2.6 Eligibility of Shareholders to Participate in the Rights Issue.** Details of the eligibility of the Shareholders to participate in the Rights Issue are set out in **Appendix D** to this Circular.
- 2.7 Books Closure Date.** Subject to the approval of Shareholders for the Rights Issue Resolution, the Sub-underwriting Resolution and the Whitewash Resolution being obtained at the EGM, the Register of Members and the Share Transfer Books of the Company will be closed at the time and date as the Directors may determine, for the purpose of determining the provisional allotments of Rights Shares of the Entitled Shareholders under the Rights Issue.
- 2.8 Offer Information Statement.** An Offer Information Statement will be despatched to the Entitled Shareholders subject to, *inter alia*, the approval of Shareholders for the Rights Issue Resolution, the Sub-underwriting Resolution and the Whitewash Resolution being obtained at the EGM. Acceptances and applications under the Rights Issue can only be made by way of:
- (a) the PAL, in the case of Entitled Scripholders;
 - (b) the ARE or through the ATMs of the Participating Banks, in the case of Entitled Depositors; and
 - (c) the ARS or through the ATMs of the Participating Banks, in the case of persons purchasing Nil-Paid Rights through the book-entry (scripless) settlement system whose registered addresses are in Singapore.
- The PAL, ARE and ARS will form part of the Offer Information Statement.
- 2.9 Share Options.** As of the Latest Practicable Date, the Company has 50,000,000 Share Options outstanding, of which 35,000,000 Share Options held by Raymond Chia have vested. The remaining 15,000,000 Share Options which are held by Raymond Chia and Tan Tee How (an Executive Director of the Company) will vest only in April 2021. Pursuant to the Raymond Chia's Irrevocable Undertaking, Raymond Chia has irrevocably undertaken that, *inter alia*, he shall not exercise on or prior to the Books Closure Date any of his 35,000,000 vested Share Options.
- 2.10 Review of Past Performance and Working Capital.** Details of the Group's profit and loss statements, cash flow statements, balance sheets and working capital position for FY2016, FY2017, FY2018, HY2018 and HY2019 are set out in **Appendix C** to this Circular.

3. RATIONALE FOR THE RIGHTS ISSUE

The Company is proposing the Rights Issue to raise proceeds which it intends to apply primarily towards the Group's expansion plans. For further details of the intended use of proceeds, please see **paragraph 2.2** of this Circular.

The Directors have considered other fund-raising options including further bank borrowings and/or debt instruments from financial institutions and/or debt issuance under the Company's S\$750 million Multi-currency Debt Issuance Programme (the "**Debt Issuance Programme**") established in 2013. In particular, the Directors have considered and noted the following:

- (a) the Group's net debt-to-equity ratio was approximately 1.80 times as at 30 June 2019;

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- (b) based on the 3-year fixed rate notes issued in March 2019 pursuant to the Debt Issuance Programme by the Company's wholly-owned treasury vehicle, CES Treasury Pte. Ltd., and guaranteed by the Company, the cost of borrowing is 6 per cent. per annum. The cost of borrowing depends on market conditions and may be higher for borrowings of a longer tenor; and
- (c) based on (i) the dividends declared and paid by the Company in respect of FY2018, being S\$0.04 per Share; and (ii) the closing price of S\$0.68 per Share on the SGX-ST on the Latest Practicable Date, the cost of equity is approximately 5.88 per cent. per annum.

Having considered the Group's current net gearing level and the incurrence of additional interest expenses as described above, the Rights Issue would be a more suitable funding solution that would strengthen the financial position of the Group by augmenting the Group's balance sheet and capital base, and at the same time reduce the net gearing of the Group.

The Net Proceeds will provide the Group with greater financial capacity and flexibility to capitalise on investment and expansion opportunities and allow it to respond to such opportunities expediently.

The Rights Issue will also provide Shareholders with an opportunity to further participate in the equity of the Company.

4. IRREVOCABLE UNDERTAKINGS, UNDERWRITING AND SUB-UNDERWRITING

4.1 Irrevocable Undertakings. As at the date of the Controlling Shareholders' Irrevocable Undertaking and the Raymond Chia's Irrevocable Undertaking respectively:

- (a) Celine Tang and Gordon Tang have a joint direct interest in 168,907,000 Shares, representing approximately 26.98 per cent. of the total number of issued Shares (the "**Controlling Shareholders Relevant Shares**"). Celine Tang also has a deemed interest in an additional 17,198,000 Shares through Senz, representing approximately 2.75 per cent. of the total number of issued Shares (the "**Senz Relevant Shares**"). Accordingly, Celine Tang is interested in an aggregate of 186,105,000 Shares, representing approximately 29.73 per cent. of the total number of issued Shares; and
- (b) Raymond Chia has a direct interest in 11,125,000 Shares, representing approximately 1.78 per cent. of the total number of issued Shares (the "**Raymond Chia Relevant Shares**").

Celine Tang and Gordon Tang have given the Controlling Shareholders' Irrevocable Undertaking to the Company that, *inter alia*:

- (i) as at the Books Closure Date, Celine Tang and Gordon Tang shall have a joint direct interest in not less than the number of the Controlling Shareholders Relevant Shares;
- (ii) Celine Tang shall procure that, as at the Books Closure Date, Senz shall have an interest in not less than the number of the Senz Relevant Shares;

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- (iii) Celine Tang and Gordon Tang shall subscribe and pay in full and/or procure the subscription and payment in full for their entire *pro-rata* entitlement to the Rights Shares under the Rights Issue in accordance with the terms and conditions of the Rights Issue and in any case not later than the Closing Date; and
- (iv) Celine Tang shall procure the subscription and payment in full for Senz's entire *pro-rata* entitlement to the Rights Shares under the Rights Issue in accordance with the terms and conditions of the Rights Issue and in any case not later than the Closing Date.

Raymond Chia has given the Raymond Chia's Irrevocable Undertaking to the Company that, *inter alia*:

- (1) he shall vote and/or procure the voting of all of the Raymond Chia Relevant Shares in favour of the Rights Issue Resolution, the Sub-underwriting Resolution and the Whitewash Resolution;
- (2) as at the Books Closure Date, he shall have a direct interest in not less than the number of the Raymond Chia Relevant Shares;
- (3) he shall not exercise on or prior to the Books Closure Date any of the 35,000,000 vested Share Options that he held as at the date of the Raymond Chia's Irrevocable Undertaking; and
- (4) he shall subscribe and pay in full and/or procure the subscription and payment in full for his entire *pro-rata* entitlement to the Rights Shares under the Rights Issue, based on the Raymond Chia Relevant Shares, in accordance with the terms and conditions of the Rights Issue and in any case not later than the Closing Date.

Accordingly, the Undertaking Shareholders collectively will subscribe and pay in full and/or procure the subscription and payment in full for an aggregate of 49,307,500 Rights Shares, which constitutes approximately 31.51 per cent. of the total number of Rights Shares.

No commission or fee will be payable by the Company to the Undertaking Shareholders in consideration of the Irrevocable Undertakings.

The Irrevocable Undertakings are subject to, *inter alia*, the approval from Shareholders at the EGM for the Rights Issue Resolution, the Sub-underwriting Resolution and the Whitewash Resolution.

Each Undertaking Shareholder has also furnished a confirmation of financial resources from a financial institution to the SGX-ST pursuant to the Irrevocable Undertakings.

4.2 Underwriting of the Rights Issue. The Underwritten Rights Shares, constituting approximately 68.49 per cent. of the total number of Rights Shares, have been underwritten by the Manager and Underwriter at the Issue Price on the terms and subject to the conditions of the Management and Underwriting Agreement.

Pursuant to the Management and Underwriting Agreement, in consideration of the Manager and Underwriter's agreement to subscribe and/or procure subscriptions for the Underwritten Rights Shares, the Company will pay to the Manager and Underwriter an

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underwriting fee of 2.00 per cent. of the aggregate gross proceeds from the Underwritten Rights Shares (the “**Underwriting Commission**”).

The Manager and Underwriter may not terminate the Management and Underwriting Agreement for reason of a *force majeure* event on or after the commencement of the trading of the Shares ex-rights without consulting the SGX-ST on such termination.

- 4.3 Sub-underwriting.** The Controlling Shareholders have entered into the Sub-underwriting Agreement with the Manager and Underwriter pursuant to which they have agreed, on the terms and subject to the conditions of the Sub-underwriting Agreement, to subscribe for the Underwritten Rights Shares to the extent that such Rights Shares are not successfully subscribed for under the Rights Issue.

In consideration of the Sub-underwriting Commitment, the Manager and Underwriter will pay to the Controlling Shareholders a sub-underwriting fee of 1.50 per cent. of the aggregate gross proceeds from the Underwritten Rights Shares (the “**Sub-underwriting Commission**”). For illustrative purposes only, based on the aggregate gross proceeds from the Underwritten Rights Shares of approximately S\$67.5 million, the Sub-underwriting Commission to be paid by the Manager and Underwriter to the Controlling Shareholders of approximately S\$1.0 million will represent approximately 0.12 per cent. of the audited net tangible assets of the Group as at 31 December 2018.

As the Controlling Shareholders are controlling shareholders (as defined in the Listing Manual) of the Company, paragraph 2.1 of Practice Note 8.2 of the Listing Manual requires the Company to seek specific Shareholders’ approval by way of a separate shareholder resolution for the payment of the Sub-underwriting Commission to the Controlling Shareholders.

- 4.4 Board Confirmation.** Having considered the terms of the Management and Underwriting Agreement and the Sub-underwriting Agreement (including the payment of the Underwriting Commission by the Company to the Manager and Underwriter and the payment of the Sub-underwriting Commission by the Manager and Underwriter to the Controlling Shareholders), the Independent Directors are of the view that the terms of the Management and Underwriting Agreement and the Sub-underwriting Agreement (including the Underwriting Commission and the Sub-underwriting Commission respectively) are on an arm’s length basis and are on normal commercial terms.

In considering the underwriting structure of the Rights Issue, the Independent Directors considered and noted, *inter alia*, the following:

- (a) the rationale for, and the use of proceeds from, the Rights Issue, as set out in the Announcement and this Circular;
- (b) the importance of the Rights Issue to be fully undertaken and/or underwritten, given the execution risks posed by the Rights Issue execution period; and
- (c) the written confirmation from the Manager and Underwriter to the Board that they will not underwrite the Rights Issue without the Sub-underwriting Agreement being put in place, and that the discussion on the Sub-underwriting Commitment was initiated by the Manager and Underwriter and not by the Controlling Shareholders.

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In particular, in considering the payment of the Sub-underwriting Commission by the Manager and Underwriter to the Controlling Shareholders, the Independent Directors have further considered and noted the following:

- (i) by entering into the Sub-underwriting Agreement with the Manager and Underwriter, the Controlling Shareholders will assume market risks for the Rights Issue; and
- (ii) the Sub-underwriting Commission to be paid by the Manager and Underwriter to the Controlling Shareholders (1) is not higher than the Underwriting Commission payable by the Company to the Manager and Underwriter; (2) is paid by the Manager and Underwriter out of the Underwriting Commission; and (3) does not lead to an additional cost to the Company over and above the Underwriting Commission payable to the Manager and Underwriter.

On the bases set out above, the Independent Directors are unanimously of the view that the terms of the Sub-underwriting Agreement (which include the payment of Sub-underwriting Commission by the Manager and Underwriter to the Controlling Shareholders) are fair and not prejudicial to the Company and to the Shareholders (excluding the Controlling Shareholders).

5. WHITEWASH WAIVER

5.1 Interests of the Concert Party Group. As at the Latest Practicable Date, the Controlling Shareholders have a joint direct interest in 168,907,000 Shares, representing approximately 26.98 per cent. of the total number of issued Shares. Celine Tang also has a deemed interest in an additional 17,198,000 Shares through Senz, representing approximately 2.75 per cent. of the total number of issued Shares. Accordingly, the Concert Party Group is interested in an aggregate of 186,105,000 Shares, representing approximately 29.73 per cent. of the total number of issued Shares.

5.2 Mandatory Offer Requirement under the Code. Under Rule 14 of the Code, except with the SIC's consent, where any person acquires whether by a series of transactions over a period of time or not, Shares which (taken together with Shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of the Company, he is required to make a mandatory general offer for all the Shares in the Company which he does not already own or control.

Assuming that:

- (a) the Undertaking Shareholders subscribe and pay in full and/or procure the subscription and payment in full for the Rights Shares under the Rights Issue in accordance with the Irrevocable Undertakings;
- (b) none of the other Entitled Shareholders subscribe for any of their respective entitlements of Rights Shares;
- (c) the Underwritten Rights Shares are underwritten by the Manager and Underwriter in accordance with the terms of the Management and Underwriting Agreement; and
- (d) the Controlling Shareholders are required to subscribe for the Underwritten Rights Shares in accordance with the terms of the Sub-underwriting Agreement,

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the shareholding interests of the Concert Party Group will increase from approximately 29.73 per cent. of the total issued share capital of the Company to approximately 43.43 per cent. of the total issued share capital of the Company, based on the enlarged issued share capital of the Company of 782,517,576 Shares immediately following the allotment and issue of 156,503,515 Rights Shares under the Rights Issue and assuming that the 50,000,000 outstanding Share Options are not exercised on or prior to the Books Closure Date.

Accordingly, the fulfilment by the Controlling Shareholders of their obligations under the Sub-underwriting Agreement may result in the Controlling Shareholders acquiring Rights Shares resulting in them increasing their shareholding in the Company above 30 per cent.. In such event, the Concert Party Group would incur an obligation to make a mandatory general offer for the remaining Shares not already owned or controlled by the Concert Party Group pursuant to Rule 14 of the Code unless such obligation is waived by the SIC.

Accordingly, an application was made to the SIC for, *inter alia*, a waiver of the obligations of the Concert Party Group to make a mandatory general offer pursuant to Rule 14 of the Code for the remaining Shares not already owned or controlled by the Concert Party Group arising from the acquisition by the Controlling Shareholders of Rights Shares pursuant to the Controlling Shareholders' Irrevocable Undertaking and the Sub-underwriting Commitment.

5.3 Potential Dilution. Taking into account the assumptions set out in **paragraph 5.2** above, as a result of the Rights Issue, the Irrevocable Undertakings and the Sub-underwriting Commitment, the collective shareholding interests of the Shareholders (other than the Concert Party Group) in the Company may be diluted as follows:

	Before the Rights Issue		After the Rights Issue	
	Number of Shares	Per cent. of issued share capital ⁽¹⁾	Number of Shares	Per cent. of issued share capital ⁽²⁾
Concert Party Group	186,105,000	29.73	339,827,265	43.43
Shareholders (other than the Concert Party Group)	439,909,061	70.27	442,690,311 ⁽³⁾	56.57
Total	626,014,061	100.00	782,517,576	100.00

Notes:

- (1) Based on the issued share capital of the Company of 626,014,061 Shares (excluding treasury shares) as at the Latest Practicable Date.
- (2) Based on the enlarged issued share capital of the Company of 782,517,576 Shares (excluding treasury shares) immediately following the allotment and issue of 156,503,515 Rights Shares under the Rights Issue and assuming that the 50,000,000 outstanding Share Options are not exercised on or prior to the Books Closure Date.
- (3) The increase of 2,781,250 Shares in the collective shareholding interests of the Shareholders (other than the Concert Party Group) in the Company after the Rights Issue represents the number of Rights Shares which Raymond Chia will subscribe and pay in full and/or procure the subscription and payment in full for pursuant to the Raymond Chia's Irrevocable Undertaking.

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- 5.4 Whitewash Waiver.** On 26 July 2019, the SIC granted the Whitewash Waiver, subject to the following conditions:
- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the Rights Issue, the Whitewash Resolution by way of a poll to waive their rights to receive a general offer from the Concert Party Group;
 - (b) the Whitewash Resolution is separate from other resolutions;
 - (c) the Concert Party Group, as well as parties not independent of them, abstain from voting on the Whitewash Resolution;
 - (d) the Concert Party Group did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in this Circular):
 - (i) during the period between the first announcement of the Rights Issue and the date Shareholders' approval is obtained for the Whitewash Resolution; and
 - (ii) in the six (6) months prior to the first announcement of the Rights Issue but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Rights Issue;
 - (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Whitewash Resolution;
 - (f) the Company sets out clearly in this Circular:
 - (i) details of the Rights Issue, including the Controlling Shareholders' Irrevocable Undertaking and the Sub-underwriting Commitment;
 - (ii) the dilution effect to existing holders of voting rights upon the subscription of the Rights Shares by the Concert Party Group;
 - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Concert Party Group as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be acquired by the Concert Party Group as a result of their subscription of the Rights Shares; and
 - (v) specific and prominent reference to the fact that Shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from the Concert Party Group at the highest price paid by the Concert Party Group for the Shares in the past six (6) months preceding the commencement of the Rights Issue;
 - (g) this Circular states that the Whitewash Waiver is subject to the conditions stated at **paragraphs 5.4(a) to 5.4(f)** above;

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- (h) the Company obtains the SIC's approval in advance for those parts of this Circular that refer to the Whitewash Resolution; and
- (i) to rely on the Whitewash Resolution, the approval of the Whitewash Resolution must be obtained within three (3) months of the date of the Whitewash Waiver and the subscription of the Rights Shares by the Controlling Shareholders must be completed within three (3) months of the date of the approval of the Whitewash Resolution.

