

CIRCULAR DATED 15 OCTOBER 2018

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

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

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

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, SAC Capital Private Limited (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The Sponsor has not independently verified the contents of this Circular.

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

The contact person for the Sponsor is Mr. David Yeong (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

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

PACIFIC STAR DEVELOPMENT LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198203779D)

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	27 October 2018 at 10.00 a.m.
Date and time of Annual General Meeting	:	30 October 2018 at 10.00 a.m.
Place of Annual General Meeting	:	Tan Chin Tuan Function Room 1, Level 4 YMCA of Singapore 1 Orchard Road Singapore 238824

CONTENTS

	PAGE
DEFINITIONS	3
LETTER TO SHAREHOLDERS	6
1 INTRODUCTION.....	6
2 THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE	6
3 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	22
4 DIRECTORS' RECOMMENDATIONS.....	23
5 ACTION TO BE TAKEN BY SHAREHOLDERS.....	23
6 ABSTENTION FROM VOTING	23
7 DIRECTORS' RESPONSIBILITY STATEMENT	24
8 DOCUMENTS AVAILABLE FOR INSPECTION	24

DEFINITIONS

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

“2015 Circular”	:	The Company’s circular to Shareholders dated 14 October 2015
“2015 EGM”	:	The extraordinary general meeting of the Company held on 2 November 2015
“2017 AGM”	:	The annual general meeting of the Company held on 27 April 2017
“2018 AGM”	:	The annual general meeting of the Company to be held on 30 October 2018 at 10.00 a.m., the notice of which is set out in the Notice of AGM dated 15 October 2018 on page 106 of the Annual Report 2018
“AGM”	:	Annual general meeting of the Company
“Approval Date”	:	Has the meaning ascribed to it in Section 2.3.1 of this Circular
“Annual Report 2018”	:	The annual report of the Company in respect of FY2018
“Board”	:	The board of Directors of the Company as at the date of this Circular
“Catalist”	:	The sponsor-supervised listing platform of the SGX-ST
“Catalist Rules”	:	The rules in Section B: Rules of Catalist of the Listing Manual, as amended, supplemented or modified from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 15 October 2018
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as amended, supplemented or modified from time to time
“Companies Act” or “Act”	:	The Companies Act (Cap. 50) of Singapore, as may be amended, supplemented or modified from time to time
“Company”	:	Pacific Star Development Limited
“Directors” or “Board”	:	The directors of the Company as at the date of this Circular
“EPS”	:	Earnings per Share
“Financial Year”	:	Financial year ended or, as the case may be, ending 30 June
“FY2018”	:	The financial period from 1 January 2017 to 30 June 2018
“Glen Chan”	:	Mr. Chan Fook Kheong
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	1 October 2018, being the latest practicable date prior to the printing of this Circular
“Market Day”	:	A day which the SGX-ST is open for trading in securities
“NTA”	:	Net tangible assets

DEFINITIONS

“Off-Market Purchase”	:	Has the meaning ascribed to it in Section 2.3.3(b) of the Circular
“On-Market Purchase”	:	Has the meaning ascribed to it in Section 2.3.3(a) of the Circular
“Share Buyback Mandate”	:	Has the meaning ascribed to it in Section 2.1 of the Circular
“Register of Directors’ Shareholdings”	:	Register of Directors’ shareholdings
“Register of Members”	:	Register of members of the Company
“Registrar”	:	Has the meaning ascribed to it in Section 2.5.1 of the Circular
“Rule 14”	:	Has the meaning ascribed to it in Section 2.10.1 of the Circular
“SIC”	:	The Securities Industry Council of Singapore
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares in the Register of Members, or where the registered holder is the CDP, the term “ Shareholders ” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by the CDP whose Securities Accounts are credited with those Shares
“Shares”	:	Ordinary shares in the issued share capital of the Company
“Substantial Shareholder”	:	A person who has an interest directly or indirectly in 5% or more of the total number of Shares
“treasury shares”	:	Shares of the Company which: (a) were (or are treated as having been) purchased by the Company in the circumstances in which Section 76H of the Companies Act applies; and (b) have been held by the Company continuously since they were so acquired
“S\$”	:	The lawful currency of the Republic of Singapore
“%” or “per cent.”	:	Percentage or per centum

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore.

