

CIRCULAR DATED 11 SEPTEMBER 2019

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

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

If you have sold or transferred all your shares in the issued share capital of SLB Development Ltd. (the "**Company**") held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular with the Notice of Annual General Meeting and the Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of Annual General Meeting and the Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your ordinary shares in the issued share capital of the Company represented by physical share certificate(s), you should immediately forward this Circular together with the Notice of Annual General Meeting and the Proxy Form immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**").

This Circular has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.

The contact person for the Sponsor is Ms. Tay Sim Yee, at 1 Robinson Road #21-00, AIA Tower, Singapore 048542, telephone (65) 6232 3210.

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



(Incorporated in the Republic of Singapore)
(Company Registration Number: 201729864H)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE; AND**
- (2) THE PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	23 September 2019 at 10.00 a.m.
Date and time of Annual General Meeting	:	26 September 2019 at 10.00 a.m.
Place of Annual General Meeting	:	29 Harrison Road Lian Beng Building Singapore 369648

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DEFINITIONS

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

- “ACRA”** : Accounting and Corporate Regulatory Authority of Singapore
- “AGM”** : The annual general meeting of the Company
- “Annual Report”** : The Company’s annual report for the financial year ended 31 May 2019
- “Approval Date”** : 26 September 2019, being the date of the AGM which the renewal of the Share Buyback Mandate is approved
- “Associate”** : (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% or more;
- (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 any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Associated Company”** : A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group
- “Audit Committee”** : The audit committee of the Company as at the date of this Circular, comprising Mr Owi Kek Hean, Mr Foo Der Rong and Ms Ong Lay Koon
- “BCA”** : Building and Construction Authority
- “Board”** : The board of Directors of the Company as at the date of this Circular
- “Catalist”** : The sponsor-supervised listing platform of the SGX-ST

DEFINITIONS

“Catalist Rules”	:	The SGX-ST Listing Manual Section B: Rules of Catalist, as amended, modified or supplemented from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 11 September 2019
“Code”	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
“Companies Act”	:	The Companies Act (Cap. 50) of Singapore, as may be amended, varied or supplemented from time to time
“Company”	:	SLB Development Ltd.
“Constitution”	:	The constitution of the Company, as may be amended or modified from time to time
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or (b) in fact exercises control over the Company.
“Directors”	:	The directors of the Company as at the date of this Circular
“EAR Group”	:	For purposes of the proposed renewal of the IPT General Mandate, an “Entity at Risk” means: (a) the Company; (b) a subsidiary of the Company that is not listed on the SGX-ST or an approved exchange; or (c) an associated company of the Company that is not listed on the SGX-ST or an approved exchange, provided that the Group, or the Group and its interested person(s), has or have control over the associated company, (together, the “EAR Group”)
“EPS”	:	Earnings per Share
“FY”	:	Financial year ended or, as the case may be, ending 31 May
“Group”	:	The Company, its subsidiaries and associated companies

DEFINITIONS

“Interested Person”	:	a Director, chief executive officer, or Controlling Shareholder of the Company or an Associate of any such Director, chief executive officer, or Controlling Shareholder
“IPT General Mandate”	:	The general mandate from the Shareholders pursuant to Chapter 9 of the Catalyst Rules to enable any or all members of the Group, in the ordinary course of business to enter into the Mandated Transactions with the Mandated Interested Persons which are necessary for the Company’s day-to-day operations, provided that all such transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders
“Latest Practicable Date”	:	26 August 2019, being the latest practicable date prior to the printing of this Circular
“LPS”	:	Loss per Share
“Mandated Interested Persons”	:	Lian Beng Construction (1988) Pte Ltd, L.S. Construction Pte Ltd, Deenn Engineering Pte Ltd and Millennium International Builders Pte. Ltd.
“Mandated Transactions”	:	The provision of construction services in future property development projects of the EAR Group in the capacity of a main contractor
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“New Lian Beng Group”	:	Lian Beng Group Ltd together with its subsidiaries and associated companies (excluding the Company, its subsidiaries and associated companies)
“Notice of AGM”	:	The notice of AGM as contained in the Annual Report
“NTA”	:	Net tangible assets
“Off-Market Purchase”	:	Has the meaning ascribed to it in Section 2.3.3 of this Circular
“Offer Document”	:	Offer document dated 11 April 2018 issued by the Company in connection with its initial public offering and listing on Catalyst
“Register of Directors’ Shareholdings”	:	Register of Directors’ shareholdings of the Company
“Register of Members”	:	Register of members of the Company
“Register of Substantial Shareholders”	:	Register of substantial shareholders of the Company

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“Relevant Period”	:	The period commencing from 26 September 2019, being the date of the AGM on which the ordinary resolution in relation to the renewal of the Share Buyback Mandate is passed and expiring on the earliest of (i) the date on which the next AGM is or is required by law to be held; (ii) the date on which the Share Buybacks are carried out to the full extent mandated, or (iii) the date the said mandate is revoked or varied by the Shareholders in a general meeting
“Securities Account”	:	A securities account maintained by a Depositor with the CDP but not including a securities sub-account maintained with a Depository Agent
“SFA”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Buyback”	:	The purchase or acquisition of issued Share(s) by the Company pursuant to the terms of the Share Buyback Mandate
“Share Buyback Mandate”	:	The general and unconditional mandate given by the Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, Shares in accordance with the terms set out in this Circular as well as the rules and regulations set forth in the Companies Act and the Catalist Rules
“Shares”	:	Ordinary shares in the capital of the Company
“Shareholders”	:	Persons who are registered as holders of Shares in the Register of Members maintained by the Company, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, and where the context admits, mean the Depositors in the Depository Register maintained by the CDP and whose Securities Accounts maintained with the CDP are credited with those Shares
“SIC”	:	The Securities Industry Council of Singapore
“Sponsor”	:	SAC Capital Private Limited
“Substantial Shareholder”	:	A person (including a corporation) who has an interest, directly or indirectly, in 5.0% or more of the total number of voting Shares of the Company
“S\$” and “cents”	:	Singapore dollars and cents, respectively

DEFINITIONS

“%” or “per cent.” : Percentage or per centum

Names used in this Circular Names in Passport

“**Matthew Ong**” : Ong Eng Keong (Wang Yongqiang)

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

The terms “**treasury shares**”, “**subsidiary**”, “**subsidiary holdings**” and “**related company**” shall have the meaning ascribed to them respectively in the Companies Act.

