

CIRCULAR DATED 10 OCTOBER 2017

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

This Circular is circulated to the shareholders of Hai Leck Holdings Limited (the “**Company**”), together with the annual report of the Company for the financial year ended 30 June 2017 (the “**Annual Report**”). The purpose of this Circular is to provide the shareholders of the Company (the “**Shareholders**”) with relevant information pertaining to and to seek Shareholders’ approval for the proposed renewal of the Share Buy Back Mandate (as defined in this Circular) to be tabled at the Annual General Meeting of the Company to be held on 26 October 2017 at 10 a.m., at 47 Tuas View Circuit, Singapore 637357.

The Notice of the Annual General Meeting (the “**Notice of AGM**”) and the Proxy Form are enclosed with the Annual Report.

If you have sold or transferred all your shares in the capital of the Company, you should at once hand this Circular, the Notice of AGM and the Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular.



HAI LECK HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199804461D)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:-

- “ACRA” : Accounting and Corporate Regulatory Authority
- “Act” : The Companies Act, Chapter 50 of Singapore, as may be amended from time to time
- “AGM” : An annual general meeting of the Company
- “Annual Report” : The annual report of the Company for the financial year ended 30 June 2017
- “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; and
- (b) In relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Board” : The board of directors of the Company
- “CCH” : Cheng Capital Holdings Pte. Ltd., a family investment company held by the Cheng Family
- “CDP” : The Central Depository (Pte) Limited
- “Cheng Family” : Mr Cheng Buck Poh @ Chng Bok Poh and his wife, Mdm Goo Guik Bing @ Goh Guik Bing, and their children, Mr Cheng Yao Tong, Ms Cheng Li Peng, Ms Cheng Li Chen, Ms Cheng Li Hui and Ms Cheng Wee Ling
- “Company” : Hai Leck Holdings Limited
- “Constitution” : The constitution of the Company, as may be amended from time to time
- “Controlling Shareholder” : A person who:-
- (a) holds directly or indirectly 15% or more of all voting shares in the Company, unless determined by the SGX-ST that such person is not a Controlling Shareholder; or
 - (b) in fact exercises control over the Company

DEFINITIONS

| | | |
|---------------------------|---|---|
| “Director” | : | A director of the Company as at the date of this Circular, and the term “ Directors ” shall be construed accordingly |
| “EPS” | : | Earnings per Share |
| “FY2017” | : | The financial year for the Company ended or ending 30 June 2017 |
| “Group” | : | The Company and its subsidiaries |
| “Latest Practicable Date” | : | 25 September 2017, being the latest practicable date prior to the printing of this Circular |
| “Listing Manual” | : | The listing manual of the SGX-ST, or the rules contained therein, as may be amended from time to time |
| “Market Day” | : | A day on which the SGX-ST is open for trading in securities |
| “NAV” | : | Net asset value |
| “Register of Members” | : | The principal register of members (duly registered holders of Shares) of the Company |
| “Securities Account” | : | A securities account maintained by a Depositor with CDP |
| “SGX-ST” | : | Singapore Exchange Securities Trading Limited |
| “Share Buy Back” | : | A purchase of Shares by the Company pursuant to the Share Buy Back Mandate |
| “Share Buy Back Mandate” | : | The general mandate to authorise the Directors to exercise all the powers of the Company to purchase or otherwise acquire its issued Shares upon and subject to the terms of such mandate |
| “Shareholders” | : | Persons (not being Depositors) who are registered as holders of Shares in the Register of Members, and Depositors who have Shares entered against their names in the Depository Register, except that where the registered holder is the CDP, the term “ Shareholders ” shall in relation to such Shares mean the Depositors to whose Securities Accounts are credited with the Shares |
| “Shares” | : | Ordinary shares in the capital of the Company |
| “Substantial Shareholder” | : | A person who has an interest or interests in one or more voting shares in the Company, and the total votes attached to that share, or those shares, is not less than five per cent. (5%) of the total votes attached to all the voting shares of the Company |
| “Takeover Code” | : | The Singapore Code on Takeovers and Mergers, and all practice notes, rules and guidelines thereunder, as may from time to time be issued or amended |
| “2009 EGM” | : | The extraordinary general meeting of the Company held on 21 October 2009 |
| “2016 EGM” | : | The extraordinary general meeting of the Company held on 19 October 2016 |

DEFINITIONS

“S\$” or “\$”, and “cents” : Singapore dollars and cents respectively

“%” or “per cent” : Per centum or percentage

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

The terms “**subsidiary**” and “**Treasury Shares**” shall have the meanings ascribed to them respectively in the Act.