The term “**associate**” shall have the meanings ascribed to it in the Catalist Rules.

The term “**subsidiary**” has the meaning ascribed to it in Section 5 of the Companies Act. The term “**subsidiary holdings**” means shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act.

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

DEFINITIONS

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

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

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

LETTER TO SHAREHOLDERS

PACIFIC STAR DEVELOPMENT LIMITED

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

Directors:

Yee Kee Shian, Leon (*Independent Non-Executive Chairman*)
Glen Chan (*CEO and Managing Director*)
Heng Su-Ling Mae (*Independent Non-Executive Director*)
Peh Siong Woon Terence (*Non-Independent Non-Executive Director*)
Tan Hai Peng Micheal (*Non-Independent Non-Executive Director*)
Teo Khee Hwee (*Non-Independent Non-Executive Director*)

Registered Office:

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

Date: 15 October 2018

To: The Shareholders of Pacific Star Development Limited

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

1 INTRODUCTION

- 1.1 The Directors of the Company are seeking Shareholders' approval at the 2018 AGM for the proposed renewal of the Share Buyback Mandate.

The purpose of this Circular is to provide Shareholders with information relating to, and to explain the rationale for, the proposed renewal of the Share Buyback Mandate.

2 THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 Background

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

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

The renewal of the Share Buyback Mandate was previously granted by the Shareholders at the 2017 AGM.

The Share Buyback Mandate was expressed to take effect on the date of the passing of Ordinary Resolution 9 at the 2017 AGM and will expire on the date of the forthcoming AGM to be held on 30 October 2018 ("**2018 AGM**"). Accordingly, approval is being sought from Shareholders at the 2018 AGM for the proposed renewal of the Share Buyback Mandate. Upon Shareholders' approval, the proposed renewal of the Share Buyback Mandate will authorise the Directors to exercise all powers of the Company to purchase or otherwise acquire issued Shares under the Share Buy Back Mandate from the Approval Date until the date when the next AGM is held, or is required by law to be held, whichever is the earlier, whereupon it will lapse, unless it is renewed at such meeting. The authority may be revoked or varied in any general meeting of the Company held prior to the date when the next AGM is held or is required by law to be held.

LETTER TO SHAREHOLDERS

As at the Latest Practicable Date, the Company had not purchased or acquired any Shares pursuant to the Share Buyback Mandate approved by the Shareholders at the 2017 AGM. Therefore, there is no highest or lowest price paid for any Shares purchased or acquired by the Company since the 2017 AGM, and the total consideration paid for all purchases since the 2017 AGM was zero.

As at the Latest Practicable Date, 2,675,400 Shares are held as treasury shares.

2.2 Rationale for the Share Buyback Mandate

The Company is proposing to obtain the renewal of the Share Buyback Mandate for the following reasons:–

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

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

The share buybacks pursuant to the Share Buyback Mandate will only be undertaken when the Directors are of the view that such purchases are of benefit to the Company and would not have a material adverse effect on the financial position of the Company.

2.3 Authority and Limits of the Share Buyback Mandate

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

2.3.1 Maximum number of Shares

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

The maximum number of Shares which may be purchased or acquired by the Company pursuant to the Share Buyback Mandate is limited to such number of Shares representing not more than 10% of the issued share capital of the Company (excluding treasury shares and subsidiary holdings) as at the date of the forthcoming AGM at which the Share Buyback Mandate is renewed (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 (the "**Maximum Limit**"). 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.

LETTER TO SHAREHOLDERS

For illustrative purposes only, on the basis of 499,660,878 Shares (excluding treasury shares and subsidiary holdings) in issue as at the Latest Practicable Date, and disregarding the 2,675,400 Shares held in treasury as at the Latest Practicable Date, and assuming no further Shares are issued, and no further Shares are purchased or acquired by the Company and held as treasury shares and subsidiary holdings, on or prior to the AGM, the purchase by the Company of up to the Maximum Limit of its issued Shares will result in the purchase or acquisition of 49,966,087 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled).

2.3.2 Duration of Authority

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

- (a) the date on which the next AGM of the Company is held or required by law to be held;
- (b) the date on which Share purchases or acquisitions 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,

whichever is the earliest.