As at the date of this Circular, save for the conditions set out in **paragraphs 5.4(a), 5.4(c), 5.4(d)** and **5.4(i)**, all the other conditions set out above have been satisfied.

5.5 Whitewash Resolution. Independent Shareholders are requested to vote by way of a poll, on the Whitewash Resolution set out in the Notice of EGM on **pages E-1 to E-4** of this Circular, waiving their rights to receive a mandatory general offer from the Concert Party Group for the remaining Shares not already owned or controlled by the Concert Party Group.

5.6 Advice to Independent Shareholders. Independent Shareholders should note that:

- (a) by voting for the Whitewash Resolution, they will be waiving their rights to receive a general offer from the Concert Party Group at the highest price paid by the Concert Party Group for Shares in the past six (6) months preceding the commencement of the Rights Issue which they would have otherwise been obliged to make for the Shares pursuant to Rule 14 of the Code;
- (b) by voting for the Whitewash Resolution, they could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Rights Issue; and
- (c) the Rights Issue is conditional upon them voting in favour of, among others, the Whitewash Resolution. In view of this, in the event that the Whitewash Resolution is not passed by the Independent Shareholders, the Rights Issue will not take place.

5.7 Advice from the Independent Financial Adviser. SAC Capital Private Limited has been appointed as the IFA to advise the Independent Directors in respect of the Whitewash Resolution. The IFA Letter, setting out the IFA's advice to the Independent Directors in full, is reproduced in **Appendix B** to this Circular.

Having considered the factors set out in the IFA Letter and subject to the assumptions and qualifications set out in the IFA Letter, the IFA is of the opinion that, from a financial point of view, the Rights Issue which is the subject of the Whitewash Resolution is fair and reasonable, and the Whitewash Resolution when considered in the context of the Rights Issue is not prejudicial to the interests of the Independent Shareholders. Accordingly, the IFA has advised the Independent Directors to recommend that the Independent Shareholders vote in favour of the Whitewash Resolution at the EGM.

Independent Shareholders are advised to read and consider the IFA Letter in its entirety as reproduced in **Appendix B** to this Circular and consider carefully the recommendations of the Independent Directors for the Whitewash Resolution set out in **paragraph 9.3** of this Circular.

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6. FINANCIAL EFFECTS

6.1 Illustrative Purposes Only. The following *pro forma* financial effects of the Rights Issue is prepared based on the audited consolidated financial statements of the Group for FY2018 and the unaudited consolidated financial statements of the Group for HY2019 and is for illustrative purposes only, to show:

- (a) what the issued share capital of the Company, the NAV of the Group and the net gearing of the Group as at 31 December 2018 or 30 June 2019 would have been if the Rights Issue had been effected as of 31 December 2018 or 30 June 2019 (as the case may be); and
- (b) what the EPS for FY2018 and HY2019 would have been if the Rights Issue had been effected as of 1 January 2018 or 1 January 2019 (as the case may be).

The following *pro forma* financial information may not, because of its nature, give a true picture of:

- (i) what the relevant EPS, NAV and net gearing of the Group as at, and for FY2018 might have been if the Rights Issue had actually been effected as of 1 January 2018 and 31 December 2018, respectively;
- (ii) what the relevant EPS, NAV and net gearing of the Group as at, and for HY2019 might have been if the Rights Issue had actually been effected as of 1 January 2019 and 30 June 2019, respectively; and
- (iii) the actual future financial situation of the Group after the completion of the Rights Issue.

6.2 Share Capital. As at the Latest Practicable Date, there are no options or warrants or other convertible securities in existence under which the Company has an obligation to issue additional Shares, save for the Share Options.

Assuming that the Rights Issue had been completed on 31 December 2018 or 30 June 2019 (as the case may be), the effects of the Rights Issue on the issued share capital of the Company as at 31 December 2018 (actual and *pro forma*) and 30 June 2019 (actual and *pro forma*) are as follows:

	As at 31 December 2018		As at 30 June 2019	
	Actual	<i>Pro Forma</i>	Actual	<i>Pro Forma</i>
Number of Shares (excluding treasury shares)	626,014,061	782,517,576	626,014,061	782,517,576
Issued share capital (S\$'000)	79,691	175,988 ⁽¹⁾	79,691	175,988 ⁽¹⁾

Note:

- (1) Based on Net Proceeds of approximately S\$96.3 million reflecting the deduction of estimated transaction costs relating to the Rights Issue of approximately S\$2.3 million.

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- 6.3 EPS.** Assuming that the Rights Issue had been completed on 1 January 2018 or 1 January 2019 (as the case may be), the effects on the EPS for FY2018 (actual and *pro forma*) and HY2019 (actual and *pro forma*) are as follows:

	FY2018		HY2019	
	Actual	Pro Forma	Actual	Pro Forma
Profit for the year or period (as the case may be) (S\$'000)	63,121	63,121	15,241	15,241
Weighted average number of issued Shares	623,370,225	779,873,740	626,014,061	782,517,576
EPS (cents)	10.13	8.09	2.43	1.95

- 6.4 NAV per Share.** Assuming that the Rights Issue had been completed on 31 December 2018 or 30 June 2019 (as the case may be), the effects of the Rights Issue on the NAV per Share as at 31 December 2018 (actual and *pro forma*) and 30 June 2019 (actual and *pro forma*) are as follows:

	As at 31 December 2018		As at 30 June 2019	
	Actual	Pro Forma	Actual	Pro Forma
NAV (S\$'000)	817,348	913,645	805,978	902,276
Number of Shares	626,014,061	782,517,576	626,014,061	782,517,576
NAV per Share (S\$)	1.31	1.17	1.29	1.15

- 6.5 Net Gearing.** Assuming that the Rights Issue had been completed on 31 December 2018 or 30 June 2019 (as the case may be), the effects of the Rights Issue on the net gearing of the Group as at 31 December 2018 (actual and *pro forma*) and 30 June 2019 (actual and *pro forma*) are as follows:

	As at 31 December 2018		As at 30 June 2019	
	Actual	Pro Forma	Actual	Pro Forma
Total net borrowings (S\$'000)	1,468,574	1,372,277	1,555,864	1,459,567
Total equity (S\$'000)	874,055	970,351	863,762	960,060
Net gearing (times)	1.68	1.41	1.80	1.52

7. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on **pages E-1 to E-4** of this Circular, will be held at Emerald Suite, Golf Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on 13 September 2019 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolutions set out in the Notice of EGM.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

- 8.1 Appointment of Proxies.** Shareholders will find enclosed with this Circular, the Notice of EGM and a Proxy Form. If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend, speak and vote on his behalf, he should complete, sign and return the

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attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 171 Chin Swee Road, #12-01 CES Centre, Singapore 169877, not later than 72 hours before the time appointed for the holding of the EGM.

Completion and return of the Proxy Form by a Shareholder does not preclude him from attending, speaking and voting in person at the EGM in place of his proxy/proxies if he finds that he is able to do so. In such an event, the Proxy Form will be deemed to be revoked, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy or proxies, to the EGM.

8.2 Depositors. Pursuant to Section 81SJ of the SFA, a Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP as at 72 hours before the time fixed for the EGM.

9. DIRECTORS' RECOMMENDATION

9.1 Rights Issue Resolution. Having considered, amongst other things, the terms, rationale and benefits of the Rights Issue, the Independent Directors are of the view that the Rights Issue is in the best interests of the Company and the Shareholders. Accordingly, the Independent Directors recommend that Shareholders vote in favour of the Rights Issue Resolution to be proposed at the EGM.

9.2 Sub-underwriting Resolution. Having considered, amongst other things, the terms, rationale and benefits of the Rights Issue, the underwriting structure of the Rights Issue and the payment of the Sub-underwriting Commission, the Independent Directors are of the view that the payment of the Sub-underwriting Commission is fair and not prejudicial to the Company and to the Shareholders (excluding the Controlling Shareholders). Accordingly, the Independent Directors recommend that Shareholders vote in favour of the Sub-underwriting Resolution to be proposed at the EGM.

9.3 Whitewash Resolution. Having considered, amongst other things, the terms, rationale and benefits of the Rights Issue and the advice of the IFA as set out in the IFA Letter reproduced in **Appendix B** to this Circular, the Independent Directors are of the view that the Whitewash Resolution is in the best interests of the Company and is fair and not prejudicial to the interests of the Independent Shareholders. Accordingly, the Independent Directors recommend that the Independent Shareholders vote in favour of the Whitewash Resolution to be proposed at the EGM.

9.4 Note to Shareholders. Shareholders, in deciding whether to vote in favour of the resolutions, should read carefully the terms and conditions, rationale and financial effects of the Rights Issue and in respect of the Whitewash Resolution, consider carefully the advice of the IFA to the Independent Directors. In giving the above recommendations, the Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As Shareholders would have different investment objectives, the Directors recommend that any Shareholder who may require specific advice in relation to his or her specific investment objectives or portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

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10. ABSTENTION FROM VOTING

10.1 Rights Issue Resolution. The Controlling Shareholders and their Associate, Senz, will abstain from voting in respect of their Shares on the Rights Issue Resolution and shall not accept nomination as proxies or otherwise for voting on the Rights Issue Resolution unless they are given specific instructions as to voting.

10.2 Sub-underwriting Resolution. The Controlling Shareholders and their Associate, Senz, will abstain from voting in respect of their Shares on the Sub-underwriting Resolution and shall not accept nomination as proxies or otherwise for voting on the Sub-underwriting Resolution unless they are given specific instructions as to voting.

10.3 Whitewash Resolution. The Concert Party Group, as well as parties not independent of them, will abstain from voting in respect of their Shares on the Whitewash Resolution and shall not accept nomination as proxies or otherwise for voting on the Whitewash Resolution unless they are given specific instructions as to voting.

11. 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 Rights Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

12. MANAGER AND UNDERWRITER'S RESPONSIBILITY STATEMENT

To the best of the Manager and Underwriter's knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Rights Issue, the Company and its subsidiaries, and the Manager and Underwriter is not aware of any facts the omission of which would make any statement in this Circular misleading.

13. CONSENTS

United Overseas Bank Limited, the Manager and Underwriter, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, and all references thereto, in the form and context in which they appear in this Circular.

SAC Capital Private Limited, the IFA to the Independent Directors in respect of the Whitewash Resolution, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter and all references thereto, in the form and context in which they appear in this Circular.

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14. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 171 Chin Swee Road, #12-01 CES Centre, Singapore 169877, during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Constitution of the Company;
- (b) the annual reports of the Company for FY2016, FY2017 and FY2018;
- (c) the Company's announcement dated 1 August 2019 in relation to the unaudited consolidated financial statements of the Group for HY2019;
- (d) the IFA Letter as reproduced in **Appendix B** to this Circular;
- (e) the Irrevocable Undertakings referred to in **paragraph 4.1** of this Circular;
- (f) the letters of consent referred to in **paragraph 13** of this Circular; and
- (g) the Management and Underwriting Agreement.

Yours faithfully
For and on behalf of the Board of
CHIP ENG SENG CORPORATION LTD.

Chia Lee Meng Raymond
Executive Director and Group Chief Executive Officer

APPENDIX A: INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1.1 Interests in Shares

The following table shows the interests of the Directors and the Substantial Shareholders in the Shares as at the Latest Practicable Date:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors						
Celine Tang	168,907,000 ⁽²⁾	26.98	17,198,000 ⁽³⁾	2.75	186,105,000	29.73
Raymond Chia	11,125,000	1.78	9,702,000 ⁽⁴⁾	1.55	20,827,000	3.33
Tan Tee How ⁽⁵⁾	–	–	–	–	–	–
Ang Mong Seng	146,000	0.02	–	–	146,000	0.02
Lui Tuck Yew	–	–	–	–	–	–
Abdul Jabbar Bin Karam Din	–	–	–	–	–	–
Lock Wai Han	–	–	–	–	–	–
Substantial Shareholders						
Celine Tang	168,907,000 ⁽²⁾	26.98	17,198,000 ⁽³⁾	2.75	186,105,000	29.73

Notes:

- (1) Based on the total number of 626,014,061 issued Shares (excluding treasury shares) as at the Latest Practicable Date.
- (2) Celine Tang and Gordon Tang are jointly holding 168,907,000 Shares.
- (3) Celine Tang's deemed interest includes 17,198,000 Shares held by Senz, a company in which Celine Tang is a director.
- (4) Raymond Chia's deemed interest includes 9,702,000 Shares held by his spouse. In addition, Raymond Chia holds 45,000,000 Share Options of which 35,000,000 are vested.
- (5) Tan Tee How holds 5,000,000 Share Options, which are not yet vested.

1.2 Interest in Rights Issue

Save as disclosed in this Circular, none of the Directors or Substantial Shareholders or their respective Associates has any interest, direct or indirect, in the Rights Issue other than through their respective shareholdings (direct and indirect) in the Company.

APPENDIX B: IFA LETTER

LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE INDEPENDENT DIRECTORS OF CHIP ENG SENG CORPORATION LTD. IN RELATION TO THE WHITEWASH RESOLUTION

29 August 2019

To: The Independent Directors of Chip Eng Seng Corporation Ltd.
(in relation to the Whitewash Resolution)

Mr Chia Lee Meng Raymond
Mr Tan Tee How
Mr Ang Mong Seng
Mr Lui Tuck Yew
Mr Abdul Jabbar Bin Karam Din
Mr Lock Wai Han

Dear Sirs

THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHT OF THE INDEPENDENT SHAREHOLDERS (AS DEFINED HEREIN) TO RECEIVE A MANDATORY GENERAL OFFER FROM THE CONCERT PARTY GROUP (AS DEFINED HEREIN) FOR THE REMAINING ORDINARY SHARES IN THE CAPITAL OF CHIP ENG SENG CORPORATION LTD. NOT ALREADY OWNED OR CONTROLLED BY THE CONCERT PARTY GROUP AS A RESULT OF THE RIGHTS ISSUE

Unless otherwise defined or the context otherwise requires, all terms defined in the circular to shareholders of the Company dated 29 August 2019 (the “Circular”) shall have the same meaning herein.

1. INTRODUCTION

On 22 August 2019, the board of directors (the “**Directors**”) of Chip Eng Seng Corporation Ltd. (the “**Company**”) announced (the “**Announcement**”) that the Company proposed to undertake a renounceable underwritten rights issue to raise gross proceeds of approximately S\$98.6 million, pursuant to which 156,503,515 new ordinary shares in the capital of the Company (the “**Rights Shares**”) will be offered at an issue price of S\$0.63 (the “**Issue Price**”) for each Rights Share, on the basis of one (1) Rights Share for every four (4) existing ordinary shares in the capital of the Company (the “**Shares**”) held by Entitled Shareholders (as defined in the Circular) as at the Books Closure Date (as defined in the Circular), fractional entitlements to be disregarded (the “**Rights Issue**”).

As at the Latest Practicable Date (as defined herein), Celine Tang @ Chen Huaidan @ Celine Tang (“**Celine Tang**”) and Gordon Tang @ Tang Yigang @ Gordon Tang (“**Gordon Tang**”) and together with Celine Tang, the “**Controlling Shareholders**”), have a joint direct interest in 168,907,000 Shares, representing approximately 26.98 per cent. of the total number of issued Shares. Celine Tang also has a deemed interest in an additional 17,198,000 Shares through Senz Holdings Limited (“**Senz**”), representing approximately 2.75 per cent. of the total number of issued Shares. Accordingly, Celine Tang is interested in an aggregate of 186,105,000 Shares, representing approximately 29.73 per cent. of the total number of issued Shares. Chia Lee Meng Raymond (“**Raymond Chia**”), an Executive

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Director and the Group Chief Executive Officer of the Company, has a direct interest in 11,125,000 Shares, representing approximately 1.78 per cent. of the total number of issued Shares.