The term “**subsidiary holdings**” shall have the meaning ascribed to it in the Listing Manual.

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any word defined under the Act, the Listing Manual or any statutory modification thereof and used in this Circular shall have the meaning assigned to it under the Act, the Listing Manual or any statutory modification thereof, as the case may be, unless the context otherwise requires.

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

References to “**paragraph**” are to the paragraphs of this Circular, unless otherwise stated.

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

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

LETTER TO SHAREHOLDERS

HAI LECK HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199804461D)

Board of Directors:

Cheng Buck Poh @ Chng Bok Poh (Executive Chairman)
Tan Sim Cheng Peter (Non-Executive Deputy Chairman)
Cheng Yao Tong (Chief Executive Officer)
Cheng Li Hui (Deputy Chief Executive Officer and Executive Director)
Cheng Li Chen (Non-Executive Director)
Dr Low Seow Chay (Independent Director)
Chee Teck Kwong Patrick (Independent Director)

Registered Office:

47 Tuas View Circuit
Singapore 637357

10 October 2017

To: The Shareholders of Hai Leck Holdings Limited

Dear Sir/Madam,

THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE**1. INTRODUCTION****1.1 AGM**

The Directors refer to (a) the notice of AGM dated 10 October 2017 (the “**Notice of AGM**”) accompanying the Annual Report of the Company for FY2017, convening the AGM to be held on 26 October 2017 and (b) Ordinary Resolution No. 7 under the heading of “Special Business” set out in the Notice of AGM.

The Directors propose to seek Shareholders’ approval for the proposed renewal of the Share Buy Back Mandate at the AGM to be held on 26 October 2017.

1.2 Circular

The purpose of this Circular is to explain the reasons for, and to provide Shareholders with the relevant information pertaining to, and to seek Shareholders’ approval for the proposed renewal of, the Share Buy Back Mandate.

1.3 SGX-ST

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular.

2. PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE**2.1 Background**

At the 2009 EGM, the Company obtained the approval of Shareholders for the Share Buy Back Mandate. The rationale for, the authority and limitations on, and the financial effects of the Share Buy Back Mandate approved at the 2009 EGM were set out in the circular to Shareholders dated 6 October 2009.

The authority conferred by the Share Buy Back Mandate will continue to be in force until the next AGM (whereupon it will lapse, unless renewed thereat), or the day on which Share Buy Backs are carried out to the full extent mandated, or until it is varied or revoked by the Company in a general meeting (if so varied or revoked prior to the next AGM), whichever is earlier.

LETTER TO SHAREHOLDERS

The Share Buy Back Mandate approved and renewed at the 2016 EGM will expire on 26 October 2017, being the date of the forthcoming AGM. Accordingly, the Company intends to seek the approval of Shareholders for the renewal of the Share Buy Back Mandate at the forthcoming AGM, and if approved, the Share Buy Back Mandate will take effect from the forthcoming AGM and continue in force until the date of the next AGM or such date as the next AGM is required by law to be held.

2.2 Rationale

The proposed renewal of the Share Buy Back Mandate will give the Directors the flexibility to purchase or acquire the Shares if and when circumstances permit. The Directors believe that Share Buy Backs will provide the Company and the Directors with the flexibility to better manage the Company's share capital structure, dividend payout and cash reserves. In addition, Share Buy Backs provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient and cost-efficient manner.

Share Buy Backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the EPS of the Company, and will only be made when the Directors believe that such Share Buy Backs would benefit the Company and the Shareholders.

Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy Back Mandate would only be made in circumstances where the Directors believe that such purchases or acquisitions would not have a material adverse effect on the financial position of the Company.