2.3.3 Manner of purchase or acquisition of Shares

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

- (a) market purchase(s) (each an “**On-Market Purchase**”) on the SGX-ST and which may be transacted through one or more duly licensed stockbrokers appointed by the Company; and/or
- (b) off-market purchase(s) (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act.

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

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

LETTER TO SHAREHOLDERS

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

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;
- (3) the reasons for the proposed share buyback;
- (4) the consequences, if any, of the proposed share buybacks by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (5) whether the proposed share buybacks, if made, would affect the listing of the Shares on the SGX-ST;
- (6) details of any share buybacks made by the Company in the previous 12 months (whether On-Market Purchase or Off-Market Purchase in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and
- (7) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Maximum Purchase Price

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

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

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

For the above purposes:–

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

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

LETTER TO SHAREHOLDERS

2.4 Status of Purchased Shares or Acquired Shares

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

2.5 Treasury Shares

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

2.5.1 Maximum Holdings

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

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

For illustrative purposes only, as at the Latest Practicable Date, the number of issued Shares is 502,336,278 Shares. The Company has 2,675,400 treasury shares. Assuming no further Shares are issued and no reduction of the share capital of the Company is effected on or prior to the AGM, the Company may hold up to 50,233,627 Shares as treasury shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled).

2.5.2 Voting and Other Rights

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

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

2.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time (but subject always to the Take-over Code):-

- (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

LETTER TO SHAREHOLDERS

- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister of Finance.

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

2.6 Source of Funds

The Company would use its internal resources to finance its purchase or acquisition of Shares if it does buy back any Shares. The Company will not exercise the Share Buyback Mandate in full to the extent that its internal sources of funds are not sufficient for this purpose, and the Directors do not propose to exercise the Share Buyback Mandate in a manner and to such extent that the Group’s liquidity and capital adequacy position would be materially adversely affected. The Company does not intend to rely on external borrowings to finance its purchase or acquisition of Shares under the Share Buyback Mandate.

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

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

2.7 Financial Impact

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

2.7.1 Share Buyback Mandate

It has been assumed that the Share Buyback Mandate was effective as at the Latest Practicable Date.

LETTER TO SHAREHOLDERS

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

Under the Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital and/or profits so long as the Company is solvent.

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

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

2.7.3 Number of Shares purchased or acquired

Based on 499,660,878 issued and paid-up Shares as at the Latest Practicable Date (excluding the 2,675,400 Shares held in treasury as at that date), and assuming no further Shares are issued or repurchased, or held by the Company as treasury shares, on or prior to the 2018 AGM, the exercise in full of the Share Buyback Mandate of up to the Maximum Limit would result in the purchase or acquisition of 49,966,087 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled).

2.7.4 Maximum Price paid for Shares purchased or acquired

In the case of On-Market Purchase by the Company and assuming that the Company purchases or acquires 49,966,087 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled) at the Maximum Price of S\$0.1675 per Share (being the price equivalent to 105% of the Average Closing Price of the Share traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 49,966,087 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled) (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties, clearance fees and other related expenses) is approximately S\$8,368,000.

In the case of Off-Market Purchase by the Company and assuming that the Company purchases or acquires 49,966,087 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled) at the Maximum Price of S\$0.1914 per Share (being the price equivalent to 120% of the Average Closing Price of the Share traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 49,966,087 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled) (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties, clearance fees and other related expenses) is approximately S\$9,563,500.

2.7.5 Illustrative financial effects

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

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

LETTER TO SHAREHOLDERS

based on the audited financial statements of the Group and the Company for FY2018 (being the period from 1 January 2017 to 30 June 2018), are set out respectively in the following pages.