In support of the Rights Issue, Celine Tang, Gordon Tang and Raymond Chia (the **“Undertaking Shareholders”**) have irrevocably undertaken to the Company to, *inter alia*, subscribe and pay in full and/or procure the subscription and payment in full for an aggregate of 49,307,500 Rights Shares (the **“Undertaken Rights Shares”**), being their entire *pro-rata* entitlement to the Rights Shares under the Rights Issue in accordance with the terms and conditions of the Rights Issue (the **“Controlling Shareholders’ Irrevocable Undertaking”** and the **“Raymond Chia’s Irrevocable Undertaking”** respectively, and collectively, the **“Irrevocable Undertakings”**). The Undertaken Rights Shares constitute approximately 31.51 per cent. of the total number of Rights Shares.

Please refer to paragraph 4.1 of the Circular for more details on the Controlling Shareholders’ Irrevocable Undertaking and the Raymond Chia’s Irrevocable Undertaking.

Other than the Undertaken Rights Shares, the Controlling Shareholders have entered into the sub-underwriting agreement dated 22 August 2019 (the **“Sub-underwriting Agreement”**) with United Overseas Bank Limited, the manager and underwriter of the Rights Issue (the **“Manager and Underwriter”**) pursuant to which they have agreed, on the terms and subject to the conditions of the Sub-underwriting Agreement, to subscribe for 107,196,015 Rights Shares (being the number of Rights Shares other than the Undertaken Rights Shares) underwritten by the Manager and Underwriter (the **“Underwritten Rights Shares”**) to the extent that such Rights Shares are not successfully subscribed for under the Rights Issue (the **“Sub-underwriting Commitment”**).

In the event that:

- (a) the Undertaking Shareholders subscribe and pay in full and/or procure the subscription and payment in full for the Rights Shares under the Rights Issue in accordance with the Irrevocable Undertakings;
- (b) none of the other Entitled Shareholders subscribe for any of their respective entitlements of Rights Shares;
- (c) the Underwritten Rights Shares are underwritten by the Manager and Underwriter in accordance with the terms of the Management and Underwriting Agreement; and
- (d) the Controlling Shareholders are required to subscribe for the Underwritten Rights Shares in accordance with the terms of the Sub-underwriting Agreement,

the shareholding interests of the Controlling Shareholders will increase from approximately 29.73 per cent. of the total issued share capital of the Company to approximately 43.43 per cent. of the total issued share capital of the Company, based on the enlarged issued share capital of the Company of 782,517,576 Shares immediately following the allotment and issue of 156,503,515 Rights Shares under the Rights Issue and assuming that the 50,000,000 outstanding Share Options are not exercised on or prior to the Books Closure Date.

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Accordingly, the fulfilment by the Controlling Shareholders of their obligations under the Sub-underwriting Agreement may result in the Controlling Shareholders acquiring Rights Shares resulting in them increasing their shareholding in the Company above 30.0 per cent..

The Singapore Code on Take-overs and Mergers (the “**Code**”) states that where (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0 per cent. or more of the voting rights of the company, or (b) any person who, together with persons acting in concert with him, holds not less than 30.0 per cent. but not more than 50.0 per cent. of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0 per cent. of the voting rights, such person must make a mandatory general offer for all the shares which he does not already own or control in accordance with Rule 14 of the Code, unless such obligation to make a mandatory general offer is waived by the Securities Industry Council (the “**SIC**”).

Accordingly, an application was made to the SIC for, *inter alia*, a waiver of the obligations of the Controlling Shareholders and parties acting or deemed to be acting in concert with them in respect of the Shares (the “**Concert Party Group**”) to make a mandatory general offer pursuant to Rule 14 of the Code for the remaining Shares not already owned or controlled by the Concert Party Group, arising from the acquisition by the Controlling Shareholders of the Rights Shares pursuant to the Controlling Shareholders’ Irrevocable Undertaking and the Sub-underwriting Commitment (the “**Whitewash Waiver**”). The SIC had on 26 July 2019 granted the Whitewash Waiver subject to, *inter alia*, a majority of the Shareholders (other than the Concert Party Group and parties not independent of the Concert Party Group) who are deemed to be independent for the purposes of voting on the Whitewash Resolution (the “**Independent Shareholders**”), approving at a general meeting, a resolution by way of a poll to waive their rights to receive a mandatory general offer from the Concert Party Group (the “**Whitewash Resolution**”), and the appointment of an independent financial adviser to advise the Independent Shareholders on the Whitewash Resolution.

The Company has appointed us as the independent financial adviser to advise the Directors who are considered independent for the purpose of the Whitewash Resolution (the “**Independent Directors**”) on whether the Whitewash Resolution is prejudicial to the interests of the Independent Shareholders.

This letter, which sets out our advice and evaluation, from a financial point of view, has been prepared for the use of the Independent Directors in connection with their consideration of the Whitewash Resolution and their recommendation to the Independent Shareholders arising thereof.

2. TERMS OF REFERENCE

We have been appointed as the independent financial adviser to advise the Independent Directors in respect of the Whitewash Resolution.

We are not and were not involved in any aspect of the negotiations entered into by the Company and its subsidiaries (the “**Group**”) in connection with the Whitewash Resolution or in the deliberations leading up to the decision by the Directors to undertake the Rights Issue. Accordingly, we do not, by this letter, warrant the merits of the Rights Issue, other

APPENDIX B: IFA LETTER

than to advise on whether the Whitewash Resolution, from a financial point of view, is prejudicial to the interests of the Independent Shareholders.

We have not conducted a comprehensive review of the business, operations or financial condition of the Group. We have also not evaluated the strategic or commercial merits or risks of the Rights Issue or the future growth prospects or earnings potential of the Group after the completion of the Rights Issue. Accordingly, we do not express any view as to the prices at which the Shares may trade upon completion of the Rights Issue or on the future financial performance of the Group after the completion of the Rights Issue.

In the course of our evaluation, we have held discussions with the Directors and the management of the Company (the “**Management**”) and have relied on the information and representations, whether written or verbal, provided to us by the Directors and the Management. The Directors have confirmed, after making all reasonable enquiries that, to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Rights Issue and the Group, and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading. Whilst care has been exercised in reviewing the information which we have relied on, we have not independently verified the information or representations. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information or representations. We have, however, made reasonable enquiries and exercised our judgement (as deemed necessary) in assessing the information and representations provided to us, and have found no reason to doubt the accuracy or reliability of such information or representations which we have relied on in our evaluation.

Save as disclosed, all information relating to the Group that we have relied upon in arriving at our advice has been obtained from the Circular, publicly available information, the Directors and/or the Management. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Group at any time or as at 22 August 2019 (the “**Latest Practicable Date**”). We have also not made any independent evaluation or appraisal of the assets and liabilities of the Group.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, financial position and earnings potential of the Group. We have not been provided with, nor do we have access to, any business plan or financial projections of the future performance of the Group and we did not conduct any discussions with the Directors and the Management on any such business plan or financial projections of the Group.

Our advice, as set out in this letter, is based on the market, economic, industry and other applicable conditions prevailing on, and the information made available to us as at, the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our advice in the light of any subsequent development after the Latest Practicable Date that may affect our views contained herein.

In arriving at our advice, we have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) should consult his or their legal, financial, tax or other professional adviser.

APPENDIX B: IFA LETTER

Our advice in relation to the Whitewash Resolution should be considered in the context of the entirety of this letter and the Circular.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this letter). We have had no role or involvement and have not provided any advice, financial or otherwise, in the preparation, review and verification of the Circular (other than this letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this letter).

3. THE RIGHTS ISSUE

3.1 Basis of the Rights Issue

As at the Latest Practicable Date, the Company has an issued share capital of 626,014,061 Shares (excluding treasury shares).

The Rights Issue is proposed to be made on a renounceable underwritten basis, with up to 156,503,515 Rights Shares at the Issue Price for each Rights Share, on the basis of one (1) Rights Share for every four (4) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.

The Rights Shares are payable in full upon acceptance and/or application and will, upon allotment and issue, rank *pari passu* in all respects with the then existing issued Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares.

Further details of the Rights Issue are set out in paragraph 2 of the Circular and Shareholders are advised to read the information carefully.

3.2 Use of Proceeds and Rationale for the Rights Issue

Further details of the use of proceeds and rationale for the Rights Issue are set out in paragraphs 2.2 and 3 of the Circular respectively, and Shareholders are advised to read the information carefully.

3.3 Conditions for the Rights Issue

The Rights Issue is subject to, *inter alia*, the approval from the Independent Shareholders on the Whitewash Resolution at the EGM. Further details of the other conditions are set out in paragraph 2.3 of the Circular, and Shareholders are advised to read the information carefully.

3.4 Irrevocable Undertakings

As at the date of the Controlling Shareholders' Irrevocable Undertaking and the Raymond Chia's Irrevocable Undertaking respectively:

- (a) Celine Tang and Gordon Tang have a joint direct interest in 168,907,000 Shares, representing approximately 26.98 per cent. of the total number of issued Shares (the "**Controlling Shareholders Relevant Shares**"). Celine Tang also has a deemed interest in an additional 17,198,000 Shares held through Senz, representing approximately 2.75 per cent. of the total number of issued Shares (the "**Senz Relevant**

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Shares”). Accordingly, Celine Tang is interested in an aggregate of 186,105,000 Shares, representing approximately 29.73 per cent. of the total number of issued Shares; and

- (b) Raymond Chia has a direct interest in 11,125,000 Shares, representing approximately 1.78 per cent. of the total number of issued Shares (the “**Raymond Chia Relevant Shares**”).

Celine Tang and Gordon Tang have given the Controlling Shareholders’ Irrevocable Undertaking to the Company that, *inter alia*:

- (i) as at the Books Closure Date, Celine Tang and Gordon Tang shall have a joint direct interest in not less than the number of the Controlling Shareholders Relevant Shares;
- (ii) Celine Tang shall procure that, as at the Books Closure Date, Senz shall have an interest in not less than the number of the Senz Relevant Shares;
- (iii) Celine Tang and Gordon Tang shall subscribe and pay in full and/or procure the subscription and payment in full for their entire *pro-rata* entitlement to the Rights Shares under the Rights Issue in accordance with the terms and conditions of the Rights Issue and in any case not later than the Closing Date; and
- (iv) Celine Tang shall procure the subscription and payment in full for Senz’s entire *pro-rata* entitlement to the Rights Shares under the Rights Issue in accordance with the terms and conditions of the Rights Issue and in any case not later than the Closing Date.

Raymond Chia has given the Raymond Chia’s Irrevocable Undertaking to the Company that, *inter alia*:

- (1) as at the Books Closure Date, he shall have a direct interest in not less than the number of the Raymond Chia Relevant Shares;
- (2) he shall not exercise on or prior to the Books Closure Date any of the 35,000,000 vested Share Options that he held as at the date of the Raymond Chia’s Irrevocable Undertaking; and
- (3) he shall subscribe and pay in full and/or procure the subscription and payment in full for his entire *pro-rata* entitlement to the Rights Shares under the Rights Issue, based on the Raymond Chia Relevant Shares, in accordance with the terms and conditions of the Rights Issue and in any case not later than the Closing Date.

Accordingly, the Undertaking Shareholders collectively will subscribe and pay in full and/or procure the subscription and payment in full for an aggregate of 49,307,500 Rights Shares, which constitutes approximately 31.51 per cent. of the total number of Rights Shares.

No commission or fee will be payable by the Company to the Undertaking Shareholders in consideration of the Irrevocable Undertakings.

Further details of the Controlling Shareholders’ Irrevocable Undertaking and the Raymond Chia’s Irrevocable Undertaking are set out in paragraph 4.1 of the Circular, and Shareholders are advised to read the information carefully.

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3.5 Underwriting and Sub-underwriting of the Rights Issue

The Underwritten Rights Shares, constituting approximately 68.49 per cent. of the total number of Rights Shares, have been underwritten by the Manager and Underwriter at the Issue Price on the terms and subject to the conditions of the Management and Underwriting Agreement.

The Controlling Shareholders have entered into a Sub-underwriting Agreement with the Manager and Underwriter pursuant to which they have agreed, on the terms and subject to the conditions of the Sub-underwriting Agreement, to subscribe for the Underwritten Rights Shares to the extent that such Rights Shares are not successfully subscribed for under the Rights Issue.

Further details of the terms of the Management and Underwriting Agreement and the Sub-underwriting Agreement are set out in paragraphs 4.2 and 4.3 of the Circular respectively, and Shareholders are advised to read the information carefully.

3.6 Abstention from Voting

The Controlling Shareholders and their Associate, Senz, will abstain from voting in respect of their Shares on the Rights Issue Resolution (as defined in the Circular) and shall not accept nomination as proxies or otherwise for voting on the Rights Issue Resolution unless they are given specific instructions as to voting.

The Controlling Shareholders and their Associate, Senz, will abstain from voting in respect of their Shares on the Sub-underwriting Resolution (as defined in the Circular) and shall not accept nomination as proxies or otherwise for voting on the Sub-underwriting Resolution unless they are given specific instructions as to voting.

The Concert Party Group, as well as parties not independent of them, will abstain from voting in respect of their Shares on the Whitewash Resolution and shall not accept nomination as proxies or otherwise for voting on the Whitewash Resolution unless they are given specific instructions as to voting.

4. THE WHITEWASH RESOLUTION

As illustrated in paragraphs 5.2 and 5.3 of the Circular, there may be circumstances under which the aggregate voting rights of the Company held by the Controlling Shareholders may increase to 30.0 per cent. or more of the voting rights of the Company.

The Code states that where (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0 per cent. or more of the voting rights of the company, or (b) any person who, together with persons acting in concert with him, holds not less than 30.0 per cent. but not more than 50.0 per cent. of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0 per cent. of the voting rights, such person must make a mandatory general offer for all the shares which he does not already own or control in accordance with Rule 14 of the Code, unless such obligation to make a mandatory general offer is waived by the SIC.

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Accordingly, an application was made to the SIC for, *inter alia*, the Whitewash Waiver, and the SIC had on 26 July 2019, granted the Whitewash Waiver subject to, *inter alia*, the satisfaction of certain conditions. Further details of the other conditions are set out in paragraph 5.4 of the Circular, and Shareholders are advised to read the information carefully.

INDEPENDENT SHAREHOLDERS SHOULD NOTE THAT:

- (a) **by voting for the Whitewash Resolution, they will be waiving their rights to receive a general offer from the Concert Party Group at the highest price paid by the Concert Party Group for Shares in the past six (6) months preceding the commencement of the Rights Issue which they would have otherwise been obliged to make for the Shares pursuant to Rule 14 of the Code;**
- (b) **by voting for the Whitewash Resolution, they could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Rights Issue; and**
- (c) **the Rights Issue is conditional upon them voting in favour of, among others, the Whitewash Resolution. In view of this, in the event that the Whitewash Resolution is not passed by the Independent Shareholders, the Rights Issue will not take place.**

5. EVALUATION OF THE WHITEWASH RESOLUTION

In our evaluation of the Whitewash Resolution, we have given due consideration to, *inter alia*, the following key factors:

- (a) the use of proceeds and rationale for the Rights Issue;
- (b) the Rights Shares being offered to Entitled Shareholders on a *pro-rata* basis;
- (c) the historical financial information of the Group;
- (d) the assessment of the Issue Price; and
- (e) other relevant considerations.

5.1 Use of Proceeds and Rationale for the Rights Issue

It is not within our terms of reference to comment or express an opinion on the merits of the Rights Issue or the future prospects of the Group after the Rights Issue. Nevertheless, we have reviewed the rationale for the Rights Issue. The use of proceeds and rationale for the Rights Issue as set out in paragraphs 2.2 and 3 of the Circular respectively are reproduced in italics below:

“Uses of Proceeds. The gross proceeds from the Rights Issue are expected to be approximately S\$98.6 million. The estimated Net Proceeds (after deducting estimated costs, expenses and commissions of approximately S\$2.3 million incurred in connection with the Rights Issue) are expected to be approximately S\$96.3 million.

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The Company intends to apply the Net Proceeds for the following purposes:

- (a) approximately S\$50.0 million or approximately 51.92 per cent. of the Net Proceeds to finance the possible expansion of the property development segment of the Group's business in Singapore and overseas;*
- (b) approximately S\$20.0 million or approximately 20.77 per cent. of the Net Proceeds to finance the Group's possible strategic investments and/or acquisitions in the education segment of its business, which is in line with the Group's recent diversification into the education sector;*
- (c) approximately S\$10.0 million or approximately 10.38 per cent. of the Net Proceeds to finance the growth and operations of the hospitality segment of the Group's business; and*
- (d) the balance of approximately S\$16.3 million or approximately 16.93 per cent. of the Net Proceeds for general corporate purposes including general and working capital requirements of the Group.*

...