2.3 Terms of the Share Buy Back Mandate

The authority and limitations placed on purchases of Shares by the Company under the Share Buy Back Mandate are summarised below:-

2.3.1 Maximum Number of Shares

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

The total number of Shares that may be purchased or acquired is limited to that number of Shares representing not more than 10% of the issued share capital of the Company, ascertained as at the date of the AGM at which the Share Buy Back Mandate is approved (the "**Approval Date**"), unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during a period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, in which event the total number of Shares shall be taken to be the total number of Shares as altered. For purposes of calculating the percentage of issued Shares above, subsidiary holdings and Shares which are held as Treasury Shares will be disregarded.

Illustration

As at the Latest Practicable Date, the total issued and paid-up share capital of the Company comprised 204,912,372 Shares (excluding 320,000 Treasury Shares and subsidiary holdings).

Assuming that no further Shares are issued on or prior to the forthcoming AGM, not more than 20,491,237 Shares (representing 10% of the issued and paid-up share capital of the Company, excluding Treasury Shares and subsidiary holdings, as at that date) may be purchased or acquired by the Company pursuant to the Share Buy Back Mandate.

LETTER TO SHAREHOLDERS

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 Approval Date, up to the earliest of:-

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

2.3.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:-

- (a) on-market purchases ("**Market Purchases**"), transacted on the SGX-ST through the ready market, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchases ("**Off-Market Purchases**"), effected in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Listing Manual.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy Back Mandate, the Listing Manual and the Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

Under the Act, an Off-Market Purchase must satisfy all of 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 offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded:-
 - (aa) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (bb) (if applicable) differences in consideration attributable to the fact that the offers relates to Shares with different amounts remaining unpaid; and
 - (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

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

- A the terms and conditions of the offer;
- B the period and procedures for acceptances;
- C the reasons for the proposed Share Buy Back;
- D the consequences, if any, of Share Buy Backs that will arise under the Takeover Code or other applicable takeover rules;

LETTER TO SHAREHOLDERS

- E whether the Share Buy Back, if made, would have any effect on the listing of the Shares on the SGX-ST;
- F details of any Share Buy Back made in the previous 12 months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), stating 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 purchases; 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, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price to be paid for a Share 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 pursuant to an equal access scheme, up to 120% of the Average Closing Price,

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

For the above purposes:-

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last 5 Market Days, on which transactions in the Shares were recorded, immediately preceding the day 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 Listing Manual, for any corporate action that occurs after the relevant 5-day period; 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 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 or Acquired Shares under the Share Buy Back Mandate**

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

2.4.2 Cancellation

All Shares purchased or acquired by the Company and cancelled will be automatically delisted by 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 purchase or acquisition.

Upon cancellation, all rights and privileges attached to such Shares will expire and the Company's issued and the total number of issued Shares will be diminished by the number of Shares purchased or otherwise acquired by the Company which are not held as Treasury Shares.

LETTER TO SHAREHOLDERS

2.4.3 Treasury

Where Shares are held in treasury, the Company shall be entered in the Register of Members as the member holding such Shares. The total aggregate number of all Shares, whether ordinary or otherwise, held in treasury shall not exceed 10% of the total number of Shares held in that class.

No rights and privileges shall be attached to any Shares held in treasury. 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 rights to vote and the Treasury Shares shall be treated as having no voting rights. In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of Treasury Shares. However, the allotment of Shares as fully paid bonus shares in respect of Treasury Shares is allowed. Also, a subdivision or consolidation of any Treasury Share into Treasury Shares of a smaller amount is allowed so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before.

The Company may sell any of such Treasury Shares for cash, transfer any such Treasury Shares for the purpose of or pursuant to an employee's share scheme, transfer any such Treasury Shares as consideration for the acquisition of Treasury Shares in or assets of another company or assets of any persons, cancel any such Treasury Shares or sell, transfer or otherwise use such Treasury Shares as may be permitted by law.

2.5 **Source of Funds**

2.5.1 The Company may only apply funds for Share Buy Backs as provided in the Constitution and in accordance with the applicable laws in Singapore. Under the Act, any purchase or acquisition of Shares may be made only if the Company is solvent and out of the Company's capital or distributable profits.