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

30 June 2018 (S\$'000)	GROUP			COMPANY		
	Before Share buyback	After Share buyback assuming Market Purchase	After Share buyback assuming Off-Market Purchase	Before Share buyback	After Share buyback assuming Market Purchase	After Share buyback assuming Off-Market Purchase
Share capital	47,801	47,398	47,340	197,055	196,652	196,594
Shareholders' funds	22,711	14,343	13,147	159,568	151,200	150,004
NTA	52,116	43,748	42,552	159,568	151,200	150,004
Current Assets	199,096	199,096	199,096	2,864	2,864	2,864
Current Liabilities	103,896	112,264	113,460	12,955	21,323	22,519
Working Capital	95,200	86,832	85,636	(10,091)	(18,459)	(19,655)
Total Borrowings	67,735	76,103	77,299	–	–	–
Amount due to a subsidiary ⁽¹⁾	–	–	–	–	8,368	9,564
Cash and bank balances	2,516	2,516	2,516	620	620	620
Profit attributable to owners of the Company	8,432	8,432	8,432	(1,747)	(1,747)	(1,747)
Number of Shares including treasury shares ('000)	502,337	502,337	502,337	502,337	502,337	502,337
Treasury shares ('000) ⁽²⁾	2,676	50,234	50,234	2,676	50,234	50,234
Number of Shares excluding treasury shares ('000)	499,661	449,695	449,695	499,661	449,695	449,695
Financial Ratios						
NTA per share (S\$) ⁽³⁾	0.10	0.10	0.09	0.32	0.34	0.33
Earnings per Share (cents) ⁽⁴⁾	1.69	1.88	1.88	(0.35)	(0.39)	(0.39)
Net Gearing (times)	1.30	1.74	1.82	–	0.06	0.06
Current Ratio (times)	1.92	1.77	1.75	0.22	0.13	0.13

Notes:

- (1) Amount due to a subsidiary refers to intercompany loans from a subsidiary to the Company, arising from the shares purchased or acquired for the Share buyback.
- (2) Assuming the Company will cancel the existing treasury shares in excess of the maximum limit.
- (3) NTA per Share is calculated based on NTA divided by the number of Shares excluding treasury shares.
- (4) Earnings per Share is calculated based on profit attributable to owners of the Company divided by the number of shares excluding treasury shares.

LETTER TO SHAREHOLDERS

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

30 June 2018 (S\$'000)	GROUP			COMPANY		
	Before Share buyback	After Share buyback assuming Market Purchase	After Share buyback assuming Off-Market Purchase	Before Share buyback	After Share buyback assuming Market Purchase	After Share buyback assuming Off-Market Purchase
Share capital	47,801	39,433	38,237	197,055	188,687	187,491
Shareholders' funds	22,711	14,343	13,147	159,568	151,200	150,004
NTA	52,116	43,748	42,552	159,568	151,200	150,004
Current Assets	199,096	199,096	199,096	2,864	2,864	2,864
Current Liabilities	103,896	112,264	113,460	12,955	21,323	22,519
Working Capital	95,200	86,832	85,636	(10,091)	(18,459)	(19,655)
Total Borrowings	67,735	76,103	77,299	–	–	–
Amount due to a subsidiary ⁽¹⁾	–	–	–	–	8,368	9,564
Cash and cash equivalents	2,516	2,516	2,516	620	620	620
Profit attributable to owners of the Company	8,432	8,432	8,432	(1,747)	(1,747)	(1,747)
Number of Shares including treasury shares ('000)	502,337	449,695	449,695	502,337	449,695	449,695
Treasury shares ('000) ⁽²⁾	2,676	–	–	2,676	–	–
Number of Shares excluding treasury shares ('000)	499,661	449,695	449,695	499,661	449,695	449,695
Financial Ratios						
NTA per Share (S\$) ⁽³⁾	0.10	0.10	0.09	0.32	0.34	0.33
Earnings per Share (cents) ⁽⁴⁾	1.69	1.88	1.88	(0.35)	(0.39)	(0.39)
Net Gearing (times)	1.30	1.74	1.82	–	0.06	0.06
Current Ratio (times)	1.92	1.77	1.75	0.22	0.13	0.13

Notes:

- (1) Amount due to a subsidiary refers to intercompany loans from a subsidiary to the Company, arising from the shares purchased or acquired for the Share buyback.
- (2) Assuming the Company cancels all existing treasury shares.
- (3) NTA per Share is calculated based on NTA divided by the number of Shares excluding treasury shares.
- (4) Earnings per Share is calculated based on profit attributable to owners of the Company divided by the number of shares excluding treasury shares.