RATIONALE FOR THE RIGHTS ISSUE

*The Company is proposing the Rights Issue to raise proceeds which it intends to apply primarily towards the Group's expansion plans. For further details of the intended use of proceeds, please see **paragraph 2.2** of this Circular.*

*The Directors have considered other fund-raising options including further bank borrowings and/or debt instruments from financial institutions and/or debt issuance under the Company's S\$750 million Multi-currency Debt Issuance Programme (the "**Debt Issuance Programme**") established in 2013. In particular, the Directors have considered and noted the following:*

- (a) the Group's net debt-to-equity ratio was approximately 1.80 times as at 30 June 2019;*
- (b) based on the 3-year fixed rate notes issued in March 2019 pursuant to the Debt Issuance Programme by the Company's wholly-owned treasury vehicle, CES Treasury Pte. Ltd., and guaranteed by the Company, the cost of borrowing is 6 per cent. per annum. The cost of borrowing depends on market conditions and may be higher for borrowings of a longer tenor; and*
- (c) based on (i) the dividends declared and paid by the Company in respect of FY2018, being S\$0.04 per Share; and (ii) the closing price of S\$0.68 per Share on the SGX-ST on the Latest Practicable Date, the cost of equity is approximately 5.88 per cent. per annum.*

Having considered the Group's current net gearing level and the incurrence of additional interest expenses as described above, the Rights Issue would be a more suitable funding solution that would strengthen the financial position of the Group by augmenting the Group's balance sheet and capital base, and at the same time reduce the net gearing of the Group.

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The Net Proceeds will provide the Group with greater financial capacity and flexibility to capitalise on investment and expansion opportunities and allow it to respond to such opportunities expediently.

The Rights Issue will also provide Shareholders with an opportunity to further participate in the equity of the Company.”

5.2 Rights Shares being offered to Entitled Shareholders on a *pro-rata* basis

Entitled Shareholders will be provisionally allotted the Rights Shares under the Rights Issue on the basis of their shareholdings in the Company as at the Books Closure Date, fractional entitlements to be disregarded. Entitled Shareholders will be at liberty to accept, decline, renounce or, in the case of Entitled Depositors, trade on the SGX-ST during the provisional allotment trading period prescribed by the SGX-ST, in whole or in part, their Nil-Paid Rights (as defined in the Circular), and are eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue. Fractional entitlements to the Rights Shares will be disregarded in arriving at the Shareholders' entitlements and will, together with provisional allotments which are not allotted or taken up for any reason, be aggregated and used to satisfy applications (if any) for excess Rights Shares, or otherwise disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

Pursuant to the Sub-underwriting Commitment, the Controlling Shareholders will only subscribe for the Underwritten Rights Shares to the extent that such Rights Shares are not successfully subscribed for by Entitled Shareholders.

In the allotment of excess Rights Shares, preference will be given to the Entitled Shareholders for the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have a representation (direct or through a nominee) on the Board, will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares.

The terms and conditions of the Rights Issue are subject to such changes as the Directors, after consultation with the Manager and Underwriter, may deem appropriate. More information on the procedures for, and the terms and conditions applicable to, acceptances, renunciations, sale of the Nil-Paid Rights and the application for the excess Rights Shares, including the different modes of acceptance or application and payment, will be set out in the offer information statement and its accompanying documents to be despatched by the Company to Entitled Shareholders in due course.

Accordingly, Independent Shareholders will not be disadvantaged or prejudiced relative to the Concert Party Group in the allocation of their application for their entitlements of Rights Shares and the excess Rights Shares pursuant to the Rights Issue.

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5.3 Historical Financial Information of the Group

The salient historical financial information of the Group for the last 3 financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 (“FY2016”, “FY2017” and “FY2018” respectively) and the six months financial periods ended 30 June 2018 and 30 June 2019 (“HY2018” and “HY2019” respectively) is set out below:

Consolidated Income Statement

S\$'000	← Audited →			← Unaudited →		
	FY2016 ⁽¹⁾	FY2017 ⁽¹⁾	FY2017 (Restated) ⁽²⁾	FY2018 ⁽²⁾	HY2018 ⁽²⁾	HY2019 ⁽²⁾
Revenue	747,995	859,723	850,809	1,080,234	454,881	504,654
Gross profit	146,479	152,507	157,462	242,448	103,447	91,075
Profit before tax	76,109	70,173	71,466	98,044	43,627	16,794
Profit attributable to owners of the Company	35,686	35,506	32,742	63,121	18,371	15,241

Statement of Financial Position

S\$'000	← Audited →			Unaudited	
	as at 31 December 2016 ⁽¹⁾	as at 31 December 2017 ⁽¹⁾	as at 31 December 2017 (Restated) ⁽²⁾	as at 31 December 2018 ⁽²⁾	as at 30 June 2019 ⁽²⁾
Current assets	1,704,288	2,055,460	2,132,402	2,399,161	2,389,080
Current liabilities	402,224	162,461	223,303	352,221	278,634
Working capital	1,302,064	1,892,999	1,909,099	2,046,940	2,110,446
Non-current assets	527,951	672,398	673,512	687,379	708,137
Non-current liabilities	1,053,402	1,756,815	1,757,896	1,860,264	1,954,821
Equity attributable to owners of the Company	765,874	774,225	788,329	817,348	805,978

Consolidated Cash Flow Statement

S\$'000	← Audited →			← Unaudited →	
	FY2016 ⁽¹⁾	FY2017 (Restated) ⁽²⁾	FY2018 ⁽²⁾	HY2018 ⁽²⁾	HY2019 ⁽²⁾
Net cash flows used in operating activities	(256,937)	(490,961)	(98,413)	(272,204)	(53,409)
Net cash flows generated from/(used in) investing activities	9,029	(74,767)	(71,107)	(46,153)	(7,307)
Net cash flows generated from financing activities	287,197	342,125	256,655	381,545	35,215
Net increase/(decrease) in cash and cash equivalents	39,289	(223,603)	87,135	63,188	(25,501)
Cash and cash equivalents at the end of the financial year/period	481,582	257,846	342,558	320,740	316,776

Sources: Annual reports of the Company for FY2017 and FY2018 and announcement of the Group's unaudited financial statements for HY2019

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Notes:

- (1) This information is prepared based on Singapore Financial Reporting Standards.
- (2) This information is prepared based on Singapore Financial Reporting Standards (International) (“**SFRS(I)**”), a new financial reporting framework that is effective from 1 January 2018. Pursuant to the first-time adoption of SFRS(I) by the Group for its FY2018 financial statements, comparative period data for FY2017 has been restated to comply with the SFRS(I). Accordingly, the Group has made adjustments to the comparative period upon the adoption of the SFRS(I). Please refer to the annual report of the Company for FY2018 for more details.

We note the following:

(a) FY2017 (Audited) vs FY2016 (Audited)

The Group’s revenue increased from S\$748.0 million in FY2016 to S\$859.7 million in FY2017, mainly due to improved performances from the hospitality and property development segments. Revenue from the hospitality segment increased mainly due to higher occupancy rates at Park Hotel Alexandra, Singapore and Grand Park Kodhipparu Resort, Maldives, which was newly opened for business in June 2017. Increase in revenue from the property development segment was mainly attributed to progressive revenue recognition from High Park Residences and Grandeur Park Residences, along with new sales at the Fulcrum residential development. The progressive handover of townhouses at Williamsons Estate in Doncaster, Melbourne, Australia, also contributed to the topline. Despite stronger topline, gross profit recorded slower growth from S\$146.5 million in FY2016 to S\$152.5 million in FY2017 due to softer margins from the construction segment. Profit before tax decreased from S\$76.1 million in FY2016 to S\$70.2 million in FY2017 due to higher marketing and distribution expenses, administrative expenses and finance costs;

(b) FY2018 (Audited) vs FY2017 (Audited and Restated)

The Group’s revenue increased from S\$850.8 million in FY2017 to S\$1.1 billion in FY2018, mainly due to improved performances from the property development and hospitality segments, offset by decrease in revenue from the construction segment. The improvement in the property development segment was mainly attributed to progressive revenue recognition from High Park Residences, Grandeur Park Residences and Park Colonial, along with progressive handover of townhouses at Williamsons Estate in Doncaster, Melbourne, Australia, and sales of other property sites in Australia. The hospitality segment saw an improvement due to higher occupancy rates at Grand Park Kodhipparu Resort in Maldives and Park Hotel Alexandra in Singapore, as well as contributions from the Group’s latest hospitality assets, The Sebel Mandurah in Western Australia and Mercure & Ibis Styles Grosvenor Hotel in Adelaide, South Australia. The Group’s gross profit for the year increased from S\$157.5 million in FY2017 to S\$242.4 million in FY2018 due to better margins contribution from the property development segment. As a result, profit before tax increased from S\$71.5 million in FY2017 to S\$98.0 million in FY2018;

(c) HY2019 (Unaudited) vs HY2018 (Unaudited)

The Group’s revenue increased from S\$454.9 million in HY2018 to S\$504.7 million in HY2019, due to contribution from the education segment and improved performances primarily from the property development and hospitality segments. Revenue from the property development segment increased mainly due to progressive revenue

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recognition from Grandeur Park Residences and Park Colonial, partially offset by lower revenue contributions from the Williamsons Estate in Doncaster, Melbourne, Australia and High Park Residences which were completed in the second quarter of FY2018 and the first quarter of the financial year ending 31 December 2019 (“FY2019”) respectively. The hospitality segment saw an improved performance from Grand Park Kodhipparu Resort in Maldives and a full half-year contribution from the Group’s Mercure & Ibis Styles Grosvenor Hotel in Adelaide, South Australia which the Group acquired in March 2018. Revenue from the construction segment decreased due to lower revenue contributions recognised from Tampines N6C1A/1B and Woodlands N1C26 & N1C27 which were completed in the second half of FY2018. Despite higher revenue, gross profit decreased from S\$103.4 million to S\$91.1 million on lower margins. Profit before tax decreased from S\$43.6 million in HY2018 to S\$16.8 million in HY2019 mainly due to higher finance cost, which is primarily due to higher borrowing costs on development expenditure being expensed off in the second quarter of FY2019;

(d) Working Capital

The Group’s net working capital has been gradually increasing from S\$1.3 billion as at 31 December 2016 to S\$2.1 billion as at 30 June 2019. The increase in working capital from S\$2.0 billion as at 31 December 2018 to S\$2.1 billion as at 30 June 2019 was mainly due to (i) the acquisition of the Kampong Java site that was funded by long-term borrowings, (ii) an increase in trade receivables and cost incurred on development properties, (iii) a decrease in contract liabilities attributed to lesser amount of advances from customers following the progressive recognition of revenue, and partially offset by (iv) decreased contract assets as a result of transfer to trade receivables following the completion of High Park Residences;

(e) Equity attributable to owners of the Company

The Group’s equity attributable to owners of the Company remained stable from S\$765.9 million as at 31 December 2016 to S\$806.0 million as at 30 June 2019; and

(f) Cash and short-term deposits

As at 30 June 2019, the Group’s unaudited cash and short-term deposits stood at S\$316.8 million.

We also note the following commentary in relation to the Group’s outlook for the next reporting period and the next 12 months as set out in the announcement of the Group’s unaudited financial statements for HY2019:

“Property Development

Singapore

According to flash estimates released by URA for 2Q2019, the private residential property index increased by 1.3%, compared to the 0.7% decrease in the previous quarter. The index was at its highest since the first quarter of 2014. Developers sold 821 private homes in June, 25.5% higher than the same period last year.

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Notwithstanding the improved data, the Group will remain selective in replenishing its land bank and adopt competitive pricing strategy in view of the rising supply in the pipeline and slow sales in new launches.

Sales to-date for Park Colonial rose further to 82.6% from 74.5% since the 1Q2019 results announcement while that of Grandeur Park Residences increased to 97.4%.

Parc Komo is 38.4% sold since its launch in May 2019.

Australia

Property consultant CoreLogic reported that the property prices in Sydney and Melbourne are up for the first time since 2017 and the prices at a national level have dipped 0.2%, being the smallest month-on-month decline since March 2018. This improvement came about against the backdrop of lower mortgage rates.

Construction

Based on advance estimates released by MTI, the Singapore economy moderated to 0.1% growth while construction sector grew 2.2% on a year-on-year basis in the 2Q2019 on the back of increased public sector construction activities. The Group's construction order book remained flat at \$388.4 million, as compared to \$388.8 million a quarter ago as the new precast component contracts secured were offset by revenue recognised.

Hospitality

STB reported a 1.5% growth in international tourist arrivals in Singapore in the first 5 months of 2019 as compared to the same period last year. Tourist arrivals in the Maldives similarly improved. We expect the Group's hotels in both the Maldives and Singapore to continue to benefit from the above growth in these two markets.

The Group has obtained planning approval for the proposed hotel development at Pirie Street, Adelaide.

Education

Subject to regulatory approvals being obtained, the Group's Invictus International School will open a primary school and a kindergarten in Hong Kong and Repton Schoolhouse will open an international kindergarten in Singapore before the end of the year."

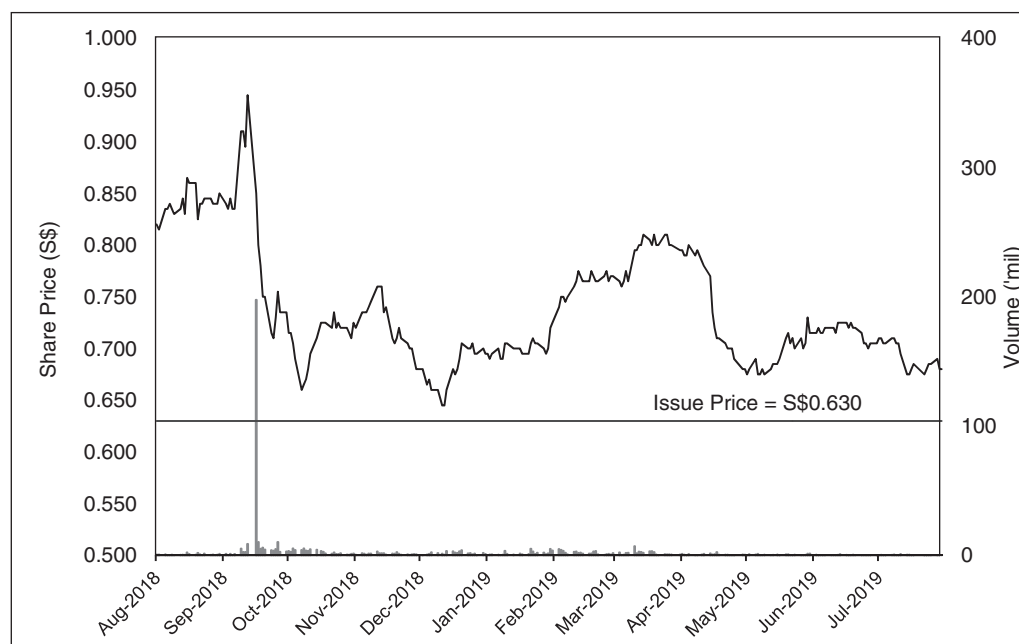
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5.4 Assessment of the Issue Price

In evaluating whether the Issue Price of S\$0.63 for each Rights Share is reasonable, we have considered the following factors:

5.4.1. **Share price performance**

The trend of the daily closing prices and trading volumes of the Shares for the period commencing 12 months prior to the Announcement and ending on the Latest Practicable Date is set out in the chart below:



Source: Bloomberg L.P.

The trading statistics of the Shares during the 12-month period prior to the date of the Announcement and up to the Latest Practicable Date are set out below:

	Lowest closing price (S\$)	Highest closing price (S\$)	Volume-weighted average price ("VWAP") (S\$)	Discount of Issue Price to VWAP (%)
Periods prior to the Announcement				
Last 12 months	0.645	0.945	0.858	26.57%
Last 6 months	0.675	0.810	0.757	16.78%
Last 3 months	0.675	0.730	0.701	10.13%
Last one month	0.675	0.710	0.692	8.96%
Last Market Day prior to the Announcement ⁽¹⁾	0.680	0.680	0.678	7.08%
As at the Latest Practicable Date	0.680	0.680	0.678	7.08%

Source: Bloomberg L.P.

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Note:

- (1) This refers to 22 August 2019, being the last Market Day on which the Shares were traded prior to the Announcement which was released on SGXNet on 22 August 2019.