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

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

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

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

LETTER TO SHAREHOLDERS

SLB DEVELOPMENT LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number: 201729864H)

Directors:

Ong Lay Koon (Non-Executive Non-Independent Chairman)
Matthew Ong (Executive Director and Chief Executive Officer)
Owi Kek Hean (Lead Independent Director)
Foo Der Rong (Independent Director)

Registered Office:

29 Harrison Road #07-00
Lian Beng Building
Singapore 369648

Date: 11 September 2019

To: The Shareholders of SLB Development Ltd.

Dear Sir/Madam

- (1) **THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE; AND**
- (2) **THE PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**

1. INTRODUCTION

1.1 The Directors propose to convene an AGM to be held on 26 September 2019 to seek Shareholders' approval for the following matters:

- (a) the proposed renewal of the Share Buyback Mandate; and
- (b) the proposed renewal of the IPT General Mandate.

1.2 Circular

The purpose of this Circular is to provide Shareholders with information in respect of the matters set out in Section 1.1 above, and to seek approval of Shareholders at the AGM for the matters set out in the Notice of AGM contained in the Annual Report.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 Background

Under the Companies Act, Singapore-incorporated companies are allowed to purchase or otherwise acquire their own ordinary shares, stocks and preference shares if their constitution expressly permits them to do so, provided that any such purchase is made in accordance with and in the manner prescribed by the Companies Act, their constitution and such other laws and regulations as may for the time being be applicable. As the Company is listed on Catalist, it is also required to comply with Part XI of Chapter 8 of the Catalist Rules, which relates to the purchase or acquisition by an issuer of its own shares. Regulation 6 of the Constitution expressly permits the Company to purchase or otherwise acquire its issued Shares.

LETTER TO SHAREHOLDERS

It is a requirement under the Companies Act and the Catalyst Rules that a company which wishes to purchase or otherwise acquire its own shares must obtain the approval of its shareholders to do so at a general meeting.

At the AGM of the Company convened on 25 September 2018 (“**2018 AGM**”), the Shareholders had approved the adoption of the Share Buyback Mandate. The authority and limitations of the Share Buyback Mandate were set out in the Company’s circular to Shareholders dated 10 September 2018. The authority contained in the Share Buyback Mandate adopted at the 2018 AGM was expressed to continue in force until the date of the next AGM of the Company and, as such, would be expiring on 26 September 2019, being the date of the forthcoming AGM (“**2019 AGM**”). Accordingly, the Directors propose that the Share Buyback Mandate be renewed at the 2019 AGM.

If approved by the Shareholders at the 2019 AGM, the authority conferred by the Share Buyback Mandate will continue in force until the date of the next AGM of the Company or such date as the next AGM is required by law to be held, whichever is earlier, unless prior thereto, the Share Buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting. The Share Buyback Mandate may be put to Shareholders for renewal at each subsequent AGM of the Company at the discretion of the Directors.

2.2 Rationale for the Share Buyback Mandate

The Company is proposing to undertake the Share Buyback for the following reasons:

- (a) in managing the business of the Group, the management will strive to increase Shareholders’ value by improving, *inter alia*, the return on equity of the Group. In addition to growth and expansion of the business, Share Buybacks may be considered as one of the ways through which the return on equity of the Group may be enhanced;
- (b) the Share Buyback Mandate will also give the Company the opportunity to undertake Share Buybacks when such Shares are under-valued, to help mitigate short-term market volatility in the Company’s Share price, offset the effects of short-term Share price speculation and bolster Shareholders’ confidence;
- (c) the Share Buyback Mandate will provide the Company with greater flexibility on managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds which are in excess of its financial needs, taking into account its growth and expansion plans, the Share Buyback Mandate will facilitate efficient return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner; and
- (d) to enable the Directors to utilise the Shares which are purchased or acquired thereunder and held as treasury shares to be sold for cash or transferred as consideration for the acquisition of shares in or assets of another company or assets of a person, which may be less dilutive than if new Shares were issued for this purpose.

LETTER TO SHAREHOLDERS

If and when circumstances permit, the Directors will decide whether (i) to effect the Share Buyback via market purchases or off-market purchases; and (ii) whether the Shares purchased or acquired should be held as treasury shares or cancelled, after taking into account the relevant factors such as the financial resources available, the prevailing market conditions, and the cost and timing involved.

The Share Buybacks pursuant to the Share Buyback Mandate will only be undertaken when the Directors are of the view that such purchases or acquisitions of Shares are of benefit to the Company and Shareholders.

2.3 Terms of the Share Buyback Mandate

The authority and limitations, if approved at the 2019 AGM, are summarised below:–

2.3.1 Maximum number of Shares

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

The maximum number of Shares which may be purchased or acquired by the Company pursuant to the Share Buyback Mandate is limited to such number of Shares representing not more than 10% of the issued Shares of the Company (excluding treasury shares and subsidiary holdings, if applicable) as at the Approval Date, unless the Company has, at any time during the Relevant Period, reduced its share capital in accordance with the applicable provisions of the Companies Act. In which event, the total number of Shares of the Company shall be taken to be the total number of Shares of the Company altered.

For the avoidance of doubt, Shares which are held as treasury shares and subsidiary holdings will be disregarded for the purposes of computing the aforesaid 10% limit. As at the Latest Practicable Date, the Company has no treasury shares and subsidiary holdings.

For illustrative purposes only, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date comprising 913,000,000 Shares, and assuming that (i) no further Shares are issued and no changes are made to the share capital of the Company; (ii) no further Shares are purchased or acquired by the Company as treasury shares or cancelled; and (iii) no further Shares are held as subsidiary holdings on or prior to the AGM, not more than 91,300,000 Shares (representing 10% of the issued Shares (excluding Shares held in treasury and subsidiary holdings)) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

While the Share Buyback Mandate would authorise a purchase or acquisition of Shares up to the 10% limit, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full 10% limit as authorised. In particular, the Board will not effect Share Buyback in circumstances which would have an adverse effect on the free float, liquidity, orderly trading of the Shares and/or financial position of the Group.