Shareholders should note that the financial effects illustrated above are for illustration purposes only. In particular, it is important to note that the above analysis is based on the audited consolidated financial statements of the Group for FY2018 (being the period from 1 January 2017 to 30 June 2018), and is not necessarily representative of the future financial performance of the Group.

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

LETTER TO SHAREHOLDERS

2.8 Listing status on SGX-ST

2.8.1 Reporting Requirements

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

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

2.8.2 Catalist Rules

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

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

At any time after any matter or development of a price-sensitive nature has occurred or has been the subject of a decision of the Board, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buyback Mandate until the price-sensitive information has been publicly announced.

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

As at the Latest Practicable Date, approximately 25.74% of the total number of issued Shares is held by the public. In the event the Company should, pursuant to the Share Buyback Mandate, purchase or acquire its Shares up to the full 10% limit as at the Latest Practicable Date, about 17.49% of the Shares would continue to be in the hands of the public.

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

LETTER TO SHAREHOLDERS

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

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

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

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

When seeking the approval of Shareholders for the renewal of the Share Buyback Mandate, the Company is required to disclose details pertaining to the purchases of Shares made by the Company during the previous 12 months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases. Accordingly, there was no such purchases or acquisitions of Shares made by the Company during the previous 12 months preceding the Latest Practicable Date.

2.9 Taxation

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

2.10 Take-over Code implications

2.10.1 Persons acting in concert

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

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

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

LETTER TO SHAREHOLDERS

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

2.10.2 Obligations to make a Take-over offer

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

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

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

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

2.10.3 Effects of the Take-over Code

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

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

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

For illustrative purposes only, based on the Company’s register of substantial shareholders and directors’ shareholdings (the “**Register of Substantial Shareholders and Directors’ Shareholdings**”) maintained by the Company as at the Latest Practicable Date, the shareholdings of the Substantial Shareholders and the Directors before and after the Proposed Share Buyback Mandate (assuming (a) the Company purchased a maximum of 49,966,087 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled) via an On/Off-Market Purchase, being 10% of the total issued share capital of the Company, and (b) there was no change in the number of Shares held or deemed to be held by the Substantial Shareholders and Directors) is as follows:–

LETTER TO SHAREHOLDERS

Substantial Shareholders	Before Share Buyback			After Share Buyback		
	Direct Interest	Deemed Interest	Total Interest (%) ¹	Direct Interest	Deemed Interest	Total Interest (%) ²
CH Biovest Pte. Limited	177,454,800	Nil	35.52	177,454,800	Nil	39.46
Chuan Hup Holdings Limited	Nil	177,454,800 ³	35.52	Nil	177,454,800 ³	39.46
3P Pte Ltd	Nil	177,454,800 ⁴	35.52	Nil	177,454,800 ⁴	39.46
Qing Shan Pte Ltd	Nil	177,454,800 ⁴	35.52	Nil	177,454,800 ⁴	39.46
TMF Trustees Singapore Limited	Nil	177,454,800 ⁴	35.52	Nil	177,454,800 ⁴	39.46
Beamsbury Limited	Nil	177,454,800 ⁵	35.52	Nil	177,454,800 ⁵	39.46
Peh Kwee Chim	Nil	177,454,800 ⁶	35.52	Nil	177,454,800 ⁶	39.46
Double Blessing Holdings Limited	64,535,550	Nil	12.92	64,535,550	Nil	14.35
Glaxier City Limited	105,035,550	Nil	21.02	105,035,550	Nil	23.36
Global Century Ltd	Nil	105,035,550 ⁷	21.02	Nil	105,035,550 ⁷	23.36
Fidelitycorp Limited	Nil	105,035,550 ⁷	21.02	Nil	105,035,550 ⁷	23.36
Ho Lee Group Pte. Ltd.	24,000,000	678 ⁸	4.80	24,000,000	678 ⁸	5.34
Teck Lee Holdings Pte. Ltd.	Nil	24,000,678 ⁹	4.80	Nil	24,000,678 ⁹	5.34
Tan Thuan Teck	Nil	24,000,678 ¹⁰	4.80	Nil	24,000,678 ¹⁰	5.34
Tan Hai Seng Benjamin	Nil	24,000,678 ¹¹	4.80	Nil	24,000,678 ¹¹	5.34
Directors						
Glen Chan	Nil	169,571,100 ¹²	33.94	Nil	169,571,100 ¹²	37.71
Peh Siong Woon Terence	Nil	177,454,800 ¹³	35.52	Nil	177,454,800 ¹³	39.46
Tan Hai Peng Micheal	Nil	24,000,678 ¹⁴	4.80	Nil	24,000,678 ¹⁴	5.34