2.5.2 Pursuant to the Act, a company is solvent if:-

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

2.5.3 The Company will use internal resources or external borrowings or a combination of both to finance the Company's purchase or acquisition of its Shares. The Directors do not propose to exercise the Share Buy Back Mandate in a manner and to such extent as would have a material adverse effect on the working capital requirements or the gearing levels of the Group. In determining whether to undertake any purchases or acquisitions of Shares under the Share Buy Back Mandate, the Directors will take into account, *inter alia*, the prevailing market conditions, the financial position of the Group and other relevant factors.

LETTER TO SHAREHOLDERS

2.6 Takeover Implications under the Takeover Code

2.6.1 Obligation to Make a Takeover Offer

Under Rule 14 of the Takeover Code (“**Rule 14**”), a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory takeover offer if, *inter alia*, he and the persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company’s voting rights, increase their voting rights in the Company by more than 1% in any period of 6 months.

Appendix 2 of the Takeover Code contains the Share Buy Back Guidance Note (“**Appendix 2**”). Pursuant to Appendix 2, an increase of a Shareholder’s proportionate interest in the voting rights of the Company resulting from a Share Buy Back by the Company will be treated as an acquisition for the purposes of Rule 14. Consequently, a Shareholder or a group of Shareholders acting in concert could, depending on the level of increase in his or their interest in the Company, become obliged to make a mandatory offer in accordance with Rule 14 as a result of the Company’s purchase or acquisition of Shares.

2.6.2 Persons Acting in Concert

Under the Takeover 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 Takeover Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:-

- (a) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trust;
- (b) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, any company whose associated companies include any of the above companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client’s equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer 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 above 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.

LETTER TO SHAREHOLDERS

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

2.6.3 Effect of Rule 14 and Appendix 2 of the Takeover Code

In general, unless exempted by the Securities Industry Council (the “SIC”), Directors and persons acting in concert with them will incur an obligation to make a takeover offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company’s voting rights, the voting rights of such Directors and their concert parties would increase by 1% in any period of 6 months.

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

When a group acting in concert holds over 50% of the voting rights, no obligation would normally arise from acquisitions by any member of the group. However, the SIC may, subject to various considerations as set out in Note 5 to Rule 14.1 of the Takeover Code, regard as giving rise to an obligation to make an offer any acquisition by a single member or sub-group of the group acting in concert of voting rights sufficient to increase his or its holding to 30% or more or, if he or it already hold between 30% and 50%, by more than 1% in any 6 month period.

By a letter dated 2 July 2009, the SIC has confirmed that Mr Cheng Buck Poh @ Chng Bok Poh and CCH, together with the other members of the Cheng Family, are deemed to be persons acting in concert under the provisions of the Takeover Code.

As at the Latest Practicable Date, the Company’s total issued share capital comprises 204,912,372 Shares (excluding 320,000 Treasury Shares and subsidiary holdings) and Mr Cheng Buck Poh @ Chng Bok Poh, who is the current Executive Chairman and a Controlling Shareholder, together with CCH, which is also a Controlling Shareholder, hold an aggregate of 171,422,350 Shares representing approximately 83.66% of the total issued share capital of the Company, of which CCH holds an interest of 78,000,000 Shares representing 38.07% of the total issued share capital of the Company.

Accordingly, since Mr Cheng Buck Poh @ Chng Bok Poh and CCH already have aggregate shareholding interests of more than 50% in the Company as at the Latest Practicable Date and are deemed to be persons acting in concert with each other together with the other members of the Cheng Family, any increase in their shareholdings in the event the Company purchases Shares pursuant to the Share Buy Back Mandate will not require them to make a general offer under Rule 14.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory takeover offer under the Takeover Code as a result of Share Buy Backs by the Company are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity.

LETTER TO SHAREHOLDERS

2.7 Financial Effects

2.7.1 General

Where Shares are purchased or acquired out of the capital of the Company and cancelled, the issued share capital of the Company will be reduced by the corresponding total purchase price of the Shares purchased or acquired. If, on the other hand, the Shares purchased or acquired are not cancelled but held in treasury, then there will be no change to the Company's issued capital.