We note the following:

- (a) during the 12-month period prior to the Announcement, the closing prices of the Shares ranged between a low of S\$0.645 and a high of S\$0.945. The Issue Price represents a discount of 2.33% over the lowest closing price of the Shares of S\$0.645 and a discount of 33.33% over the highest closing price of the Shares of S\$0.945, over the 12-month period prior to the Announcement;
- (b) the Issue Price represents a discount of 26.57%, 16.78%, 10.13% and 8.96% to the VWAP of the Shares for the 12-, 6-, 3- and one-month periods prior to the Announcement respectively;
- (c) the Issue Price represents a discount of 7.08% to the VWAP of the Shares of S\$0.678 on 22 August 2019, being the last Market Day prior to the Announcement and as at the Latest Practicable Date; and
- (d) the Issue Price represents a discount of 7.35% to the closing price of the Shares of S\$0.680 on 22 August 2019, being the last Market Day prior to the Announcement and as at the Latest Practicable Date.

5.4.2. Net tangible asset and net asset value of the Group

The unaudited net asset value (“NAV”) of the Company amounted to S\$806.0 million or approximately S\$1.29 per Share based on 626,014,061 Shares as at 30 June 2019. Accordingly, the Issue Price represents a significant discount of 51.16% to the unaudited NAV per Share as at 30 June 2019.

Based on the unaudited financial statements of the Group as at 30 June 2019, the unaudited net tangible asset (“NTA”) of the Company amounted to S\$784.1 million or approximately S\$1.25 per Share based on 626,014,061 Shares as at 30 June 2019. Accordingly, the Issue Price represents a significant discount of 49.60% to the unaudited NTA per Share as at 30 June 2019.

The Directors have confirmed that, to the best of their knowledge and belief, (a) they are not aware of any circumstances which may cause the NAV and/or NTA of the Group as at the Latest Practicable Date to be materially different from that as at 30 June 2019; and (b) there are no contingent liabilities or impairment losses which are likely to have a material impact on the unaudited NAV and/or NTA of the Group as at 30 June 2019.

5.4.3. Market statistics of selected rights issues

In assessing the reasonableness of the Issue Price, we have reviewed the salient terms of selected rights issues of shares (excluding rights issues with free detachable warrants and issue of warrants) by companies (including real estate investment trusts and business trusts) listed on the SGX-ST (the “Comparable Transactions”) announced during the 12-month period prior to the Announcement

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and which were completed prior to the Latest Practicable Date. The table below summarises the salient statistics of the Comparable Transactions:

Company	Date of announcement	Terms of the rights issue	Issue price of the rights shares	Theoretical ex-rights price ⁽¹⁾	Premium/ (Discount) to theoretical ex-rights price (%)
Manhattan Resources Limited	5 September 2018	1 for 1	S\$0.0245	S\$0.0523	(53.15)
OUE Commercial REIT	11 September 2018	83 for 100	S\$0.4560	S\$0.5702	(20.03)
OUE Lippo Healthcare Limited	18 September 2018	1 for 1	S\$0.0675	S\$0.0938	(28.04)
BH Global Corporation Limited	28 September 2018	3 for 2	S\$0.0850	S\$0.1150	(26.09)
Arion Entertainment Singapore Limited	29 September 2018	1 for 1	S\$0.0080	S\$0.0090	(11.11)
Keppel-KBS US REIT	22 October 2018	295 for 1,000	USD 0.5000	USD 0.6660	(24.92)
Cromwell European REIT	30 October 2018	38 for 100	EUR 0.3730	EUR 0.4976	(25.04)
First Ship Lease Trust	26 November 2018	3 for 2	S\$0.0450	S\$0.0534	(15.73)
TEE International Limited	29 November 2018	38 for 100	S\$0.1000	S\$0.1601	(37.54)
China Star Food Group Limited	10 December 2018	1 for 1	S\$0.0150	S\$0.0270	(44.44)
LifeBrandz Ltd.	14 December 2018	1 for 2	S\$0.0070	S\$0.0110	(36.36)
Sapphire Corporation Limited	30 December 2018	1 for 4	S\$0.1280	S\$0.1408	(9.09)
Global Dragon Limited	31 December 2018	1 for 3	S\$0.0675	S\$0.0619	9.05
Raffles United Holdings Ltd	9 January 2019	1 for 1	S\$0.0500	S\$0.0660	(24.24)

Highest discount	(53.15)
Mean	(24.77)
Median	(24.98)
(Lowest discount)/Highest Premium	9.05

Company	22 August 2019	1 for 4	S\$0.6300	S\$0.6700	(5.97)
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Source: Bloomberg L.P., announcements, circulars and/or offer information statements of the respective companies and SAC Capital's computations

Note:

(1) Computed based on the respective last transacted price on the Market Day prior to the release of the announcement of the rights issue.

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We note that the discount of the Issue Price to the theoretical ex-rights price of the Shares of 5.97% is:

- (a) within the range of corresponding premium/discounts for the Comparable Transactions of between a premium of 9.05% and a discount of 53.15%; and
- (b) below the corresponding mean and median discounts for the Comparable Transactions of 24.77% and 24.98% respectively.

Shareholders should note that the terms of the Comparable Transactions which have been extracted from publicly available information are unique and that these companies may not be identical to the Group in terms of business activities, size of operations, market capitalisations, asset bases, risk profiles, track records, future prospects and other relevant criteria. As such, any inference that can be drawn from the comparison between the terms of the Rights Issue and the Comparable Transactions is necessarily limited and serves only as an illustrative guide and should not be conclusively relied upon.

5.5 Other Relevant Considerations

5.5.1. **Conditionality of the Proposed Resolutions**

Shareholders should note that passing of the Rights Issue Resolution, the Sub-underwriting Resolution and the Whitewash Resolution are inter-conditional. Accordingly, in the event that the Whitewash Resolution and/or the Sub-underwriting Resolution are not passed by the Independent Shareholders, the Rights Issue will not take place.

5.5.2. **Implications of approval of the Whitewash Resolution**

Independent Shareholders should note that:

- (a) by voting for the Whitewash Resolution, they will be waiving their rights to receive a general offer from the Concert Party Group at the highest price paid by the Concert Party Group for Shares in the past six (6) months preceding the commencement of the Rights Issue which they would have otherwise been obliged to make for the Shares pursuant to Rule 14 of the Code; and
- (b) by voting for the Whitewash Resolution, they could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Rights Issue.

5.5.3. **Potential dilution effect on the Independent Shareholders arising from the Rights Issue**

The Rights Issue will not result in any shareholding dilution of the Independent Shareholders in the Company if all Independent Shareholders subscribe for their full entitlements of Rights Shares under the Rights Issue. A dilution impact will only occur for the Independent Shareholders who do not subscribe for their full entitlements of Rights Shares under the Rights Issue.

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As at the Latest Practicable Date, the Concert Party Group are interested in an aggregate of 186,105,000 Shares, representing approximately 29.73 per cent. of the total number of issued Shares.

Based on the assumptions that (i) the Undertaking Shareholders subscribe and pay in full and/or procure the subscription and payment in full for the Rights Shares under the Rights Issue in accordance with the Irrevocable Undertakings; (ii) none of the other Entitled Shareholders subscribe for any of their respective entitlements of Rights Shares; (iii) the Underwritten Rights Shares are underwritten by the Manager and Underwriter in accordance with the terms of the Management and Underwriting Agreement; and (iv) the Controlling Shareholders are required to subscribe for the Underwritten Rights Shares in accordance with the terms of the Sub-underwriting Agreement, the potential changes in the shareholding structure of the Company are as follows:

	Before the Rights Issue ⁽¹⁾		After the Rights Issue ⁽²⁾	
	No. of Shares	%	No. of Shares	%
Concert Party Group	186,105,000	29.73	339,827,265	43.43
Shareholders (other than the Concert Party Group)	439,909,061	70.27	442,690,311 ⁽³⁾	56.57
Total	626,014,061	100.00	782,517,576	100.00

Notes:

- (1) Based on the issued share capital of the Company of 626,014,061 Shares (excluding treasury shares) as at the Latest Practicable Date.
- (2) Based on the enlarged issued share capital of the Company of 782,517,576 Shares (excluding treasury shares) immediately following the allotment and issue of 156,503,515 Rights Shares under the Rights Issue and assuming that the 50,000,000 outstanding Share Options are not exercised on or prior to the Books Closure Date.
- (3) The increase of 2,781,250 Shares in the collective shareholding interests of the Shareholders (other than the Concert Party Group) in the Company after the Rights Issue represents the number of Rights Shares which Raymond Chia will subscribe and pay in full and/or procure the subscription and payment in full for pursuant to the Raymond Chia's Irrevocable Undertaking.

Pursuant to the Rights Issue, the shareholding interests of the Concert Party Group may potentially increase from approximately 29.73 per cent. to approximately 43.43 per cent. of the enlarged issued share capital of the Company. Correspondingly, the aggregate shareholding interests of the Independent Shareholders could potentially be diluted from 70.27 per cent. as at the Latest Practicable Date to approximately 56.57 per cent. following the completion of the Rights Issue.

Such an event may result in the Company being in a relatively less favourable position in the context of interest from potential parties seeking control of the Company or who may have intentions to acquire a significant interest or control of the Company, by virtue of the significant controlling stake held by the Concert Party Group after the completion of the Rights Issue. Accordingly, it may be less likely for a third party to make a takeover offer for the Company without the support of the Concert Party Group.

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5.5.4. Financial effects of the Rights Issue

The *pro forma* financial effects of the Rights Issue on the Group have been set out in paragraph 6 of the Circular for illustrative purposes only and are based on the audited consolidated financial statements of the Group for FY2018 and the unaudited consolidated financial statements of the Group for HY2019. Shareholders are advised to read the information carefully, including the bases and assumptions set out therein.

We note the following:

Share Capital

The issued and paid-up share capital of the Group would increase after the completion of the Rights Issue.

NAV per Share

The NAV per Share of the Group would decrease after the completion of the Rights Issue due to the issuance of one (1) Rights Share for every four (4) existing Shares and the Issue Price being lower than the NAV per Share prior to the Rights Issue.

EPS

The EPS of the Group would decrease due to the dilutive effect of the Rights Issue.

Net Gearing

The net gearing of the Group would improve due to net proceeds received after the completion of the Rights Issue.

5.5.5. Historical price paid for the Shares by Controlling Shareholders

We note that the Company had on 5 October 2018, announced that seven (7) of the Company's shareholders (the "**CES Shareholders**") entered into a sale and purchase agreement with Celine Tang to sell an aggregate of 186,105,000 Shares (the "**Sale Shares**"), representing 29.73 per cent. of the total issued shares of the Company at a price of S\$1.08 per Sale Share (the "**Sale Share Price**"). The sale of the Sale Shares was completed on 8 October 2018.

We note that the Issue Price of S\$0.63 per Rights Share represents a discount of 41.67% to the Sale Share Price. Shareholders should note that the Sale Share Price was negotiated between the relevant parties, which would have taken into account many factors, including the last transacted price of S\$0.945 on 4 October 2018, being the Market Day prior to the announcement of the Sale Shares by the Company on 5 October 2018. Accordingly, any comparison of the Issue Price *vis-à-vis* the Sale Share Price may not be meaningful after taking into consideration the recent closing prices of the Shares.

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5.5.6. Support from the Controlling Shareholders

To show their support for the Rights Issue, the Undertaking Shareholders (including the Controlling Shareholders) had provided Irrevocable Undertakings to the Company to, amongst others, subscribe and pay in full and/or procure the subscription and payment in full for their *pro-rata* entitlements of 49,307,500 Rights Shares under the Rights Issue.

We believe that the Irrevocable Undertakings from the Undertaking Shareholders (including the Controlling Shareholders) underscore their support for the Rights Issue and demonstrate their commitment to and confidence in the prospects of the Group.

5.5.7. Alternative fund-raising options

We understand from the Company that the Directors have considered other fund-raising options including further bank borrowings, debt instruments from financial institutions, and/or debt issuance under the Company's Debt Issuance Programme (the "**Debt Issuance Programme**") established in 2013. In particular, the Directors have considered and noted the following:

- (a) the Group's net debt-to-equity ratio was approximately 1.80 times as at 30 June 2019;
- (b) based on the 3-year fixed rate notes issued in March 2019 pursuant to the Debt Issuance Programme by the Company's wholly-owned treasury vehicle, CES Treasury Pte. Ltd., and guaranteed by the Company, the cost of borrowing is 6.00 per cent. per annum. The cost of borrowing depends on market conditions and may be higher for borrowings of a longer tenor; and
- (c) based on (i) the dividends declared and paid by the Company in respect of FY2018, being S\$0.04 per Share; and (ii) the closing price of S\$0.68 per Share on the SGX-ST on the Latest Practicable Date, the cost of equity is approximately 5.88 per cent. per annum.

Having considered the Group's current net gearing level and the incurrence of additional interest expenses as described above, the Company believes that the Rights Issue would be a more suitable funding solution that would strengthen the financial position and capital base of the Group, and allow Shareholders an opportunity to participate further in the equity of the Company on a *pro-rata* basis.

5.5.8. Underwriting Arrangement and Board Confirmation on Sub-Underwriting Arrangement

In consideration of the Sub-underwriting Commitment, the Manager and Underwriter will pay to the Controlling Shareholders a sub-underwriting fee of 1.50% of the aggregate gross proceeds from the Underwritten Rights Shares (the "**Sub-Underwriting Commission**").

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We have noted that the bases in which the Independent Directors had considered when providing their unanimous view that the terms of the Sub-underwriting Agreement (which include the payment of the Sub-underwriting Commission by the Manager and Underwriter to the Controlling Shareholders) are fair and not prejudicial to the Company and to the Shareholders (excluding the Controlling Shareholders) included, *inter alia*, as follows,

- (a) the rationale for, and the use of proceeds from, the Rights Issue as set out in the Announcement and paragraphs 2.2 and 3 of the Circular;
- (b) the importance of the Rights Issue to be fully undertaken and/or underwritten, given the execution risks posed by the Rights Issue execution period;
- (c) the written confirmation from the Manager and Underwriter to the Board that they will not underwrite the Rights Issue without the Sub-underwriting Agreement being put in place, and that the discussion on the Sub-underwriting Commitment was initiated by the Manager and Underwriter and not by the Controlling Shareholders;
- (d) the market risks assumed by the Controlling Shareholders by entering into the Sub-underwriting Agreement with the Manager and Underwriter; and
- (e) the Sub-underwriting Commission to be paid by the Manager and Underwriter to the Controlling Shareholders (i) is not higher than the Underwriting Commission payable by the Company to the Manager and Underwriter, (ii) is paid by the Manager and Underwriter out of their Underwriting Commission; and (iii) does not lead to an additional cost to the Company over and above the Underwriting Commission payable to the Manager and Underwriter.

We note that pursuant to the Sub-underwriting Commitment, the Controlling Shareholders will only subscribe for the Underwritten Rights Shares to the extent that such Rights Shares are not successfully subscribed for by Entitled Shareholders.

Pursuant to the Management and Underwriting Agreement, the Company will pay to the Manager and Underwriter an Underwriting Commission of 2.00% of the aggregate gross proceeds from the Underwritten Rights Shares. We have made a comparison with selected underwritten rights issues announced and completed from 1 January 2018 and up to the Latest Practicable Date by companies listed on the SGX-ST, and note that the Underwriting Commission of 2.00% is within the range of the corresponding underwriting commission of between 1.50% and 3.25% for these selected underwritten rights issues.

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6. OUR OPINION AND ADVICE

In arriving at our advice in respect of the Whitewash Resolution, we have taken into account the following key considerations:

- (a) the use of proceeds and rationale for the Rights Issue;
- (b) the Rights Shares being offered to Entitled Shareholders on a *pro-rata* basis;
- (c) the historical financial information of the Group;
- (d) the assessment of the Issue Price; and
- (e) other relevant considerations.

Having considered the above and subject to the assumptions and qualifications set out in this letter, we are of the opinion that, from a financial point of view, the Rights Issue which is the subject of the Whitewash Resolution is fair and reasonable, and the Whitewash Resolution when considered in the context of the Rights Issue is not prejudicial to the interests of the Independent Shareholders. Accordingly, we advise the Independent Directors to recommend the Independent Shareholders to vote in favour of the Whitewash Resolution at the EGM.

Our opinion and advice are addressed to the Independent Directors for their benefit and for the purposes of their consideration of the Whitewash Resolution. The recommendation to be made by them to the Independent Shareholders shall remain the responsibility of the Independent Directors. Whilst a copy of this letter may be reproduced in this Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of SAC Capital Private Limited in each specific case, except for the forthcoming EGM and for the purpose of the Whitewash Resolution.