LETTER TO SHAREHOLDERS

2.3.2 Duration of Authority

Share Buybacks may be made, at any time and from time to time, from the Approval Date and up to the earlier of:

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

The Share Buyback Mandate may be renewed at each AGM or other general meeting of the Company.

2.3.3 Manner of purchase or acquisition of Shares

Share Buybacks can be effected by the Company by way of:

- (a) on-market purchases (“**Market Purchase**”) transacted on the SGX-ST through the trading system, or as the case may be, any other securities exchange on which the Shares may, for the time being, be listed; and/or
- (b) off-market purchases (“**Off-Market Purchase**”) in accordance with an equal access scheme as defined in Section 76C of the Companies Act, and which will satisfy all the conditions prescribed by the Constitution and the Catalist Rules.

In an Off-Market Purchase, the Directors may impose such terms and conditions, which are consistent with the Share Buyback Mandate, the Catalist Rules, the Companies Act and the Constitution or other applicable laws and regulations, as they consider fit in the interests of the Company. An Off-Market Purchase must, however, satisfy the following conditions:

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

LETTER TO SHAREHOLDERS

Pursuant to Rule 870 of the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders containing at least the following information:

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

2.3.4 Maximum Purchase Price

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

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

(the “**Maximum Price**”) in either case, excluding related expenses of the Share Buyback.

For the above purposes:–

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Catalist Rules, for any corporate action that occurs after the relevant five (5) day period; and

LETTER TO SHAREHOLDERS

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

2.4 Status of purchased Shares

Any Share purchased or acquired by the Company shall, unless held as treasury shares to the extent permitted under the Companies Act, be deemed cancelled immediately on purchase or acquisition of Shares, and all rights and privileges attached to that Share will expire on cancellation. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

All Shares purchased or acquired by the Company (other than treasury shares) will be automatically de-listed from the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such Share Buybacks.

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

2.5 Treasury Shares

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

2.5.1 Maximum Holdings

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

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

As at the Latest Practicable Date, the number of issued Shares is 913,000,000 and the Company has no treasury shares. Assuming no changes to the share capital of the Company during the Relevant Period, the maximum number of Shares that may be acquired and held as treasury shares pursuant to the Share Buyback Mandate is 91,300,000 treasury shares.

LETTER TO SHAREHOLDERS

2.5.2 Voting and Other Rights

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

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

2.5.3 Disposal and Cancellation

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

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

2.5.4 Reporting requirements

In addition, pursuant to Rule 704(31) of the Catalist Rules, the Company must immediately announce any sale, transfer, cancellation and/or use of treasury shares, stating the following:

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

LETTER TO SHAREHOLDERS

2.6 Source of Funds

The Company intends to use its internal resources or external borrowings or a combination of both to finance its Share Buybacks pursuant to the Share Buyback Mandate. In considering the use of external funding, the Company will take into consideration the availability of external financing and the resulting impact on the prevailing gearing level of the Company and the Group. The Directors do not propose to exercise the Share Buyback Mandate in a manner and to such extent that the Group's liquidity and capital adequacy position would be materially and adversely affected.

Under the Companies Act, Share Buybacks may be made out of the Company's distributable capital or profits only if the Company is solvent. It is an offence for a director or chief executive officer of a company to approve or authorise the purchase or acquisition of shares, knowing that the company is not solvent.

For this purpose, pursuant to Section 76F(4) of the Companies Act, a company is solvent if at the date of the payment for the Share Buyback, the following conditions are satisfied:—

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

2.7 Financial Impact

2.7.1 The financial impact on the Company and the Group arising from the Share Buybacks pursuant to the Share Buyback Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases, whether the Share Buyback is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled. It is accordingly not possible for the Company to realistically or accurately calculate or quantify the exact impact that the Share Buyback Mandate might have on the NTA value, EPS and gearing of the Company and the Group at this juncture.

LETTER TO SHAREHOLDERS

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

Under the Companies Act, Share Buybacks may be made out of the Company's distributable capital and/or profits so long as the Company is solvent.

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

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

2.7.3 Number of Shares purchased or acquired

Purely for illustrative purposes only, on the basis of 913,000,000 Shares (the Company does not hold any treasury shares and subsidiary holdings) in issue as at Latest Practicable Date, the exercise of the Share Buyback Mandate in full would result in the purchase or acquisition of 91,300,000 Shares.

2.7.4 Maximum Price paid for Shares purchased or acquired

In the case of Market Purchase by the Company and assuming that the Company purchases or acquires 91,300,000 Shares at the Maximum Price of S\$0.123 per Share (being the price equivalent to 105% of the Average Closing Price of the Share traded on the Catalist for the last five (5) Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 91,300,000 Shares (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties and clearance fees) is approximately S\$11,230,000.

In the case of Off-Market Purchase by the Company and assuming that the Company purchases or acquires 91,300,000 Shares at the Maximum Price of S\$0.140 per Share (being the price equivalent to 120% of the Average Closing Price of the Share traded on the Catalist for the last five (5) Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 91,300,000 Shares (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties and clearance fees) is approximately S\$12,782,000.

2.7.5 Illustrative financial effects

For illustrative purposes only and on the basis of the assumptions set out in Sections 2.7.3 and 2.7.4 above and the following assumptions,

- (a) the share capital of the Company consists of 913,000,000 Shares on 1 June 2018;
- (b) the Share Buybacks had taken place on 1 June 2018 for the purposes of computing the financial effects on the EPS of the Company and the Group;

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- (c) the Share Buybacks had taken place on 31 May 2019 for the purposes of computing the financial effects on NTA per Share of the Company and the Group;
- (d) the purchase or acquisition of Shares was financed by internal sources of funds of the Company; and
- (e) the transaction costs incurred for the Share Buybacks are insignificant and have been ignored for the purposes of computing the financial effects,

the financial effects of:–

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

based on the audited financial statements of the Group and the Company for FY2019 are set out respectively in the following pages:

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

As at 31 May 2019 (S\$'000)	GROUP			COMPANY		
	Before Share buyback	After Market Purchase	After Off-Market Purchase	Before Share buyback	After Market Purchase	After Off-Market Purchase
Share capital	146,216	146,216	146,216	146,216	146,216	146,216
Other reserves ⁽¹⁾	(30,715)	(30,715)	(30,715)	–	–	–
Treasury shares	–	(11,230)	(12,782)	–	(11,230)	(12,782)
Retained earnings	33,236	33,236	33,236	1,645	1,645	1,645
Shareholders' fund	148,737	137,507	135,955	147,861	136,631	135,079
Non-controlling interests	9,597	9,597	9,597	–	–	–
Total equity	158,334	147,104	145,552	147,861	136,631	135,079
NTA attributable to Shareholders of the Company ⁽²⁾	148,737	137,507	135,955	147,861	136,631	135,079
Current assets	313,188	301,958	300,406	169,672	158,442	156,890
Current liabilities	37,387	37,387	37,387	3,777	3,777	3,777
Working capital	275,801	264,571	263,019	165,895	154,665	153,113
Total borrowings	87,845	87,845	87,845	218	218	218
Cash and cash equivalents	36,294	25,064	23,512	20,979	9,749	8,197
Net profit/(loss) attributable to Shareholders of the Company	(5,033)	(5,033)	(5,033)	3,854	3,854	3,854
Number of Shares ('000)	913,000	913,000	913,000	913,000	913,000	913,000
Number of treasury shares ('000)	–	91,300	91,300	–	91,300	91,300
Number of Shares excluding treasury shares ('000)	913,000	821,700	821,700	913,000	821,700	821,700
Financial Ratios						
NTA per Share (cents) ⁽²⁾	16.29	16.73	16.55	16.20	16.63	16.44
EPS/(LPS) (cents) ⁽³⁾	(0.55)	(0.61)	(0.61)	0.42	0.47	0.47
Gearing Ratio ⁽⁴⁾ (times)	0.35	0.46	0.47	N.A.	N.A.	N.A.
Current Ratio ⁽⁵⁾ (times)	8.38	8.08	8.04	44.92	41.95	41.54

Notes:

- (1) Other reserves comprise of merger reserve and translation reserve.
- (2) NTA attributable to Shareholders of the Company equals total equity less intangible assets and non-controlling interests. NTA per Share is calculated based on NTA attributable to Shareholders of the Company divided by the number of Shares (excluding treasury shares).
- (3) EPS/(LPS) is calculated based on net profit/(loss) attributable to Shareholders of the Company divided by the number of Shares (excluding treasury shares).
- (4) Gearing ratio equals net debt divided by shareholders' fund. Net debt means total borrowings less cash and cash equivalents.
- (5) Current ratio equals current assets divided by current liabilities.

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

As at 31 May 2019 (S\$'000)	GROUP			COMPANY		
	Before Share buyback	After Market Purchase	After Off-Market Purchase	Before Share buyback	After Market Purchase	After Off-Market Purchase
Share capital	146,216	134,986	133,434	146,216	134,986	133,434
Other reserves ⁽¹⁾	(30,715)	(30,715)	(30,715)	–	–	–
Treasury shares	–	–	–	–	–	–
Retained earnings	33,236	33,236	33,236	1,645	1,645	1,645
Shareholders' fund	148,737	137,507	135,955	147,861	136,631	135,079
Non-controlling interests	9,597	9,597	9,597	–	–	–
Total equity	158,334	147,104	145,552	147,861	136,631	135,079
NTA attributable to Shareholders of the Company ⁽¹⁾	148,737	137,507	135,955	147,861	136,631	135,079
Current assets	313,188	301,958	300,406	169,672	158,442	156,890
Current liabilities	37,387	37,387	37,387	3,777	3,777	3,777
Working capital	275,801	264,571	263,019	165,895	154,665	153,113
Total borrowings	87,845	87,845	87,845	218	218	218
Cash and cash equivalents	36,294	25,064	23,512	20,979	9,749	8,197
Net profit/(loss) attributable to Shareholders of the Company	(5,033)	(5,033)	(5,033)	3,854	3,854	3,854
Number of Shares ('000)	913,000	821,700	821,700	913,000	821,700	821,700
Number of treasury shares ('000)	–	–	–	–	–	–
Number of Shares excluding treasury shares ('000)	913,000	821,700	821,700	913,000	821,700	821,700
Financial Ratios						
NTA per Share (cents) ⁽²⁾	16.29	16.73	16.55	16.20	16.63	16.44
EPS/(LPS) (cents) ⁽³⁾	(0.55)	(0.61)	(0.61)	0.42	0.47	0.47
Gearing Ratio ⁽⁴⁾ (times)	0.35	0.46	0.47	N.A.	N.A.	N.A.
Current Ratio ⁽⁵⁾ (times)	8.38	8.08	8.04	44.92	41.95	41.54

Notes:

- (1) Other reserves comprise of merger reserve and translation reserve.
- (2) NTA attributable to Shareholders of the Company equals total equity less intangible assets and non-controlling interests. NTA per Share is calculated based on NTA attributable to Shareholders of the Company divided by the number of Shares (excluding treasury shares).
- (3) EPS/(LPS) is calculated based on net profit/(loss) attributable to Shareholders of the Company divided by the number of Shares (excluding treasury shares).
- (4) Gearing ratio equals net debt divided by shareholders' fund. Net debt means total borrowings less cash and cash equivalents.
- (5) Current ratio equals current assets divided by current liabilities.

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Shareholders should note that the financial effects illustrated above are for illustration purposes only. In particular, it is important to note that the above analysis is based on the audited consolidated financial statements of the Company and the Group for FY2019 and is not necessarily representative of the future financial performance of the Group.

It should be noted that although the Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the total number of the Company's issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire all 10% of the issued Shares in full. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.

The Directors do not propose to exercise the Share Buyback Mandate to an extent that would materially and adversely affect the working capital requirements of the Company. The purchases or acquisitions of Shares will only be effected after considering relevant factors such as the working capital requirements, availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The Share Buyback Mandate will only be exercised in the best interests of the Company, for example, to enhance the EPS and/or the NTA value per Share of the Company.