Where Shares are purchased or acquired out of the profits of the Company, the consideration paid by the Company (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

2.7.2 Illustrative Financial Effects

The financial effects arising from a Share Buy Back will depend, *inter alia*, on the number of Shares purchased or acquired, the price paid for such Shares, the manner in which the purchase or acquisition is funded and whether the Shares are cancelled or held in treasury. It is therefore not possible to realistically calculate or quantify the financial effects at this point of time.

As at the Latest Practicable Date, the issued capital of the Company comprises 204,912,372 Shares (excluding 320,000 Treasury Shares and subsidiary holdings). Assuming no further Shares are issued on or prior to the AGM, and based on a public float of approximately 16.12% as at the Latest Practicable Date, the purchase by the Company of up to 6.12% of its issued Shares (excluding Treasury Shares and subsidiary holdings) pursuant to the Share Buy Back Mandate, up to an extent that would not affect adversely the listing status of the Shares on the SGX-ST, will result in the purchase of up to 12,536,000 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 12,536,000 Shares at the Maximum Price of S\$0.56 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 12,536,000 Shares would be approximately S\$7,020,160.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 12,536,000 Shares at the Maximum Price of S\$0.63 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 12,536,000 Shares would be approximately S\$7,897,680.

For illustrative purposes only and on the basis of the assumptions set out above and assuming the purchase of Shares is funded wholly by internal resources and took place at the beginning of FY2017, on 1 July 2016, the financial effects of:-

- (a) the acquisition of 6.12% Shares by the Company in (a) a Market Purchase; or (b) an Off-Market Purchase, pursuant to the Share Buy Back Mandate, by way of purchases made entirely out of capital/profit and held as Treasury Shares; and
- (b) the acquisition of 6.12% Shares by the Company in (a) a Market Purchase; or (b) an Off-Market Purchase, pursuant to the Share Buy Back Mandate, by way of purchases made entirely out of capital/profit and cancelled,

on the audited financial results of the Group and Company for FY2017 are set out below.

LETTER TO SHAREHOLDERS

A. Purchases made entirely out of capital / profit and held as Treasury Shares

(i) Market Purchases

| As at 30 June 2017 | Group | | Company | |
|---|-----------------|----------------|-----------------|----------------|
| S\$'000 | Before Buy Back | After Buy Back | Before Buy Back | After Buy Back |
| Share Capital | 65,112 | 65,112 | 65,112 | 65,112 |
| Treasury Shares | (160) | (7,180) | (160) | (7,180) |
| Capital Reserves | 1,126 | 1,126 | 1,126 | 1,126 |
| Translation Reserves | 207 | 207 | – | – |
| Fair Value Adjustment Reserve | – | – | – | – |
| Reserves | 52,393 | 52,393 | 7,228 | 7,228 |
| Total Equity | 118,678 | 111,658 | 73,306 | 66,286 |
| Net Asset Value | 118,678 | 111,658 | 73,306 | 66,286 |
| Cash and Cash Equivalents | 52,222 | 45,202 | 12,286 | 5,266 |
| Current Assets | 92,109 | 85,089 | 19,235 | 12,215 |
| Current Liabilities | 31,189 | 31,189 | 738 | 738 |
| Net Current Assets | 60,920 | 53,900 | 18,497 | 11,477 |
| Borrowing | 177 | 177 | – | – |
| Earnings for last 12 months | 7,931 | 7,931 | 11,973 | 11,973 |
| Number of Shares excluding Treasury Shares and Subsidiary Holdings ('000) | 204,869 | 192,333 | 204,869 | 192,333 |
| Financial Ratios | | | | |
| Net Asset Value per Share (\$) | 0.58 | 0.58 | 0.36 | 0.34 |
| Gearing Ratio | – | – | – | – |
| Working Capital Ratio | 2.95 | 2.73 | 26.06 | 16.55 |
| Earnings per Share (\$) | 0.04 | 0.04 | 0.06 | 0.06 |