Notes:-

- (1) As a percentage of the issued share capital of the Company as at the Latest Practicable Date, comprising 499,660,878 Shares (excluding treasury shares).
- (2) As a percentage of the issued share capital of the Company, comprising 449,694,791 Shares (excluding existing treasury shares and assuming that (i) the Company purchased or acquired the maximum number of 49,966,087 Shares under the Proposed Share Buyback Mandate; and (ii) existing treasury shares are cancelled prior to the purchase or acquisition of the Shares).
- (3) Chuan Hup Holdings Limited ("**Chuan Hup**") is the sole shareholder of CH Biovest Pte. Limited ("**CH Biovest**"). Accordingly, Chuan Hup Holdings Limited is deemed to be interested in the Shares of the Company held by CH Biovest.
- (4) 3P Pte Ltd is the owner of 51.52% of the issued and paid-up share capital of Chuan Hup. 3P Pte Ltd is a wholly-owned subsidiary of Qing Shan Pte Ltd, which is in turn entirely held by TMF Trustees Singapore Limited as trustee of a trust constituted by Peh Kwee Chim (the "**Trust**"). Therefore, 3P Pte Ltd, Qing Shan Pte Ltd and TMF Trustees Singapore Limited are each deemed to be interested in the shareholding interest of Chuan Hup in the Company, held by Chuan Hup through its wholly-owned subsidiary, CH Biovest.
- (5) Beamsbury Limited, the nominee corporate director of TMF Trustees Singapore Limited and sole director of Qing Shan Pte Ltd, manages, controls the operations of and determines the policy with respect to Qing Shan Pte Ltd.

LETTER TO SHAREHOLDERS

- (6) Peh Kwee Chim is a director of 3P Pte Ltd and is also the settlor of the Trust, and is therefore deemed to be interested in the shareholding interest of Chuan Hup in the Company, held by Chuan Hup through its wholly-owned subsidiary, CH Biovest.
- (7) Global Century Ltd. holds 80% of the issued and paid-up share capital of Glaxier City Limited. The entire issued and paid-up share capital of Global Century Ltd. is held by Fidelitycorp Limited as trustee of a discretionary trust. Therefore, Global Century Ltd. and Fidelitycorp Limited are deemed to be interested in the Shares of the Company held by Glaxier City Limited.
- (8) Ho Lee Construction Pte. Ltd., a wholly-owned subsidiary of Ho Lee Group Pte. Ltd., owns 678 Shares of the Company. Therefore, Ho Lee Group Pte. Ltd. is deemed to be interested in the Shares of the Company held by Ho Lee Construction Pte. Ltd. Assuming the Maximum Limit is reached, Ho Lee Group Pte. Ltd. will become a substantial shareholder of the Company.
- (9) Teck Lee Holdings Pte. Ltd. is the ultimate holding company of Ho Lee Group Pte. Ltd.. Therefore, Teck Lee Holdings Pte. Ltd. is deemed to be interested in the Shares of the Company held by Ho Lee Group Pte. Ltd. Assuming the Maximum Limit is reached, Ho Lee Group Pte. Ltd. will become a substantial shareholder of the Company.
- (10) Teck Lee Holdings Pte. Ltd. is the ultimate holding company of Ho Lee Group Pte. Ltd.. By virtue of his interest of not less than 20% of the issued and paid-up share capital of Teck Lee Holdings Pte. Ltd., Tan Thuan Teck is deemed to be interested in the Shares of the Company held by Ho Lee Group Pte. Ltd. Assuming the Maximum Limit is reached, Ho Lee Group Pte. Ltd. will become a substantial shareholder of the Company.
- (11) Teck Lee Holdings Pte. Ltd. is the ultimate holding company of Ho Lee Group Pte. Ltd.. By virtue of his directorship and his interest of not less than 20% of the issued and paid-up share capital of Teck Lee Holdings Pte. Ltd, Tan Hai Seng Benjamin is deemed to be interested in the Shares of the Company held by Ho Lee Group Pte Ltd. Assuming the Maximum Limit is reached, Ho Lee Group Pte. Ltd. will become a substantial shareholder of the Company.
- (12) Glen Chan owns 20.0% of the issued and paid-up share capital of Glaxier City Limited. Glen Chan is also the sole shareholder of Double Blessing Holdings Limited. Accordingly, Glen Chan is deemed to be interested in the Shares of the Company held by Glaxier City Limited and Double Blessing Holdings Limited.
- (13) Peh Siong Woon Terence is a director of 3P Pte Ltd and is also the beneficiary of the Trust, and is therefore deemed to be interested in the shareholding interest of Chuan Hup in the Company, held through its wholly-owned subsidiary, CH Biovest.
- (14) Teck Lee Holdings Pte. Ltd. is the ultimate holding company of Ho Lee Group Pte. Ltd.. By virtue of his directorship and his interest of not less than 20% of the issued and paid-up share capital of Teck Lee Holdings Pte. Ltd, Tan Hai Peng Micheal is deemed to be interested in the Shares of the Company held by Ho Lee Group Pte. Ltd. Assuming the Maximum Limit is reached, Ho Lee Group Pte. Ltd. will become a substantial shareholder of the Company.