2.8 Other Applicable Catalyst Rules

2.8.1 Reporting Requirements

The Catalyst Rules specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day on which it purchased or acquired any of its Shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such announcement must be in the form of Appendix 8D of the Catalyst Rules.

2.8.2 Restrictions on Share Buybacks

While the Catalyst Rules does not expressly prohibit any purchase of shares by a listed company during any particular time or times, the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares. As such, the Company will not undertake any Share Buybacks pursuant to the Share Buyback Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced or disseminated in accordance with the requirements of the Catalyst Rules.

Further, in conformity with the best practices guide on securities dealings under the Catalyst Rules, the Company will not purchase or acquire any shares pursuant to the Share Buyback Mandate during the period commencing two (2) weeks

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before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one (1) month before the announcement of the Company's financial statements for the full financial year (if required to announce quarterly financial statements), or one (1) month before the announcement of the Company's half year and full year financial statements (if not required to announce quarterly financial statements).

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

2.8.3 Free Float

The Company will ensure that any Share purchased or acquired by the Company will not result in a fall in the percentage of Shares held by the public to below 10% of the total number of issued Shares (excluding preference shares, convertible equity securities and treasury shares). For this purpose, "**public**", as defined under the Catalist Rules, means persons other than the Directors, chief executive officer, Substantial Shareholders, or Controlling Shareholders of the Company and its subsidiaries, as well as the Associates of such persons.

The Company does not have any individual shareholding limit or foreign shareholding limit. As at the Latest Practicable Date, 228,295,500 Shares (representing approximately 25%) of the total number of issued Shares are held by the public. In the event that the Company should, pursuant to the Share Buyback Mandate, purchase or acquire its Shares up to the full 10% limit, about 136,995,500 (representing approximately 16.7%) of the Shares would continue to be in the hands of the public.

Accordingly, the Directors are of the view that there is, at present, a sufficient number of Shares in issue held by the public which would permit the Company to undertake purchases of its Shares up to the full 10% limit pursuant to the Share Buyback Mandate. Nonetheless, the Directors will at all times ensure that when purchasing any Shares pursuant to the Share Buyback Mandate, at least 10% of its Shares will remain in the hands of the public in accordance with the Catalist Rules without: (a) affecting the listing status of the Company; (b) causing market illiquidity of the Shares; or (c) affecting adversely the orderly trading of the Shares.

2.9 **Taxation**

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

2.10 **Previous Share Buybacks**

The Company did not make any Share Buyback during the period from 25 September 2018 (being the date of the 2018 AGM) up to the Latest Practicable Date, pursuant to the Share Buyback Mandate approved by the Shareholders during the 2018 AGM.

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2.11 Take-over Code Implications

2.11.1 Persons acting in concert

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

- (a) a company, its parent company, subsidiaries, fellow subsidiaries, any of the foregoing companies' associated companies, companies of which the foregoing companies are associated companies, all with each other, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of them) which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in its ordinary course of business) to any of the above for the purchase of voting rights.

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

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2.11.2 Obligations to make a take-over offer

Pursuant to Appendix 2 to the Code, any resulting increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him as a result of Share Buybacks by the Company will be treated as an acquisition for the purpose of Rule 14 of the Code. Consequently, a Shareholder or group of Shareholders acting in concert could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Code.

Except with the consent of the SIC, Rule 14.1 of the Code requires, *inter alia*, that where:

- (a) any person acquires, whether by a series of transactions over a period of time or not, shares (taken together with shares held or acquired by persons acting in concert with him) which carry 30% or more voting rights of a company; or
- (b) any person who, together with persons holding in concert with him, holds not less than 30% but more than 50% of the voting rights of the company, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights,

such person must extend immediately an offer on the basis set out in Rule 14 of the Code, to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

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

2.11.3 Effects of the Take-over Code

Under Rule 14 of the Code, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 of the Code if, as a result of Share Buybacks by the Company:

- (a) the voting rights of such Directors and persons acting in concert with them increase to 30% or more; or

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- (b) if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties increase by more than 1% in any period of six (6) months.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Code as a result of any purchase or acquisition of Shares by the Company should consult their professional advisers and/or SIC and/or other relevant authorities at the earliest opportunity.

2.11.4 Application of the Take-over Code

Based on the Company's Register of Substantial Shareholders and Register of Directors' Shareholdings as at the Latest Practicable Date, Lian Beng Group Ltd ("**Lian Beng**") is the single largest shareholder which holds 74.85% of the issued share capital of the Company. Further thereto, Lian Beng, Ong Sek Chong & Sons Pte Ltd, Ong Pang Aik, and Ong Lay Huan are deemed parties acting in concert with each other under the Code (collectively, the "**Relevant Shareholders**").

As the Relevant Shareholders hold more than 50% of the issued share capital of the Company, Rule 14 of the Code will not be triggered pursuant to Share Buybacks.

Changes to shareholdings pursuant to Share Buyback

Substantial Shareholders (other than Directors)	Before Share Buyback			After Share Buyback		
	Direct interest	Deemed interest	Total Interest (%) ⁽¹⁾	Direct interest	Deemed interest	Total Interest (%) ⁽²⁾
Lian Beng	683,354,000	–	74.85	683,354,000	–	83.16
Ong Sek Chong & Sons Pte Ltd ⁽⁴⁾	–	683,354,000	74.85	–	683,354,000	83.16
Ong Pang Aik ⁽³⁾⁽⁴⁾⁽⁵⁾	–	684,704,500	75.00	–	684,704,500	83.33
Ong Lay Huan ⁽³⁾⁽⁴⁾⁽⁵⁾	–	683,354,000	74.85	–	683,354,000	83.16
Directors						
Ong Lay Koon ⁽³⁾⁽⁵⁾	–	–	–	–	–	–
Matthew Ong ⁽³⁾	–	–	–	–	–	–
Owi Kek Hean	–	–	–	–	–	–
Foo Der Rong	–	–	–	–	–	–

Notes:

- (1) As a percentage of the issued share capital of the Company as at the Latest Practicable Date, comprising 913,000,000 Shares.
- (2) As a percentage of the issued share capital of the Company, comprising 821,700,000 Shares (assuming that the Company purchased or acquired the maximum number of 91,300,000 Shares under the Share Buyback Mandate).
- (3) Matthew Ong is the son of Ong Pang Aik and nephew of Ong Lay Koon and Ong Lay Huan.
- (4) Ong Sek Chong & Sons Pte Ltd, Ong Pang Aik and Ong Lay Huan are deemed interested in all the Shares of our Company held by Lian Beng by virtue of Section 4 of the SFA. The shareholders of Ong Sek Chong & Sons Pte Ltd are Ong Pang Aik (40.0%), Ong Lay Huan (36.0%), Ong Lay Koon (12.0%) and Ong Lee Yap (12.0%). Ong Pang Aik is deemed interested in the 1,350,500 Shares held through a nominee account.
- (5) Ong Pang Aik, Ong Lay Koon, Ong Lay Huan and Ong Lee Yap are siblings.