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(ii) *Off-Market Purchases*

| As at 30 June 2017 | Group | | Company | |
|---|-----------------|----------------|-----------------|----------------|
| S\$'000 | Before Buy Back | After Buy Back | Before Buy Back | After Buy Back |
| Share Capital | 65,112 | 65,112 | 65,112 | 65,112 |
| Treasury Shares | (160) | (8,058) | (160) | (8,058) |
| Capital Reserves | 1,126 | 1,126 | 1,126 | 1,126 |
| Translation Reserves | 207 | 207 | – | – |
| Fair Value Adjustment Reserve | – | – | – | – |
| Reserves | 52,393 | 52,393 | 7,228 | 7,228 |
| Total Equity | 118,678 | 110,780 | 73,306 | 65,408 |
| Net Asset Value | 118,678 | 110,780 | 73,306 | 65,408 |
| Cash and Cash Equivalents | 52,222 | 44,324 | 12,286 | 4,388 |
| Current Assets | 92,109 | 84,211 | 19,235 | 11,337 |
| Current Liabilities | 31,189 | 31,189 | 738 | 738 |
| Net Current Assets | 60,920 | 53,022 | 18,497 | 10,599 |
| Borrowing | 177 | 177 | – | – |
| Earnings for last 12 months | 7,931 | 7,931 | 11,973 | 11,973 |
| Number of Shares excluding Treasury Shares and Subsidiary Holdings ('000) | 204,869 | 192,333 | 204,869 | 192,333 |
| Financial Ratios | | | | |
| Net Asset Value per Share (\$) | 0.58 | 0.58 | 0.36 | 0.34 |
| Gearing Ratio | – | – | – | – |
| Working Capital Ratio | 2.95 | 2.70 | 26.06 | 15.36 |
| Earnings per Share (\$) | 0.04 | 0.04 | 0.06 | 0.06 |

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B. *Purchases made entirely out of capital / profit and cancelled*

(i) *Market Purchases*

| As at 30 June 2017 | Group | | Company | |
|---|-----------------|----------------|-----------------|----------------|
| | Before Buy Back | After Buy Back | Before Buy Back | After Buy Back |
| S\$'000 | | | | |
| Share Capital | 65,112 | 57,932 | 65,112 | 57,932 |
| Treasury Shares | (160) | – | (160) | – |
| Capital Reserves | 1,126 | 1,126 | 1,126 | 1,126 |
| Translation Reserves | 207 | 207 | – | – |
| Fair Value Adjustment Reserve | – | – | – | – |
| Reserves | 52,393 | 52,393 | 7,228 | 7,228 |
| Total Equity | 118,678 | 111,658 | 73,306 | 66,286 |
| Net Asset Value | 118,678 | 111,658 | 73,306 | 66,286 |
| Cash and Cash Equivalents | 52,222 | 45,202 | 12,286 | 5,266 |
| Current Assets | 92,109 | 85,089 | 19,235 | 12,215 |
| Current Liabilities | 31,189 | 31,189 | 738 | 738 |
| Net Current Assets | 60,920 | 53,900 | 18,497 | 11,477 |
| Borrowing | 177 | 177 | – | – |
| Earnings for last 12 months | 7,931 | 7,931 | 11,973 | 11,973 |
| Number of Shares excluding Treasury Shares and Subsidiary Holdings ('000) | 204,869 | 192,333 | 204,869 | 192,333 |
| Financial Ratios | | | | |
| Net Asset Value per Share (\$) | 0.58 | 0.58 | 0.36 | 0.34 |
| Gearing Ratio | – | – | – | – |
| Working Capital Ratio | 2.95 | 2.73 | 26.06 | 16.55 |
| Earnings per Share (\$) | 0.04 | 0.04 | 0.06 | 0.06 |