Our opinion and advice are governed by, and construed in accordance with, the laws of Singapore. Our opinion and advice are strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours faithfully

For and on behalf of

SAC CAPITAL PRIVATE LIMITED

Bernard Lim
Executive Director

Tan Kian Tiong
Manager

APPENDIX C: REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

1. CONSOLIDATED INCOME STATEMENTS OF THE GROUP

The audited consolidated income statements of the Group for FY2016, FY2017 and FY2018, and unaudited consolidated income statements of the Group for HY2018 and HY2019 are set out below:

	FY2016 ⁽¹⁾	FY2017 ⁽¹⁾	FY2017 ⁽²⁾	FY2018 ⁽²⁾	HY2018 ⁽²⁾	HY2019 ⁽²⁾
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
			Restated & Audited	Audited	Unaudited	Unaudited
Revenue						
Property development	411,727	571,682	571,682	828,638	325,788	374,099
Construction	298,213	239,308	230,394	169,850	91,912	82,484
Hospitality	27,425	38,624	38,624	71,653	33,494	39,294
Education	–	–	–	2,599	–	5,113
Property investment and others	10,630	10,109	10,109	7,494	3,687	3,664
	747,995	859,723	850,809	1,080,234	454,881	504,654
Cost of sales	(601,516)	(707,216)	(693,347)	(837,786)	(351,404)	(413,579)
Gross profit	146,479	152,507	157,462	242,448	103,477	91,075
Other items of income						
Interest income	4,146	4,224	4,224	5,613	1,830	4,062
Other income	12,972	21,572	21,572	3,758	913	2,036
Other items of expense						
Marketing and distribution	(6,810)	(14,622)	(6,457)	(14,106)	(7,755)	(7,310)
Administrative expenses	(60,463)	(68,970)	(67,993)	(94,224)	(38,508)	(42,995)
Finance costs	(19,555)	(25,120)	(37,924)	(50,373)	(18,385)	(31,043)
Share of results of associates and joint venture	(660)	582	582	4,928	2,055	969
Profit before tax	76,109	70,173	71,466	98,044	43,627	16,794
Income tax expense	(24,385)	(14,399)	(15,305)	(17,794)	(14,474)	(3,247)
Profit for the year/period	51,724	55,774	56,161	80,250	29,153	13,547
Attributable to:						
Owners of the Company	35,686	35,506	32,742	63,121	18,371	15,241
Non-controlling interests	16,038	20,268	23,419	17,129	10,782	(1,694)
	51,724	55,774	56,161	80,250	29,153	13,547

Notes:

- (1) This information is prepared based on Singapore Financial Reporting Standards.
- (2) This information is prepared based on Singapore Financial Reporting Standards (International) (“SFRS(I)”), a new financial reporting framework that is effective from 1 January 2018. Pursuant to the first-time adoption of SFRS(I) by the Group for its FY2018 financial statements, comparative period data for FY2017 has been restated to comply with the SFRS(I). Accordingly, the Group has made adjustments to the comparative period upon the adoption of the SFRS(I). Please refer to the annual report of the Company for FY2018 for more details.

APPENDIX C: REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

2. REVIEW OF FINANCIAL PERFORMANCE

2.1 HY2019 (Unaudited) versus HY2018 (Unaudited)

Overall

The Group posted a 10.9% increase in revenue from S\$454.9 million to S\$504.7 million due to contribution from the education division and improved performances primarily from the property development and hospitality divisions. Despite higher revenue, gross profit dropped by 12.0% from S\$103.5 million to S\$91.1 million on lower margins.

In line with lower gross profit and higher expenses, profit before tax declined by 61.5% from S\$43.6 million to S\$16.8 million while profit after tax decreased by 53.5% from S\$29.2 million to S\$13.5 million.

Property Development

Revenue rose 14.8% from S\$325.8 million to S\$374.1 million mainly attributable to the progressive revenue recognition from Grandeur Park Residences and Park Colonial, partially offset by the lower contributions from the Williamsons Estate in Doncaster, Melbourne, Australia and High Park Residences which were completed in the second quarter of FY2018 and the first quarter of FY2019 respectively.

Construction

Revenue decreased by 10.3% from S\$91.9 million to S\$82.5 million due to the lower contributions from Woodlands N1C26 & N1C27 and Tampines N6C1A/1B which were completed in the second half of FY2018. The decrease was partially offset by the revenue contributions from the two (2) Bidadari projects and Sengkang N4C39 & C40.

Hospitality

Revenue from the hospitality division increased by 17.3% from S\$33.5 million to S\$39.3 million mainly due to the improved performance in Grand Park Kodhipparu Resort in Maldives and the full half-year contribution from the Mercure & Ibis Styles Grosvenor Hotel in Adelaide, South Australia which was acquired in March 2018.

Education

Revenue from the education division relates to revenue of White Lodge pre-schools, the Group's first Repton Schoolhouse and the newly-acquired Invictus International School.

Property Investment and Others

Revenue from the division remained flat at S\$3.7 million.

APPENDIX C: REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

2.2 FY2018 (Audited) versus FY2017 (Restated and Audited)

Overall

The Group posted a 27.0% increase in revenue from S\$850.8 million in FY2017 to S\$1.1 billion in FY2018. This was mainly due to improved performances from the property development and hospitality divisions, offset by decrease in revenue from the construction division. Gross profit increased by 54.0% from S\$157.5 million in FY2017 to S\$242.4 million in FY2018 due to better margins from the property development division.

Tax-wise, the Group recorded a lower effective tax rate compared to the previous year. This was due to the write-back of tax provision in respect of prior years and benefits from previously unrecognised tax losses. As a result, profit after tax increased by 42.9% from S\$56.2 million in FY2017 to S\$80.3 million in FY2018.

Property Development

Revenue rose 44.9% from S\$571.7 million in FY2017 to S\$828.6 million in FY2018. This was mainly attributable to progressive revenue recognition from High Park Residences, Grandeur Park Residences and Park Colonial, along with the progressive handover of townhouses of Williamsons Estate in Doncaster, Melbourne, Australia and the sale of property sites in Australia.

Construction

Revenue decreased by 26.3% from S\$230.4 million in FY2017 to S\$169.9 million in FY2018. This was due to lower contributions from Woodlands N1C26 & N1C27 and Tampines N6C1A/1B. The decrease was partially offset by revenue contributions from Bidadari C6 & C7 and Bidadari C8 & C9.

Hospitality

Revenue from the hospitality division soared 85.5% from S\$38.6 million in FY2017 to S\$71.7 million in FY2018, boosted by higher occupancy rates at Grand Park Kodhipparu Resort in Maldives and Park Hotel Alexandra in Singapore as well as contributions from the Group's latest hospitality assets, The Sebel Mandurah in Western Australia and Mercure & Ibis Styles Grosvenor Hotel in Adelaide, South Australia.

Education

Revenue from the education division relates to the revenue of White Lodge pre-schools.

Property Investment and Others

Revenue from the property investment division fell by 25.9% from S\$10.1 million in FY2017 to S\$7.5 million in FY2018, due to the divestment of 420 St Kilda Road, Melbourne, Australia, in August 2017.

APPENDIX C: REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

2.3 FY2017 (Audited) versus FY2016 (Audited)

Overall

The Group posted a 14.9% increase in revenue from S\$748.0 million in FY2016 to S\$859.7 million in FY2017. This was mainly due to improved performances from the hospitality and property development divisions. Despite a stronger topline, gross profit registered a slower growth of 4.1% from S\$146.5 million in FY2016 to S\$152.5 million in FY2017 due to softer construction margins. Profit before tax declined 7.8% from S\$76.1 million in FY2016 to S\$70.2 million in FY2017 due to higher marketing and distribution expenses, administrative expenses and finance costs, but was partially offset by a divestment gain arising from the sale of the office building at 420 St Kilda Road, Melbourne, Australia.

Tax-wise, the Group recorded a lower effective tax rate compared to the previous year. This was due to the higher tax rate arising from divestment gains from the Victoria Street site in Melbourne, Australia in FY2016. As a result, the Group's net profit after tax rose by 7.8% from S\$51.7 million in FY2016 to S\$55.8 million in FY2017.

Property Development

Revenue rose 38.8% from S\$411.7 million in FY2016 to S\$571.7 million in FY2017. This was mainly attributable to progressive revenue recognition from High Park Residences and Grandeur Park Residences, along with new sales at the Fulcrum residential development. The progressive handover of townhouses of Williamsons Estate in Doncaster, Melbourne, Australia, also contributed positively to the topline.

Construction

Revenue decreased by 19.8% from S\$298.2 million in FY2016 to S\$239.3 million in FY2017. This was due to lower contributions from Bukit Batok N1C13 & N2C23 and Sembawang N1C10, following their completion in the first half of FY2017, and slower pre-cast components sales. This decrease was partially offset by higher revenue contributions from Woodlands N1C26 & N1C27, Tampines N6C1A/1B, Bidadari C6 & C7 and Bidadari C8 & C9.

Hospitality

Revenue from the hospitality division soared 40.8% from S\$27.4 million in FY2016 to S\$38.6 million in FY2017, boosted by higher occupancy rates at Park Hotel Alexandra, Singapore and contributions from the Group's latest hospitality asset, Grand Park Kodhipparu Resort, Maldives, which opened its doors for business in June 2017.

Property Investment and Others

Revenue from the property investment division fell by 4.9% from S\$10.6 million in FY2016 to S\$10.1 million in FY2017, due to the divestment of 420 St Kilda Road, Melbourne, Australia, in August 2017.

APPENDIX C: REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

3. CONSOLIDATED BALANCE SHEETS OF THE GROUP

The audited consolidated balance sheets of the Group as at 31 December 2016, 31 December 2017 and 31 December 2018, and the unaudited consolidated balance sheet of the Group as at 30 June 2019 are set out below:

	As at 31 December 2016 ⁽¹⁾ S\$'000	As at 31 December 2017 ⁽¹⁾ S\$'000	As at 31 December 2017 ⁽²⁾ S\$'000	As at 31 December 2018 ⁽²⁾ S\$'000	As at 30 June 2019 ⁽²⁾ S\$'000
	Audited	Audited	Restated & Audited	Audited	Unaudited
Non-current assets					
Property, plant and equipment	219,604	324,054	324,490	364,221	375,986
Investment properties	288,693	251,706	251,706	250,617	250,391
Intangible assets	2,202	1,872	1,872	16,677	21,927
Investment in associates and joint venture	6,359	6,941	6,941	9,497	10,174
Deferred tax assets	2,995	5,289	5,967	5,956	7,547
Trade and other receivables	88	82,536	82,536	40,411	42,112
Investment securities	8,010	–	–	–	–
	527,951	672,398	673,512	687,379	708,137
Current assets					
Gross amount due from customers for contract work-in-progress	9,677	13,467	–	–	–
Development properties	1,127,718	1,688,660	1,573,300	1,410,329	1,639,478
Inventories	48	761	2,313	2,152	2,930
Prepayments	4,022	5,003	5,100	2,708	3,419
Trade and other receivables	81,241	89,723	90,568	123,444	266,019
Contract assets	–	–	189,114	501,307	146,869
Capitalised contract costs	–	–	14,161	16,663	13,589
Cash and short-term deposits	481,582	257,846	257,846	342,558	316,776
	1,704,288	2,055,460	2,132,402	2,399,161	2,389,080
Total assets	2,232,239	2,727,858	2,805,914	3,086,540	3,097,217

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	As at 31 December 2016 ⁽¹⁾ S\$'000	As at 31 December 2017 ⁽¹⁾ S\$'000	As at 31 December 2017 ⁽²⁾ S\$'000	As at 31 December 2018 ⁽²⁾ S\$'000	As at 30 June 2019 ⁽²⁾ S\$'000
	Audited	Audited	Restated & Audited	Audited	Unaudited
Current liabilities					
Loan and borrowings	234,182	8,735	8,735	129,773	136,624
Gross amount due to customers for contract work-in-progress	11,100	33,910	–	–	–
Trade and other payables	86,394	58,470	59,429	64,814	58,565
Contract liabilities	–	–	88,623	99,488	28,180
Other liabilities	42,190	48,535	53,299	48,430	51,139
Income tax payable	28,358	12,811	13,217	9,716	4,126
	402,224	162,461	223,303	352,221	278,634
Net current assets	1,302,064	1,892,999	1,909,099	2,046,940	2,110,446
Non-current liabilities					
Loan and borrowings	936,736	1,524,075	1,524,075	1,681,360	1,736,016
Trade and other payables	106,692	212,713	212,713	140,696	159,151
Other liabilities	–	64	64	36	16,999
Deferred tax liabilities	9,974	19,963	21,044	38,172	42,655
	1,053,402	1,756,815	1,757,896	1,860,264	1,954,821
Total liabilities	1,455,626	1,919,276	1,981,199	2,212,485	2,233,455
Net assets	776,613	808,582	824,715	874,055	863,762
Equity attributable to owners of the Company					
Share capital	79,691	79,691	79,691	79,691	79,691
Treasury shares	(33,653)	(33,653)	(33,653)	(30,034)	(30,034)
Retained earnings	733,696	744,361	735,186	773,466	763,666
Other reserves	(13,860)	(16,174)	7,105	(5,775)	(7,345)
	765,874	774,225	788,329	817,348	805,978
Non-controlling interests	10,739	34,357	36,386	56,707	57,784
Total equity	776,613	808,582	824,715	874,055	863,762

Notes:

- (1) This information is prepared based on Singapore Financial Reporting Standards.
- (2) This information is prepared based on Singapore Financial Reporting Standards (International) (“SFRS(I)”), a new financial reporting framework that is effective from 1 January 2018. Pursuant to the first-time adoption of SFRS(I) by the Group for its FY2018 financial statements, comparative period data for FY2017 has been restated to comply with the SFRS(I). Accordingly, the Group has made adjustments to the comparative period upon the adoption of the SFRS(I). Please refer to the annual report of the Company for FY2018 for more details.

APPENDIX C: REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

4. REVIEW OF BALANCE SHEETS

4.1 HY2019 (Unaudited) versus FY2018 (Audited)

Overall

The Group's net current assets increased by S\$63.5 million from S\$2.0 billion to S\$2.1 billion during the period in review mainly due to the acquisition of the Kampong Java site that was funded by long-term borrowings, partially offset by repayment of certain long-term borrowings with the proceeds from High Park Residences. Non-current liabilities increased from S\$1.9 billion to S\$2.0 billion due to financing obtained for the Kampong Java site, partially offset by repayment and reclassification of certain loans to current liabilities.

Total equity decreased from S\$874.1 million to S\$863.8 million, after taking into account a net profit of S\$13.5 million recorded in HY2019 and dividend payments of S\$25.0 million. As a result of increased borrowings and lower equity, the Group's net debt-to-equity ratio increased from 1.68 times as at 31 December 2018 to 1.80 times as at 30 June 2019.

Assets

The increase in property, plant and equipment was mainly due to right-of-use assets of the Group's lease commitments arising from the adoption of SFRS(I) 16 Leases which took effect from 1 January 2019. The increase in development properties was mainly due to the acquisition of the Kampong Java site in April 2019. The increase in current trade and other receivables was mainly due to progress billings receivable from purchasers of High Park Residences for which Temporary Occupation Permit has been obtained. The decrease in contract assets was mainly due to the transfer to trade receivables following the completion of High Park Residences.

Liabilities

The increase in current and non-current loans and borrowings was due to the issuance of medium term notes and financings obtained for development projects and working capital, partially offset by repayment of bank loans. The decrease in contract liabilities was due to the lesser amount of advances from customers following the progressive recognition of revenue. The increase in other liabilities was due to the lease liabilities arising from the adoption of SFRS(I) 16 Leases which took effect from 1 January 2019. The increase in non-current trade and other payables was due to the advance payment received from a customer for a construction project.

4.2 FY2018 (Audited) versus FY2017 (Restated and Audited)

Overall

The Group's net current assets grew from S\$1.9 billion to S\$2.0 billion during the year in review. This was largely due to the development expenditure for Park Colonial and the acquisition of Changi Garden. Non-current liabilities increased from S\$1.8 billion to S\$1.9 billion as a result of additional borrowings obtained for development projects.

Total equity increased from S\$824.7 million to S\$874.1 million, after taking into account a net profit of S\$80.3 million recorded in FY2018 and dividend payments of S\$24.8 million. As a

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result of increased borrowings, the Group's net debt-to-equity ratio increased to 1.68 times as at 31 December 2018 from 1.55 times as at 31 December 2017.

Assets

The increase in property, plant and equipment was mainly due to acquisition of Mercure & Ibis Styles Grosvenor Hotel and 51 Pirie Street in Adelaide, South Australia. The increase in intangible assets and goodwill was mainly due to provisional trademarks and goodwill arising from the acquisition of White Lodge pre-schools. The decrease in non-current trade and other receivables was due mainly to reclassification to current trade and other receivables. The increase in development properties was due mainly to the en bloc acquisition of Changi Garden, partially offset by the disposal of two (2) development sites in Australia.