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

Shareholders are advised to consult their professional advisors and/or the SIC and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases or acquisitions by the Company.

3. THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE

3.1 Background

On 11 April 2018, the Shareholders adopted the IPT General Mandate. The renewal of the IPT General Mandate was subsequently approved by Shareholders at the AGM held on 25 September 2018, being the date of the 2018 AGM, and will take effect until the conclusion of the next AGM of the Company. The terms of the IPT General Mandate were set out in the section entitled “Interested Person Transactions – General Mandate for Interested Person Transactions” in the Offer Document.

The IPT General Mandate enables the EAR Group, in the ordinary course of business, to enter into the Mandated Transactions with the Mandated Interested Persons which are necessary for the day-to-day operations, provided that all such transactions are carried out at arm’s length and are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

3.2 Annual Renewal of the IPT General Mandate

The IPT General Mandate was renewed at the 2018 AGM. The authority and limitations of the IPT General Mandate were set out in the Company’s circular to Shareholders dated 10 September 2018. The authority contained in the IPT General Mandate adopted at the 2018 AGM was expressed to continue in force until the date of the next AGM of the Company and, as such, would be expiring on 26 September 2019, being the date of the 2019 AGM. Accordingly, the Directors propose that the IPT General Mandate be renewed at the 2019 AGM and for it to take effect until the conclusion of the next AGM of the Company.

Approval from independent Shareholders will be sought for the renewal of the IPT General Mandate annually.

3.3 Particulars of the IPT General Mandate to be Renewed

The terms of which the IPT General Mandate is sought to be renewed remains unchanged.

Details of the IPT General Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with the Mandated Interested Persons and other general information relating to Chapter 9 of the Catalist Rules, are set out in paragraph 3.6 of this Circular.

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3.4 Audit Committee's Confirmation

Pursuant to Rule 920(1)(c) of the Catalist Rules, the Audit Committee confirms that:

- (a) the methods or procedures for determining the transaction prices and the terms of the Mandated Transactions have not changed since the IPT General Mandate was last approved by the Shareholders; and
- (b) the methods or procedures referred to in sub-paragraph (a) above and the terms of the Mandated Transactions are sufficient to ensure that the Mandated Transactions with the Mandated Interested Persons carried out thereunder will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

3.5 Chapter 9 of the Catalist Rules

Under Chapter 9 of the Catalist Rules, where a listed company or any of its subsidiaries or associated companies over which the listed company has control (other than a subsidiary or associated company that is listed on a foreign stock exchange) proposes to enter into a transaction with the listed company's interested persons, an immediate announcement is required for an interested person transaction of a value equal to, or more than:

- (a) 3% of the latest audited NTA of the Group; or
- (b) 3% of the latest audited NTA of the Group, when aggregated with the values of all transactions entered into with the same interested person during the same financial year.

Shareholders' approval (in addition to an immediate announcement) is required for any interested person transaction of a value equal to, or more than:

- (a) 5% of the latest audited NTA of the Group; or
- (b) 5% of the latest audited NTA of the Group, when aggregated with the values of all transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

The above requirements for immediate announcement and/or shareholders' approval do not apply to any transaction below S\$100,000.

Rule 920 of the Catalist Rules, however, allows a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or business) which may be carried out with the listed company's interested persons. A general mandate is subject to annual renewal.

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3.6 Renewal of the IPT General Mandate

3.6.1 Classes of Mandated Interested Persons

The IPT General Mandate will apply to the Mandated Transactions that are carried out between any Entity at Risk and the following existing companies in the New Lian Beng Group:

(a) Lian Beng Construction (1988) Pte Ltd;

Lian Beng Construction (1988) Pte Ltd is a wholly-owned subsidiary of our Controlling Shareholder, Lian Beng, which is principally engaged in general building construction and civil engineering works. As at the Latest Practicable Date, Lian Beng Construction (1988) Pte Ltd has the following listings in the BCA directory:

- (i) an “A1” registered contractor in the category of general building (CW01);
- (ii) an “A2” registered contractor in the category of civil engineering (CW02);
- (iii) a “L1” registered contractor in the category of cable/pipe laying and road reinstatement (CR07);
- (iv) a “GB1” general builder class 1 under licensed builder; and
- (v) a “SB(PC)” specialist builder (pre-cast concrete work) under licensed builder.

(b) L.S. Construction Pte Ltd;

L.S. Construction Pte Ltd is a wholly-owned subsidiary of our Controlling Shareholder, Lian Beng, which is principally engaged in general building construction and civil engineering works. As at the Latest Practicable Date, L.S. Construction Pte Ltd has the following listings in the BCA directory:

- (i) an “A1” registered contractor in the category of general building (CW01); and
- (ii) a “GB1” general builder class 1 under licensed builders.

(c) Deenn Engineering Pte Ltd;

Deenn Engineering Pte Ltd is a wholly-owned subsidiary of our Controlling Shareholder, Lian Beng, which is principally engaged in general building construction and civil engineering works. As at the Latest Practicable Date, Deenn Engineering Pte Ltd has the following listings in the BCA directory:

- (i) an “A1” registered contractor in the category of general building (CW01); and
- (ii) a “GB1” general builder class 1 under licensed builders.