LETTER TO SHAREHOLDERS

(ii) *Off-Market Purchases*

| As at 30 June 2017 | Group | | Company | |
|---|-----------------|----------------|-----------------|----------------|
| S\$'000 | Before Buy Back | After Buy Back | Before Buy Back | After Buy Back |
| Share Capital | 65,112 | 57,054 | 65,112 | 57,054 |
| Treasury Shares | (160) | – | (160) | – |
| Capital Reserves | 1,126 | 1,126 | 1,126 | 1,126 |
| Translation Reserves | 207 | 207 | – | – |
| Fair Value Adjustment Reserve | – | – | – | – |
| Reserves | 52,393 | 52,393 | 7,228 | 7,228 |
| Total Equity | 118,678 | 110,780 | 73,306 | 65,408 |
| Net Asset Value | 118,678 | 110,780 | 73,306 | 65,408 |
| Cash and Cash Equivalents | 52,222 | 44,324 | 12,286 | 4,388 |
| Current Assets | 92,109 | 84,211 | 19,235 | 11,337 |
| Current Liabilities | 31,189 | 31,189 | 738 | 738 |
| Net Current Assets | 60,920 | 53,022 | 18,497 | 10,599 |
| Borrowing | 177 | 177 | – | – |
| Earnings for last 12 months | 7,931 | 7,931 | 11,973 | 11,973 |
| Number of Shares excluding Treasury Shares and Subsidiary Holdings ('000) | 204,869 | 192,333 | 204,869 | 192,333 |
| Financial Ratios | | | | |
| Net Asset Value per Share (\$) | 0.58 | 0.58 | 0.36 | 0.34 |
| Gearing Ratio | – | – | – | – |
| Working Capital Ratio | 2.95 | 2.70 | 26.06 | 15.36 |
| Earnings per Share (\$) | 0.04 | 0.04 | 0.06 | 0.06 |

Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustrative purposes only. Although the Share Buy Back Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares repurchased, or hold all or part of the Shares repurchased in treasury. It is also important to note that the above analysis is based on historical numbers and is not necessarily representative of future financial performance.

2.8 Taxation

Shareholders who are in doubt as to their tax positions or any tax implications in their respective jurisdictions should consult their own professional tax advisors.

2.9 Reporting requirements

The Act and the Listing Manual require the Company to make reports in relation to the Share Buy Back Mandate as follows:-

- (a) Within 30 days of the passing of a Shareholders' resolution to approve purchases of Shares, the Company must lodge a copy of such resolution with ACRA;

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- (b) Within 30 days of a purchase of Shares on the SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including *inter alia*, details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as Treasury Shares, the Company's issued ordinary share capital before the purchase and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company;
- (c) Purchases of Shares must be reported to the SGX-ST, in the forms prescribed by the Listing Manual, and announced to the public, in the case of Market Purchases, not later than 9.00 a.m. on the Market Day following the day of purchase of any of its Shares, and, in the case of Off-Market Purchases, not later than 9.00 a.m. on the second Market Day after the close of acceptances of the offer made by the Company; and
- (d) When seeking the approval of Shareholders for the renewal of the Share Buy Back Mandate, the Company is required to disclose details pertaining to 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, and where relevant, the total consideration paid for such purchases.

2.10 Other Listing Rules

- 2.10.1 The Listing Manual provides that a listed company shall ensure that at least 10% of any class of its listed securities is at all times held by the public. As at the Latest Practicable Date, 33,027,272 Shares representing 16.12% of the issued share capital of the Company are held in the hands of the public, by an aggregate of 1,386 Shareholders.
- 2.10.2 Assuming the Company exercises the Share Buy Back Mandate in full and purchases the maximum of ten per cent. (10%) of its Shares through Market Purchases from the public, the public float would be reduced to approximately 7% of the issued Shares (excluding Treasury Shares and subsidiary holdings). In order to preserve the listing status of the Shares on the SGX-ST by maintaining a public float of not less than 10% in the issued Shares (excluding Treasury Shares and subsidiary holdings), the Company would not purchase or acquire more than 12,536,000 Shares (or 6.12% of the issued Shares (excluding Treasury Shares and subsidiary holdings) as at that date) pursuant to the Share Buy Back Mandate.
- 2.10.3 Based on the percentage of issued share capital of the Company held by the public as mentioned above, the Directors will ensure that any Shares 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.
- 2.10.4 The Directors will use their best efforts to ensure that the Company does not effect any purchase or acquisition of Shares if the purchase or acquisition would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the listing status of the Company.
- 2.10.5 While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buy Back Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced.
- 2.10.6 In particular, in line with Rule 1207(19)(c) of the Listing Manual, the Company and its officers should not and will not deal in the Company's securities 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, and one month before the announcement of the Company's full year financial statements, as the case may be.