Liabilities

The increase in current and non-current loans and borrowings was due to financings obtained for development projects and working capital, partially offset by repayment of bank loans. The decrease in non-current trade and other payables was due mainly to repayment to a non-controlling interest. The increase in deferred tax liabilities was due to a deferred tax provision for units that were sold but still under development.

4.3 FY2017 (Audited) versus FY2016 (Audited)

Overall

The Group's net current assets grew from S\$1.3 billion to S\$1.9 billion during the year in review. This was due largely to the acquisition of the South Perth and Woodleigh Lane sites. Financing needs pertaining to the Woodleigh Lane site and Grand Park Kodhipparu Resort, along with higher loans from minority shareholders, contributed to the increase of non-current liabilities from S\$1.1 billion to S\$1.8 billion.

Total equity increased from S\$776.6 million to S\$808.6 million, after taking into account dividend payments of S\$24.8 million and a net profit of S\$55.8 million recorded in FY2017. Net debt soared by S\$0.6 billion from S\$0.7 billion to S\$1.3 billion as the Group utilised its cash for investments and capital expenditure needs. In addition, the Group also obtained project financing for its Woodleigh Lane site and Grand Park Kodhipparu Resort in the Maldives. As a result, the Group's net debt-to-equity ratio increased to 1.58 times as at 31 December 2017, as compared to 0.89 times a year ago.

Assets

The increase in property, plant and equipment was mainly due to acquisition of Grand Park Kodhipparu Resort, an island resort in Maldives and The Sebel Mandurah, a hotel in Western Australia. The decrease in investment properties was mainly due to the disposal of the office building at 420 St Kilda Road, Melbourne, Australia, partially offset by the acquisition of a strata restaurant property at Mandurah, Western Australia and the transfer of units within a completed development project to investment property.

The increase in trade and other receivables was due to a long term loan extended to a joint venture company for the acquisition of an office building in Auckland, New Zealand and sales proceeds from the sale of units in the Fulcrum residential development.

APPENDIX C: REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

The increase in development properties was mainly due to acquisitions of land parcels at Woodleigh Lane, Singapore and in South Perth, Australia, partially offset by the transfer of units within a completed development project to investment properties.

The decrease in cash and short-term deposits was due to the repayment of bank loans, redemption of S\$150 million notes which were due in October 2017 and acquisitions of land and properties in Singapore, Australia and New Zealand. The decrease was partially offset by the issuance of S\$125 million notes and the proceeds from divestment of the office building at 420 St Kilda Road, Melbourne, Australia.

Liabilities

The increase in combined current and non-current loans and borrowings was due to financing obtained for the Woodleigh Lane site, Grand Park Kodhipparu Resort and Grandeur Park Residences, and the issuance of S\$125 million notes, substantially offset by the repayment of bank loans and the redemption of S\$150 million notes.

The increase in combined current and non-current trade and other payables was due to advances from non-controlling interests for working capital.

The decrease in income tax payable was due to the payment of tax on sales of the Victoria Street site in Melbourne, Australia. The decrease was partially offset by the provision of tax on sales of the office building at 420 St Kilda Road, Melbourne, Australia.

5. CONSOLIDATED CASH FLOW STATEMENTS OF THE GROUP

The audited consolidated cash flow statements of the Group for FY2016, FY2017 and FY2018, and unaudited consolidated cash flow statement of the Group for HY2019 are set out below:

	FY2016⁽¹⁾	FY2017⁽²⁾	FY2018⁽²⁾	HY2019⁽²⁾
	S\$'000	S\$'000	S\$'000	S\$'000
	Audited	Restated & Audited	Audited	Unaudited
Operating activities				
Profit before tax	76,109	71,466	98,044	16,794
Adjustments for:				
Interest income	(4,146)	(4,224)	(5,613)	(4,062)
Gain on disposal of property, plant and equipment	(497)	(118)	(231)	(229)
Gain on disposal of an investment property	–	(13,298)	–	–
Gain on disposal of investment securities	–	(4,921)	–	–
Gain on disposal of intangible assets	–	(110)	(20)	–
Finance costs	19,555	37,924	50,373	31,043
Property, plant and equipment written off	10	34	1	95
Provision for onerous contract	–	9,500	7,500	–
Impairment loss/(write back of impairment loss) on development properties	5,751	(1,513)	–	–

APPENDIX C: REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

	FY2016 ⁽¹⁾	FY2017 ⁽²⁾	FY2018 ⁽²⁾	HY2019 ⁽²⁾
	S\$'000	S\$'000	S\$'000	S\$'000
	Audited	Restated & Audited	Audited	Unaudited
Depreciation of property, plant and equipment	6,986	11,166	18,810	10,240
Impairment of property, plant and equipment	–	–	3,922	–
Amortisation of intangible assets	107	225	161	185
Amortisation of capitalised contract cost	–	6,980	12,752	5,840
Impairment of intangible assets	–	–	2,013	–
Fair value (gain)/loss on investment properties	(5,419)	1,873	1,042	–
Dividend income from investment securities	(503)	–	–	–
Unrealised exchange (gain)/loss	(972)	1,679	5,292	1,806
Share of results of associates and joint venture	660	(582)	(4,928)	(969)
Loss on liquidation of an associate	–	–	17	–
Impairment loss/(write back of impairment loss) on receivables	169	(220)	338	–
Share-based compensation expenses	1,392	2,387	995	226
Operating cash flows before changes in working capital	99,202	118,248	190,468	60,969
Changes in working capital:				
Development properties	(491,740)	(429,271)	159,913	(225,928)
Assets held for sale	39,124	–	–	–
Capitalised contract cost	–	(8,929)	(15,343)	(2,766)
Inventories	–	(607)	165	(795)
Prepayments	(167)	(1,087)	2,380	(720)
Gross amount due to customers for contract work-in-progress	3,922	–	–	–
Trade and other receivables and contract assets	163,953	(242,084)	(303,432)	210,346
Trade and other payables and contract liabilities	(12,652)	135,678	(59,444)	(59,750)
Other liabilities	5,333	1,091	(12,385)	1,284
Cash flows used in operations	(193,025)	(426,961)	(37,678)	(17,360)
Interest paid	(33,814)	(45,967)	(60,539)	(34,153)
Interest received	4,146	4,224	5,613	4,062
Income taxes paid	(34,244)	(22,257)	(5,809)	(5,958)
Net cash flows used in operating activities	(256,937)	(490,961)	(98,413)	(53,409)

APPENDIX C: REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

	FY2016 ⁽¹⁾ S\$'000 Audited	FY2017 ⁽²⁾ S\$'000 Restated & Audited	FY2018 ⁽²⁾ S\$'000 Audited	HY2019 ⁽²⁾ S\$'000 Unaudited
Investing activities				
Purchase of property, plant and equipment	(2,029)	(118,530)	(21,889)	(4,608)
Proceeds from disposal of property, plant and equipment	730	164	606	302
Proceeds from disposal of an investment property	–	69,625	–	–
Net cash outflow on acquisition of subsidiaries	–	–	(10,377)	(3,265)
Net cash outflow on acquisition of business assets	–	–	(29,690)	–
Proceeds from liquidation of an associate	3,582	–	829	–
Proceeds from disposal of investment securities	–	7,776	–	–
Proceeds from disposal of intangible assets	–	295	20	–
Dividend income from associates and investment securities	1,070	–	1,350	264
Repayment from/(advances to) associates	8,198	(28,568)	1,058	–
Additions to intangible assets	(2,211)	(80)	(195)	–
Additions to investment properties	(311)	(5,449)	(12,819)	–
Net cash flows generated from/(used in) investing activities	9,029	(74,767)	(71,107)	(7,307)
Financing activities				
Repayment of loans and borrowings	(150,845)	(311,880)	(217,347)	(382,591)
Proceeds from loans and borrowings	342,835	700,559	701,202	344,600
Redemption of term notes	–	(150,000)	(206,750)	–
Proceeds from issuance of term notes	120,000	125,000	–	100,000
Dividends paid on ordinary shares	(24,841)	(24,841)	(24,841)	(25,041)
Proceeds from exercise of employee share options	–	–	2,771	–
Proceeds from issue of new shares by subsidiary to non-controlling interests	48	3,287	1,620	–
Repayment of obligations under finance leases	–	–	–	(1,753)
Net cash flows generated from financing activities	287,197	342,125	256,655	35,215
Net increase/(decrease) in cash and cash equivalents	39,289	(223,603)	87,135	(25,501)
Effect of exchange rate changes on cash and cash equivalents	(163)	(133)	(2,423)	(281)
Cash and cash equivalents at beginning of the year/period	442,456	481,582	257,846	342,558
Cash and cash equivalents at end of the year/period	481,582	257,846	342,558	316,776

APPENDIX C: REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

Notes:

- (1) This information is prepared based on Singapore Financial Reporting Standards.
- (2) This information is prepared based on Singapore Financial Reporting Standards (International) (“**SFRS(I)**”), a new financial reporting framework that is effective from 1 January 2018. Pursuant to the first-time adoption of SFRS(I) by the Group for its FY2018 financial statements, comparative period data for FY2017 has been restated to comply with the SFRS(I). Accordingly, the Group has made adjustments to the comparative period upon the adoption of the SFRS(I). Please refer to the annual report of the Company for FY2018 for more details.

6. REVIEW OF CASH FLOW STATEMENTS

6.1 HY2019 (Unaudited)

Net cash flows used in operating activities

Net cash flows used in operating activities of S\$53.4 million was primarily due to development expenditure incurred, partially offset by progressive payments received from development properties.

Net cash flows used in investing activities

Net cash flows used in investing activities of S\$7.3 million was primarily due to the acquisition of Invictus International School in April 2019 and the purchase of property, plant and equipment.

Net cash flows generated from financing activities

Net cash flows generated from financing activities of S\$35.2 million was primarily due to the financing obtained for the Kampong Java site and the issuance of medium term notes, partially offset by the repayment of bank borrowings and dividend payment.

6.2 FY2018 (Audited)

Net cash flows used in operating activities

Net cash flows used in operating activities of S\$98.4 million was primarily due to development expenditure incurred.

Net cash flows used in investing activities

Net cash flows used in investing activities of S\$71.1 million was primarily due to the acquisition of Mercure & Ibis Styles Grosvenor Hotel, the adjoining properties at Hindley Street, the property at 51 Pirie Street, all of which are located in Adelaide, Australia, and White Lodge Education Group.

Net cash flows generated from financing activities

Net cash flows generated from financing activities of S\$256.7 million was primarily due to the proceeds from loans and borrowings for development projects.

APPENDIX C: REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

6.3 FY2017 (Restated and Audited)

Net cash flows used in operating activities

Net cash flows used in operating activities of S\$491.0 million was primarily due to development expenditure, deposits for land/property acquisition in Singapore and Australia and advances for a proposed investment in a real estate development project in Ho Chi Minh City, Vietnam, partially offset by working capital loans from non-controlling interests.

Net cash flows used in investing activities

Net cash flows used in investing activities of S\$74.8 million was primarily due to capital expenditure and acquisition of Grand Park Kodhipparu Resort, Maldives, The Sebel Mandurah, Western Australia and 205 Queen Street in New Zealand. The cash outflow was partially offset by cash inflow from disposal of 420 St Kilda Road, Melbourne, Australia.

Net cash flows generated from financing activities

Net cash flows generated from financing activities of S\$342.1 million was primarily due to the financing obtained outweighing the repayment of bank loans and redemption of term notes.

6.4 FY2016 (Audited)

Net cash flows used in operating activities

Net cash flows used in operating activities of S\$256.9 million was primarily due to land acquisition.

Net cash flows generated from investing activities

Net cash flows generated from investing activities of S\$9.0 million was mainly due to net cash inflows from repayment from associates and proceeds from liquidation of an associate, partially offset by additions to intangible assets and property, plant and equipment.

Net cash flows generated from financing activities

Net cash flows generated from financing activities of S\$287.2 million was primarily due to the issuance of S\$120 million notes under the S\$500 million Multicurrency Debt Issuance Programme in June 2016 and the drawdown of bank loans for property development projects.

APPENDIX C: REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

7. REVIEW OF WORKING CAPITAL

	As at 31 December 2016 ⁽¹⁾ S\$'000	As at 31 December 2017 ⁽¹⁾ S\$'000	As at 31 December 2017 ⁽²⁾ S\$'000	As at 31 December 2018 ⁽²⁾ S\$'000	As at 30 June 2019 ⁽²⁾ S\$'000
	Audited	Audited	Restated & Audited	Audited	Unaudited
Total current assets	1,704,288	2,055,460	2,132,402	2,399,161	2,389,080
Total current liabilities	402,224	162,461	223,303	352,221	278,634
Net current assets	1,302,064	1,892,999	1,909,099	2,046,940	2,110,446

Notes:

- (1) This information is prepared based on Singapore Financial Reporting Standards.
- (2) This information is prepared based on Singapore Financial Reporting Standards (International) (“SFRS(I)”), a new financial reporting framework that is effective from 1 January 2018. Pursuant to the first-time adoption of SFRS(I) by the Group for its FY2018 financial statements, comparative period data for FY2017 has been restated to comply with the SFRS(I). Accordingly, the Group has made adjustments to the comparative period upon the adoption of the SFRS(I). Please refer to the annual report of the Company for FY2018 for more details.

7.1 HY2019 (Unaudited) versus FY2018 (Audited)

Total current assets decreased by S\$10.1 million mainly due to the decreased contract assets as a result of transfer to trade receivables following the completion of High Park Residences, mitigated by the increase in trade receivables and costs incurred on development properties. The current liabilities decreased by S\$0.1 billion mainly due to the decreased contract liabilities attributed to lesser amount of advances from customers following the progressive recognition of revenue. As a result, net current assets increased from S\$2.0 billion to S\$2.1 billion.

7.2 FY2018 (Audited) versus FY2017 (Restated and Audited)

Total current assets increased by S\$0.2 billion mainly due to costs incurred on on-going development projects and the acquisition of a development site. The increase is partially offset by an increase in total current liabilities of S\$0.1 billion due mainly to financing obtained for development projects. As a result, net current assets increased from S\$1.9 billion to S\$2.0 billion.

7.3 FY2017 (Audited) versus FY2016 (Audited)

Total current assets increased by S\$0.4 billion mainly due to the acquisition of development sites. Total current liabilities decreased by S\$0.2 billion mainly because of the repayment of bank loans and the redemption of term notes. As a result, net current assets increased from S\$1.3 billion to S\$1.9 billion.

APPENDIX D: ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE

1. Entitled Shareholders.

Entitled Shareholders will be entitled to participate in the Rights Issue and to receive the Offer Information Statement, together with the ARE or the PAL, as the case may be, and its accompanying documents at their respective Singapore addresses.

Entitled Depositors who do not receive the Offer Information Statement and the ARE may obtain them from CDP during the period from the date the Rights Issue commences up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PAL may obtain them from the Share Registrar during the period from the date the Rights Issue commences up to the Closing Date.

Entitled Shareholders will be provisionally allotted the Rights Shares under the Rights Issue on the basis of their shareholdings in the Company as at the Books Closure Date, fractional entitlements to be disregarded. Entitled Shareholders are at liberty to accept, decline, renounce or, in the case of Entitled Depositors, trade on the SGX-ST during the provisional allotment trading period prescribed by the SGX-ST, in whole or in part, their Nil-Paid Rights, and are eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue. Fractional entitlements to the Rights Shares will be disregarded in arriving at the Shareholders' entitlements and will, together with provisional allotments which are not allotted or taken up for any reason, be aggregated and used to satisfy applications (if any) for excess Rights Shares or otherwise disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interest of the Company.

In the allotment of excess Rights Shares, preference will be given to Shareholders for the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board, will rank last in priority for rounding of odd lots and allotment of excess Rights Shares.

(a) Entitled Depositors

Entitled Depositors should note that all notices and documents will be sent to their last registered Singapore mailing addresses with CDP. Entitled Depositors are reminded that any request to CDP to update their records or to effect any change in address must reach CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588, at least three (3) Market Days before the Books Closure Date.

(b) Entitled Scripholders

Entitled Scripholders should note that all correspondences and notices will be sent to their last registered Singapore mailing addresses with the Share Registrar. Entitled Scripholders are reminded that any request to the Share Registrar to update their records or effect any change in address must reach Chip Eng Seng Corporation Ltd. c/o the Share Registrar, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619, at least three (3) Market Days before the Books Closure Date.