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(d) Millennium International Builders Pte. Ltd.;

Millennium International Builders Pte. Ltd. is a wholly-owned subsidiary of our Controlling Shareholder, Lian Beng, which is principally engaged in general building construction and civil engineering works. As at the Latest Practicable Date, Millennium International Builders Pte. Ltd. has the following listings in the BCA directory:

- (i) a “B2” registered contractor in the category of general building (CW01);
- (ii) a “C1” registered contractor in the category of civil engineering (CW02);
and
- (iii) a “GB1” general builder class 1 under licensed builders.

Lian Beng Construction (1988) Pte Ltd, L.S. Construction Pte Ltd, Deenn Engineering Pte Ltd and Millennium International Builders Pte. Ltd. are collectively known as the “Mandated Interested Persons” and each a “Mandated Interested Person”, all being Interested Persons.

Transactions between the Mandated Interested Persons and our Group which do not fall within the ambit of the IPT General Mandate shall be subject to the relevant provisions of Chapter 9 of the Catalist Rules.

3.6.2 Categories of Mandated Interested Person Transactions

The EAR Group is engaged in property development. The Mandated Interested Persons have provided construction services to the EAR Group for several property development projects undertaken by the EAR Group. The EAR Group may continue to engage the Mandated Interested Persons, in the capacity of a main contractor, to provide construction services in future property development projects of the EAR Group (the “**Mandated Transactions**”).

3.6.3 Rationale for and benefits of the IPT General Mandate

We envisage that the Mandated Transactions are likely to occur from time to time, in the ordinary course of our business. In view of the time-sensitive and recurrent nature of the Mandated Transactions, it would be advantageous for us to obtain renewal of the IPT General Mandate to enable the EAR Group to enter into the Mandated Transactions, provided that the Mandated Transactions are carried out on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders. The IPT General Mandate will provide our Group with the opportunity to have access to a wider network of established qualified construction services providers and be able to secure higher quality of work at the most competitive price based on the quotations received on an arm’s length basis, and therefore improving our Group’s flexibility of operations.

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The renewal of the IPT General Mandate would eliminate the need to announce, or to announce and convene separate general meetings from time to time to seek independent Shareholders' approval, thereby easing administrative and financial costs, without compromising the EAR Group's business activities.

The IPT General Mandate is intended to facilitate transactions in the normal course of business of the EAR Group which are transacted from time to time with the Mandated Interested Persons, provided that they are carried out at arm's length and are on normal commercial terms, and are not prejudicial to the interests of our Company and our minority Shareholders. In accordance with the requirements of Chapter 9 of the Catalist Rules, we will (a) disclose in our Company's annual report the aggregate value of transactions conducted with Mandated Interested Persons pursuant to the IPT General Mandate during the financial year (as well as in the annual reports for subsequent financial years that the IPT General Mandate continues to be in force); and (b) announce the aggregate value of transactions conducted with Mandated Interested Persons pursuant to the IPT General Mandate for the financial periods that we are required to report on pursuant to Rule 705 of the Catalist Rules.

3.6.4 Review Procedures for Mandated Transactions with Mandated Interested Persons

To ensure that the Mandated Transactions are carried out at arm's length, on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders, our Company will continue to implement the following procedures for the review and approval of the Mandated Transactions under the IPT General Mandate.

All Mandated Transactions shall be conducted in accordance with our Group's usual business practices and policies. At the commencement of each property development project, our Group will appoint a project team comprising independent third party professionals such as the quantity surveyor, architects and engineers (the "**Independent Project Team**").

The responsibilities of the Independent Project Team include, *inter alia*:

- (a) nominating and shortlisting construction service providers;
- (b) preparing tender documents and inviting the shortlisted construction service providers to provide quotations based on the tender documents provided; and
- (c) evaluating the quotations submitted by the construction service providers.

In the event that the Independent Project Team recommends the award of the construction services contract to a Mandated Interested Person, we will seek the prior approval of the Audit Committee before awarding the contract to the Mandated Interested Person. The approval shall be subject to:

- (a) declaration of independence of the members of the Independent Project Team;

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- (b) the completion of a quotation evaluation report prepared by the Independent Project Team, detailing their review of the quotations received, including summaries and comparison of cost breakdown, recent track record, the size of the construction team, the qualifications of the key construction team members, duration and payment milestones;
- (c) the quotation evaluation report contains quotations from at least two unrelated third parties and the contractual sum to be awarded to the Mandated Interested Person is not more favourable to the Mandated Interested Person as compared to the unrelated third parties;
- (d) in the event that the quotation evaluation report contains less than two quotations from unrelated third parties, the relevant Mandated Interested Person shall provide two of its construction service contracts entered into with unrelated third parties, for substantially similar projects and contemporaneous in time, for review by the Independent Project Team. The rate to be provided by the Mandated Interested Person with the award of the construction services contract shall not be less favourable than the rate provided by the Mandated Interested Person for such unrelated third parties projects; and
- (e) the Mandated Interested Person continues to hold the relevant qualification(s) and licence(s).

3.6.5 Approval Threshold for Mandated Transactions with Mandated Interested Persons

The prior approval of the Audit Committee is required for all Mandated Transactions (excluding variation orders). The Audit Committee may at its discretion obtain independent advice.

If any member of the Audit Committee has an interest in a Mandated Transaction, he or she will abstain from any review, deliberation or decision making in respect of that Mandated Transaction.

3.6.6 Additional Review Procedures for Mandated Transactions with Mandated Interested Persons

We will continue to implement the following procedures for the identification of Interested Persons and the record of all interested person transactions:

- (a) our finance team will maintain a list of the Interested Persons and their Associates (which is to be updated immediately if there are any changes) to enable identification of the Interested Persons. The list of Interested Persons shall be reviewed on a quarterly basis by the Chief Financial Officer (“CFO”) (or in the absence of the CFO, the General Manager) and be subject to such verifications or declarations as required by the Audit Committee for such period as determined by it. A list of the Mandated Interested Persons shall be disseminated to all staff of our Group that we consider relevant for the purposes of entering into transactions that fall under the IPT General Mandate. In the event that we need to include new Interested Person(s) as

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Mandated Interested Person(s), we will take actions as we deem appropriate (such as to obtain a fresh Shareholders' general mandate for Mandated Transactions);