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2.11 Details of Shares bought by the Company in the previous 12 months

No purchases or acquisitions of Shares have been made or effected by the Company pursuant to the Share Buy Back Mandate in the 12 months preceding the Latest Practicable Date.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1 Interests of Substantial Shareholders

As at the Latest Practicable Date, the shareholding interests of Substantial Shareholders in the Company are set out below:-

| Name | Direct Interest | | Deemed Interest | | Total Interest | |
|--|-----------------|-------|-----------------|-------|----------------|-------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| CCH ⁽¹⁾⁽²⁾ | 78,000,000 | 38.07 | – | – | 78,000,000 | 38.07 |
| Cheng Buck Poh @ Chng Bok Poh ⁽¹⁾⁽²⁾⁽³⁾ | 93,422,350 | 45.59 | 78,000,000 | 38.07 | 171,422,350 | 83.66 |
| Goo Guik Bing @ Goh Guik Bing ⁽¹⁾⁽³⁾ | – | – | 171,422,350 | 83.66 | 171,422,350 | 83.66 |

The percentage of shareholding interest above is computed based on the total issued shares of 204,912,372 Shares, excluding Treasury Shares and subsidiary holdings.

Notes:-

- (1) CCH is held by the Cheng Family.
- (2) Mr Cheng Buck Poh @ Chng Bok Poh is deemed to be interested in the 78,000,000 Shares held by CCH by virtue of his 52% shareholding in CCH.
- (3) Mdm Goo Guik Bing @ Goh Guik Bing is deemed to be interested in (i) the 78,000,000 Shares held by CCH by virtue of her husband's, Mr Cheng Buck Poh @ Chng Bok Poh's 52% shareholding in CCH; and (ii) the 93,422,350 Shares held by her husband, Mr Cheng Buck Poh @ Chng Bok Poh.

Save for their aforesaid respective interests in the Company, none of the Substantial Shareholders have any direct or indirect interest in the proposed renewal of the Share Buy Back Mandate.

3.2 Interests of Directors

As at the Latest Practicable Date, the shareholding interests of the Directors in the Company are set out below:-

| Director | Direct Interest | | Deemed Interest | | Total Interest | |
|--|-----------------|-------|-----------------|-------|----------------|-------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Cheng Buck Poh @ Chng Bok Poh ⁽¹⁾ | 93,422,350 | 45.59 | 78,000,000 | 38.07 | 171,422,350 | 83.66 |
| Tan Sim Cheng | 93,750 | 0.05 | – | – | 93,750 | 0.05 |
| Low Seow Chay ⁽²⁾ | 270,500 | 0.13 | 36,000 | 0.02 | 306,500 | 0.15 |
| Chee Teck Kwong, Patrick | 62,500 | 0.03 | – | – | 62,500 | 0.03 |

The percentage of shareholding interest above is computed based on the total issued shares of 204,912,372 Shares, excluding Treasury Shares and subsidiary holdings.

Notes:-

- (1) Mr Cheng Buck Poh @ Chng Bok Poh is deemed to be interested in the 78,000,000 Shares held by CCH by virtue of his 52% shareholding in CCH.
- (2) Dr Low Seow Chay is deemed to be interested in the 36,000 Shares held by his wife, Mdm Lim Keng Suan.

Save for their aforesaid respective interests in the Company, none of the Directors have any direct or indirect interest in the proposed renewal of the Share Buy Back Mandate.

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4. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Buy Back Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the ordinary resolution in respect of the proposed renewal of the Share Buy Back Mandate set out in Ordinary Resolution No. 7 in the Notice of AGM.

5. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the Proxy Form attached to the Annual Report in accordance with the instructions printed thereon.

The completion and lodgement of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the AGM if he so wishes.

6. 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 Buy Back 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.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 47 Tuas View Circuit, Singapore 637357, during normal business hours, from the date of this Circular up to the date of the AGM:-

- (a) the Constitution of the Company; and
- (b) the Annual Report of the Company for FY2017.

Yours faithfully
for and on behalf of the Board of Directors of
Hai Leck Holdings Limited

Cheng Yao Tong
Chief Executive Officer