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

- (a) Mr. Glen Chan, the CEO and Managing Director of the Company, is deemed interested in the 64,535,550 Shares and 105,035,550 Shares held by Double Blessing Holdings Limited and Glaxier City Limited respectively which collectively represent 33.94% of the issued share capital of the Company.

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

- (b) Mr. Peh Siong Woon Terence, a Director of the Company, is deemed interested in the 177,454,800 Shares held by CH Biovest Pte. Limited which represent 35.52% of the issued share capital of the Company.

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

LETTER TO SHAREHOLDERS

In the event that the Company acquires 49,966,087 Shares (assuming that the existing treasury shares in excess of the Maximum Limit are cancelled), being 10% of the total number of issued Shares in the capital of the Company, pursuant to the Proposed Share Buyback Mandate:

- (a) (i) the shareholding of Double Blessing Holdings Limited would increase from the current 12.92% to approximately 14.35%; (ii) the shareholding of Glaxier City Limited would increase from the current 21.02% to approximately 23.36%. Accordingly, the voting rights of GC Group in the Shares held by them would be deemed to have increased by more than 1% in a six-month period.
- (b) the shareholding of CH Biovest Pte. Limited would increase from the current 35.52% to approximately 39.46%. Accordingly, the voting rights of CH Biovest Group in the Shares held by them would be deemed to have increased by more than 1% in a six-month period.

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

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

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

- (i) the Circular to Shareholders on the resolution to authorise the Proposed Share Buyback Mandate contains:-
 - (a) advice to the effect that by voting to approve the Proposed Share Buyback Mandate, Shareholders are waiving their rights to a general offer at the required price from the (i) GC Group and its concert parties, if any; and (ii) CH Biovest Group and its concert parties, if any, who, as a result of the Company buying back its Shares under the Proposed Share Buyback Mandate, would increase their voting rights in the Company by more than 1% in any period of six months; and
 - (b) the names of the members of the (i) GC Group and its concert parties, if any; and (ii) CH Biovest Group and its concert parties, if any, and their voting rights at the time of the resolution and after any proposed share buy-back to be disclosed in the same circular;
- (ii) the resolution to authorise the Proposed Share Buyback Mandate is approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of any proposed share buy-back;
- (iii) the (x) GC Group and its concert parties, if any; and (y) CH Biovest Group and its concert parties, if any, abstain from voting for and/or recommending Shareholders to vote in favour of the resolution to approve the Proposed Share Buyback Mandate;