- (b) we will maintain a register of Mandated Transactions ("**IPT Register**") carried out with Mandated Interested Persons pursuant to the IPT General Mandate. The IPT Register will contain the key documents as reviewed by the Audit Committee. The IPT Register will also contain invoices and payment vouchers in relation to the Mandated Transactions. All subsequent variation orders relating to the construction services contract, as recommended by the Independent Project Team, shall be kept in the IPT Register;
- (c) the IPT Register will also record any Mandated Transactions that are below S\$100,000 in value, although such transactions are not required to be aggregated for the purposes of the IPT General Mandate. The CFO shall review the IPT Register on a monthly basis;
- (d) the Audit Committee shall review the IPT Register on a quarterly basis (or such other more frequent basis as may be required or as the Audit Committee may deem necessary) to ascertain that the established review procedures to monitor the Mandated Transactions have been complied with. Such review includes the examination of the transactions and its supporting documents or such other data deemed necessary by the Audit Committee. Our Audit Committee may request for any additional information pertaining to the transactions under review from independent sources, advisers or valuers as it deems fit;
- (e) the Internal Auditors will, on an annual basis, review the IPT Register to ascertain that the guidelines and procedures established to monitor Mandated Transactions as set out in the IPT General Mandate have been adhered to. Any discrepancies or significant variances from the Group's usual business practices and pricing policies will be highlighted to the Audit Committee; and
- (f) if, during these reviews by the Audit Committee, the Audit Committee is of the view that the established review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the Company are conducted, it will take such actions as it deems appropriate and/or institute additional procedures as necessary (such as, where relevant, to obtain a fresh Shareholders' general mandate for Mandated Transactions) to ensure that the Mandated Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders.

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4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

4.1 Directors' interests

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

Directors	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Ong Lay Koon ⁽²⁾	–	–	–	–	–	–
Matthew Ong ⁽²⁾	–	–	–	–	–	–
Owi Kek Hean	–	–	–	–	–	–
Foo Der Rong	–	–	–	–	–	–

Notes:

(1) Based on 913,000,000 Shares as at the Latest Practicable Date.

(2) Matthew Ong is the nephew of Ong Lay Koon.

4.2 Substantial Shareholders' interests

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

Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Lian Beng	683,354,000	74.85	–	–	683,354,000	74.85
Ong Sek Chong & Sons Pte Ltd ⁽³⁾	–	–	683,354,000	74.85	683,354,000	74.85
Ong Pang Aik ⁽²⁾⁽³⁾⁽⁴⁾	–	–	684,704,500	75.00	684,704,500	75.00
Ong Lay Huan ⁽²⁾⁽³⁾⁽⁴⁾	–	–	683,354,000	74.85	683,354,000	74.85

Notes:

(1) Based on 913,000,000 Shares as at the Latest Practicable Date.

(2) Matthew Ong is the son of Ong Pang Aik and nephew of Ong Lay Koon and Ong Lay Huan.

(3) Ong Sek Chong & Sons Pte Ltd, Ong Pang Aik and Ong Lay Huan are deemed interested in all the Shares of our Company held by Lian Beng by virtue of Section 4 of the SFA. The shareholders of Ong Sek Chong & Sons Pte Ltd are Ong Pang Aik (40.0%), Ong Lay Huan (36.0%), Ong Lay Koon (12.0%) and Ong Lee Yap (12.0%). Ong Pang Aik is deemed interested in the 1,350,500 Shares held through a nominee account.

(4) Ong Pang Aik, Ong Lay Koon, Ong Lay Huan and Ong Lee Yap are siblings.

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5. DIRECTORS' RECOMMENDATION

5.1 The Proposed Renewal of the Share Buyback Mandate

The Directors (other than Mr. Matthew Ong and Ms. Ong Lay Koon), having considered, *inter alia*, the rationale for the proposed renewal of the Share Buyback Mandate, are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, the Directors (other than Mr. Matthew Ong and Ms. Ong Lay Koon), recommend that the Shareholders **vote in favour** of the ordinary resolution in respect of the proposed renewal of the Share Buyback Mandate set out in the Notice of AGM.

5.2 The Proposed Renewal of the IPT General Mandate

Further, the Directors who are considered independent for the purposes of the proposed renewal of the IPT General Mandate (other than Mr. Matthew Ong and Ms. Ong Lay Koon), having considered, *inter alia*, the scope, procedures, rationale and benefits of the IPT General Mandate, are of the opinion that the proposed renewal of the IPT General Mandate is in the best interests of the Company and its Shareholders. Accordingly, the Directors (other than Mr. Matthew Ong and Ms. Ong Lay Koon), recommend that Shareholders **vote in favour** of the ordinary resolution in respect of the proposed renewal of the IPT General Mandate set out in the Notice of AGM.

6. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report, will be held on 26 September 2019 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the resolutions set out therein.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and wish to appoint a proxy to attend and vote on their behalf should complete, sign and return the Proxy Form contained in the Annual Report in accordance with the instructions printed thereon and as soon as possible and, in any event, so as to arrive at the registered office of the Company at 29 Harrison Road, #07-00 Lian Beng Building, Singapore 369648 not less than seventy-two (72) hours before the time set for the AGM. The completion and return of a Proxy Form by a Shareholder does not preclude him/her from attending and voting in person at the AGM if he/she wishes to do so, in place of his/her proxy.

8. ABSTENTION FROM VOTING

In accordance with Rule 920(1)(b)(viii) of the Catalist Rules, Mandated Interested Persons and their Associates shall abstain from voting on resolutions involving themselves and the Group. Furthermore, such Mandated Interested Persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by the appointing Shareholder. As such, Lian Beng and their Associates will abstain from voting on the resolutions approving the renewal of the IPT General Mandate. They shall also not act as proxies in relation to such resolutions unless voting instructions have been given by the appointing Shareholder.

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9. DIRECTORS' RESPONSIBILITY STATEMENT

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 29 Harrison Road, #07-00 Lian Beng Building, Singapore 369648 during normal business hours on any weekday (public holidays excepted) from the date of this Circular up to and including the date of the AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report for the financial year ended 31 May 2019.

Yours faithfully

For and on behalf of the Board of Directors

Mr. Matthew Ong
Executive Director & Chief Executive Officer