APPENDIX D: ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE

Entitled Scripholders are encouraged to open Securities Accounts with CDP if they have not already done so and to deposit their share certificates with CDP prior to the Books Closure Date so that their Securities Accounts may be credited by CDP with their Shares and the Nil-Paid Rights. Entitled Scripholders should note that their Securities Accounts will only be credited with the Shares on the twelfth (12th) Market Day from the date of lodgement of the share certificates with CDP or such later date as CDP may determine.

All dealings in and transactions of the Nil-Paid Rights through the SGX-ST will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs, to be issued to Entitled Scripholders, will not be valid for delivery pursuant to trades done on the SGX-ST.

The procedures for, and the terms and conditions applicable to, acceptances, renunciations and/or sales of the provisional allotments of the Rights Shares and for the applications for excess Rights Shares, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement.

Notwithstanding the foregoing, investors should note that the offer and sale of, or exercise or acceptance of, or subscription for, Nil-Paid Rights and Rights Shares to or by persons located or resident in jurisdictions other than Singapore may be restricted or prohibited by the laws of the relevant jurisdiction. Crediting of Nil-Paid Rights to any Securities Account, the receipt of any Nil-Paid Rights, or receipt of this Circular, the Offer Information Statement and/or any of its accompanying documents, will not constitute an offer or sale in those jurisdictions in which it will be illegal to make such offer or sale, or where such offer or sale will otherwise violate the securities laws of such jurisdictions or be restricted or prohibited. The Company reserves absolute discretion in determining whether any person may participate in the Rights Issue.

2. Foreign Shareholders.

The Offer Information Statement and its accompanying documents have not been and will not be registered, lodged or filed in any jurisdiction other than Singapore. The distribution of the Offer Information Statement and its accompanying documents may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in jurisdictions other than Singapore, the Rights Shares will not be offered to and the Offer Information Statement and its accompanying documents have not been and will not be despatched to Foreign Shareholders or into any jurisdictions outside Singapore.

Accordingly, Foreign Shareholders will not be entitled to participate in the Rights Issue. No Nil-Paid Rights will be allotted to Foreign Shareholders, and no purported acceptance thereof or application therefor by any Foreign Shareholder will be valid.

The Offer Information Statement and its accompanying documents will also not be despatched to Foreign Purchasers. Foreign Purchasers who wish to accept the Nil-Paid Rights credited to their Securities Accounts should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore. Further, any renounee of an Entitled

APPENDIX D: ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE

Scrip holder, whose address as stated in the PAL is outside Singapore, will not be entitled to accept the Nil-Paid Rights renounced to him. The Company reserves the right to reject any acceptances of the Rights Shares and/or applications for excess Rights Shares where it believes, or has reason to believe, that such acceptance and/or application may violate the applicable legislation of any jurisdiction.

The Company reserves the right to treat as invalid any ARE, ARS or PAL which (a) appears to the Company or its agents to have been executed in any jurisdiction outside Singapore or which the Company believes or has reason to believe may violate the applicable legislation of such jurisdiction; (b) provides an address outside Singapore for the receipt of the share certificate(s) for the Rights Shares or which requires the Company to despatch the share certificate(s) to an address in any jurisdiction outside Singapore; or (c) purports to exclude any deemed representation or warranty required by the terms of the Offer Information Statement, the ARE, the ARS or the PAL.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside Singapore wishing to take up their provisional allotment of Rights Shares or apply for excess Rights Shares under the Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this section are intended as a general guide only and any Foreign Shareholder who is in doubt as to his position should consult his professional advisers without delay.

Receipt of this Circular, the Offer Information Statement, the ARE, ARS or PAL, or the crediting of Nil-Paid Rights or Rights Shares to a Securities Account shall not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Circular, the Offer Information Statement and the AREs, ARSs or PALs must be treated as sent for information only and should not be copied or redistributed. No person receiving a copy of this Circular, the Offer Information Statement, an ARE, ARS or PAL and/or a credit of Nil-Paid Rights or Rights Shares to a Securities Account in any territory other than Singapore may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such ARE, ARS or PAL and/or accept any credit of Nil-Paid Rights or Rights Shares to a Securities Account unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such ARE, ARS or PAL and/or credit of Nil-Paid Rights or Rights Shares to a Securities Account could lawfully be used or accepted, and any transaction resulting from such use or acceptance could be effected, without contravention of any registration or other legal or regulatory requirements.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this Circular, the Offer Information Statement and/or an ARE, ARS or PAL or whose Securities Accounts are credited with Nil-Paid Rights should not distribute or send the same or transfer Nil-Paid Rights in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If this Circular, the Offer Information Statement, an ARE, ARS or PAL or a credit of Nil-Paid Rights is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the Nil-Paid Rights, and renounce such ARE, ARS or PAL or transfer the Nil-Paid Rights unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who forwards this Circular, the Offer

APPENDIX D: ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE

Information Statement, or an ARE, ARS or PAL or transfers Nil-Paid Rights into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section as well as the relevant sections of the Offer Information Statement.

If it is practicable to do so, arrangements may, at the absolute discretion of the Company, be made for the Nil-Paid Rights which would otherwise have been provisionally allotted to Ineligible Shareholders to be sold "nil-paid" on the SGX-ST as soon as practicable after commencement of trading of Nil-Paid Rights. Such sales will, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales after taking into account expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Ineligible Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares standing to the credit of their respective Securities Accounts as at the Books Closure Date and sent to them by ordinary post at their own risk, provided that where the amount of net proceeds to be distributed to any single Ineligible Shareholder or persons acting to the account or benefit of any such persons is less than S\$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit in the interest of the Company and no Ineligible Shareholder or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Directors, the Manager and Underwriter, CDP, the Share Registrar and/or their respective officers in connection therewith.

Where such Nil-Paid Rights are sold "nil-paid" on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Ineligible Shareholder or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Directors, the Manager and Underwriter, CDP, the Share Registrar or their respective officers in respect of such sales or the proceeds thereof, the Nil-Paid Rights or the Rights Shares represented by such Nil-Paid Rights.

If such Nil-Paid Rights cannot be sold or are not sold on the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading of the Nil-Paid Rights, the Rights Shares represented by such Nil-Paid Rights will be issued to satisfy applications for excess Rights Shares (if any) or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interest of the Company and no Ineligible Shareholder or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Directors, the Manager and Underwriter, CDP, the Share Registrar and/or their respective officers in connection therewith.

Shareholders should note that the special arrangements described above will apply only to Ineligible Shareholders.

Notwithstanding anything herein, Entitled Shareholders and/or any other person having possession of this Circular, the Offer Information Statement and/or its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto at their own expense and without liability to the Company, the Manager and Underwriter, or any other person involved in the Rights

APPENDIX D: ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE

Issue. No person in any territory outside Singapore receiving this Circular, the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares unless such offer, invitation or solicitation could lawfully be made without violating any regulatory or legal requirements in such territory. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this Circular, the Offer Information Statement and AREs, ARSs or PALs must be treated as sent for information only and should not be copied or redistributed.

Depositors should note that all correspondences will be sent to their last registered Singapore mailing addresses with CDP. Depositors should note that any request to CDP to update its records or to effect any change in address should have reached CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588, at least three (3) Market Days before the Books Closure Date. Shareholders whose Shares are registered in their own names (not being Depositors) who do not presently have an address in Singapore for the service of notices and documents and who wish to be eligible to participate in the Rights Issue should have provided such an address in Singapore by notifying Chip Eng Seng Corporation Ltd. c/o the Share Registrar, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619, at least three (3) Market Days before the Books Closure Date.

NOTICE OF EXTRAORDINARY GENERAL MEETING

CHIP ENG SENG CORPORATION LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199805196H)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of Chip Eng Seng Corporation Ltd. (the “**Company**”) will be held at Emerald Suite, Golf Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162, on 13 September 2019 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolutions as set out below. All capitalised terms used in this Notice of EGM which are not defined herein shall have the meanings ascribed to them in the circular to shareholders of the Company dated 29 August 2019.

ORDINARY RESOLUTION 1: PROPOSED RIGHTS ISSUE

RESOLVED THAT, SUBJECT TO THE APPROVAL FOR ORDINARY RESOLUTIONS 2 AND 3:

- (a) a renounceable underwritten rights issue of 156,503,515 new ordinary shares in the capital of the Company (the “**Rights Shares**”), at an issue price of S\$0.63 for each Rights Share (the “**Issue Price**”), on the basis of one (1) Rights Share for every four (4) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded (the “**Rights Issue**”), be and is hereby approved;
- (b) authority be and is hereby given to the Directors to undertake the Rights Issue, provisionally allot and issue the Rights Shares at the Issue Price on the basis of one (1) Rights Share for every four (4) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded, and allot and issue the Rights Shares at the Issue Price on the terms and conditions set out below and/or on such other terms and conditions (including the basis of provisional allotments of the Rights Shares) as the Directors may in their absolute discretion and from time to time think fit:
 - (i) the provisional allotment of the Rights Shares shall be made on a renounceable basis to Entitled Shareholders;
 - (ii) no provisional allotment of the Rights Shares shall be made to Foreign Shareholders;
 - (iii) the provisional allotment of the Rights Shares which would otherwise accrue to Ineligible Shareholders may be disposed of, or dealt with, by the Company in such manner and on such terms and conditions as the Directors shall deem fit for the purpose of renouncing the provisional allotment relating thereto to purchasers thereof and to pool and thereafter distribute the net proceeds, if any, thereof (after deducting all expenses) among such Ineligible Shareholders in proportion to their respective shareholdings as at the Books Closure Date provided that if the amount to be distributed to any single Ineligible Shareholder or persons acting to the account or benefit of any such persons is less than S\$10.00, such amount shall instead be retained or dealt with as the Directors may, in their absolute discretion, deem fit for the sole benefit of the Company;

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- (iv) the provisional allotment of the Rights Shares not taken up or allotted for any reason shall be aggregated and allotted to satisfy excess applications for the Rights Shares or otherwise disposed of or dealt with in such manner and on such terms and conditions as the Directors may in their absolute discretion deem fit; and
- (v) the Rights Shares when issued and fully paid-up will rank *pari passu* in all respects with the then existing issued Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of allotment and issue of the Rights Shares;
- (c) the Directors be and are hereby authorised to fix the Books Closure Date in their absolute discretion; and
- (d) the Directors be and are hereby authorised to take such steps, do all such acts and things, (including but not limited to finalising, approving and executing all such documents as may be required in connection with the Rights Issue, the issue of the Nil-Paid Rights and the Rights Shares, and making amendments to the terms and conditions of the Rights Issue (including the Issue Price)) and to exercise such discretion as the Directors may in their absolute discretion deem fit, advisable or necessary in order to give full effect to this resolution, the Rights Issue and the allotment and issue of the Rights Shares.

ORDINARY RESOLUTION 2: PAYMENT OF SUB-UNDERWRITING COMMISSION BY THE MANAGER AND UNDERWRITER TO THE CONTROLLING SHAREHOLDERS

RESOLVED THAT, SUBJECT TO THE APPROVAL FOR ORDINARY RESOLUTIONS 1 AND 3:

- (a) approval be and is hereby given for the payment by the Manager and Underwriter to the Controlling Shareholders of a sub-underwriting commission of 1.50 per cent. of the aggregate gross proceeds from the 107,196,015 Rights Shares that are underwritten by the Manager and Underwriter and sub-underwritten by the Controlling Shareholders, pursuant to the sub-underwriting agreement entered into between the Manager and Underwriter and the Controlling Shareholders dated 22 August 2019; and
- (b) the Directors and each of them be and are hereby authorised to take any and all steps and to do and/or procure to be done any and all acts and things (including without limitation, to approve, sign and execute all such documents which they in their absolute discretion consider to be necessary, and to exercise such discretion as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they and/or he may consider necessary, desirable or expedient in order to implement, finalise and give full effect to the matters contemplated in this resolution.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTION 3: WHITEWASH RESOLUTION

RESOLVED THAT, SUBJECT TO THE APPROVAL FOR ORDINARY RESOLUTIONS 1 AND 2:

the Shareholders (other than the Controlling Shareholders and Senz Holdings Limited and its directors (together with their close relatives, related trusts and companies controlled by any of them) and parties acting or deemed to be acting in concert with them in respect of the Shares (together, the “**Concert Party Group**”) and parties not independent of the Concert Party Group), do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer from the Concert Party Group pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers, for the remaining Shares not already owned or controlled by the Concert Party Group, arising from the acquisition by the Controlling Shareholders of Rights Shares pursuant to the Controlling Shareholders’ Irrevocable Undertaking and the Sub-underwriting Commitment.

By Order of the Board of
Chip Eng Seng Corporation Ltd.

Chia Lee Meng Raymond
Executive Director and Group Chief Executive Officer

Singapore
29 August 2019

Notes:

1. A member who is not a relevant intermediary (as defined in Note 2 below) is entitled to appoint not more than two (2) proxies to attend, speak and vote at the EGM. Where such member’s form of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
2. A member of the Company who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member’s form of proxy appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“**relevant intermediary**” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
3. A corporation which is a member may, by resolution of its directors or other governing body, authorise 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.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must be deposited at the registered office of the Company at 171 Chin Swee Road, #12-01 CES Centre, Singapore 169877 not less than 72 hours before the time appointed for holding the EGM, and in default the instrument of proxy shall not be treated as valid.
6. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument of proxy is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney.

NOTICE OF EXTRAORDINARY GENERAL MEETING

7. The submission of an instrument appointing a proxy or proxies by a member of the Company does not preclude him from attending and voting in person at the EGM if he is able to do so. In such an event, the instrument appointing the proxy or proxies will be deemed to be revoked, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy or proxies, to the EGM.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, 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.
9. In the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) 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, take-over 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 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.

PROXY FORM

CHIP ENG SENG CORPORATION LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 199805196H)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore may appoint more than two proxies to attend, speak and vote at the Extraordinary General Meeting (the "EGM").
2. For CPF/SRS investors who have used their CPF/SRS moneys to buy shares in Chip Eng Seng Corporation Ltd., this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS Investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 29 August 2019.

I/We _____ (Name) _____ (NRIC/Passport Number/
Company Registration No.) of _____ (Address)
being a member/members* of **CHIP ENG SENG CORPORATION LTD.** (the "Company"), hereby appoint:

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

*and/or

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

or failing *him/her/them, the Chairman of the EGM as *my/our *proxy/proxies to attend, to speak and to vote for *me/us and on *my/our behalf at the EGM, to be held at Emerald Suite, Golf Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on 13 September 2019 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the EGM and at any adjournment thereof.

Resolutions	Number of votes For**	Number of votes Against**
ORDINARY RESOLUTION 1: Subject to the approval for Ordinary Resolutions 2 and 3, to approve the Rights Issue		
ORDINARY RESOLUTION 2: Subject to the approval for Ordinary Resolutions 1 and 3, to approve the payment of the Sub-underwriting Commission by the Manager and Underwriter to the Controlling Shareholders		
ORDINARY RESOLUTION 3: Subject to the approval for Ordinary Resolutions 1 and 2, to approve the Whitewash Resolution		

* Please delete accordingly.

** Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please indicate with a "X" in the box provided. Otherwise, please indicate the number of votes "For" or "Against" within the box provided.

Dated this _____ day of _____ 2019.

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

Signature(s) of Member(s) and Common Seal
of Corporate Shareholder

IMPORTANT: PLEASE READ THE NOTES OVERLEAF CAREFULLY BEFORE COMPLETING THIS FORM.

PROXY FORM

Notes:

1. A member who is not a relevant intermediary (as defined in Note 2 below) is entitled to appoint not more than two (2) proxies to attend, speak and vote at the EGM. Where such member's form of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
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"relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
3. A corporation which is a member may, by resolution of its directors or other governing body, authorise 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.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must be deposited at the registered office of the Company at 171 Chin Swee Road, #12-01 CES Centre, Singapore 169877 not less than 72 hours before the time appointed for holding the EGM, and in default the instrument of proxy shall not be treated as valid.

1st fold Do not staple. Glue all sides firmly.

Please affix
Postage
Stamp here

The Company Secretary
Chip Eng Seng Corporation Ltd.
171 Chin Swee Road
#12-01 CES Centre
Singapore 169877

2nd fold

6. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument of proxy is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney.
7. The submission of an instrument appointing a proxy or proxies by a member of the Company does not preclude him from attending and voting in person at the EGM if he is able to do so. In such an event, the instrument appointing the proxy or proxies will be deemed to be revoked, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy or proxies, to the EGM.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, 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.
9. In the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.
10. If the member has shares entered against his name in the Depository Register, he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
11. Any alteration made in this instrument appointing a proxy or proxies must be initialled by the person who signs it.
12. By submitting this Proxy Form appointing a proxy or proxies, the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 29 August 2019.

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