LETTER TO SHAREHOLDERS

- (iv) within seven (7) days after the passing of the resolution by Shareholders to approve the Proposed Share Buyback Mandate, each of the (x) GC Group and its concert parties; (y) CH Biovest Group and its concert parties, if any, to submit to the SIC a duly signed Form 2 (Submission by directors and their concert parties pursuant to Appendix 2 to the Take-over Code); and
- (v) the (x) GC Group and its concert parties; and (y) CH Biovest Group and its concert parties, if any, have not acquired and do not acquire any Shares between the date on which they know that the announcement of the Proposed Share Buyback Mandate is imminent and the earlier of:-
 - (a) the date on which the Proposed Share Buyback Mandate expires; and
 - (b) the date on which the Company announces that it has bought back such number of Shares as authorised by the Proposed Share Buyback Mandate or it has decided to cease buying back its Shares, as the case may be,

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

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

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

2.10.6 Form 2 Submission to the SIC

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

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

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

LETTER TO SHAREHOLDERS

2.10.7 Waiver

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

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

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

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

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

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

3 DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS

3.1 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 ⁽¹⁾	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Glen Chan	Nil	Nil	169,571,100	33.94	169,571,100	33.94
Peh Siong Woon Terence	Nil	Nil	177,454,800	35.52	177,454,800	35.52
Tan Hai Peng Micheal	Nil	Nil	24,000,678	4.80	24,000,678	4.80

Notes:

(1) The explanations and relationships in respect of the named directors in this table have been set out in Section 2.10.4 of this Circular. Please refer to the explanations in the table therein.

(2) Based on 499,660,878 Shares (excluding treasury shares) as at the Latest Practicable Date.

LETTER TO SHAREHOLDERS

3.2 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 ⁽¹⁾	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
CH Biovest Pte. Limited	177,454,800	35.52	Nil	Nil	177,454,800	35.52
Chuan Hup Holdings Limited	Nil	Nil	177,454,800	35.52	177,454,800	35.52
3P Pte Ltd	Nil	Nil	177,454,800	35.52	177,454,800	35.52
Peh Kwee Chim	Nil	Nil	177,454,800	35.52	177,454,800	35.52
Qing Shan Pte Ltd	Nil	Nil	177,454,800	35.52	177,454,800	35.52
TMF Trustees Singapore Limited	Nil	Nil	177,454,800	35.52	177,454,800	35.52
Beamsbury Limited	Nil	Nil	177,454,800	35.52	177,454,800	35.52
Double Blessing Holdings Limited	64,535,550	12.92	Nil	Nil	64,535,550	12.92
Glaxier City Limited	105,035,550	21.02	Nil	Nil	105,035,550	21.02
Global Century Ltd	Nil	Nil	105,035,550	21.02	105,035,550	21.02
Fidelitycorp Limited	Nil	Nil	105,035,550	21.02	105,035,550	21.02

Notes:

(1) The explanations and relationships in respect of the named substantial shareholders in this table have been set out in Section 2.10.4 of this Circular. Please refer to the explanations in the table therein.

(2) Based on 499,660,878 Shares (excluding treasury shares) as at the Latest Practicable Date.

4 DIRECTORS' RECOMMENDATIONS

4.1 Proposed renewal of Share Buyback Mandate

The Directors (other than Mr. Glen Chan and Mr. Peh Siong Woon Terence who are abstaining from making any recommendations to the Shareholders pursuant to the conditions for exemption under Appendix 2 to the Take-over Code) are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders **vote in favour** of Ordinary Resolution 8, relating to the Renewal of Share Buyback Mandate as set out in the Notice of AGM.

5 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and wish to appoint a proxy to attend and vote on their behalf should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon and as soon as possible and, in any event, so as to arrive at the office of the Company's Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 not less than seventy-two (72) hours before the time set for the 2018 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.

6 ABSTENTION FROM VOTING

The (i) GC Group and its concert parties; and (ii) CH Biovest Group and its concert parties, if any, will abstain from voting at the 2018 AGM in respect of Ordinary Resolution No. 8 in relation to the renewal of the Share Buyback Mandate pursuant to the conditions under Appendix 2 to the Take-over Code as set out in Section 2.10.5(iii) above.

LETTER TO SHAREHOLDERS

7 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buyback Mandate, the 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.

8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the business office of the Company at 11 North Buona Vista Drive, #04-09 The Metropolis Tower 2, Singapore 138589 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 2018.

Yours faithfully

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

Mr. Glen Chan
CEO and Managing Director