

CIRCULAR DATED 16 AUGUST 2018

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

If you are in any doubt as to the contents herein or as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

If you have sold or transferred all your shares in the capital of APAC Realty Limited, please forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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



APAC Realty Limited

(Company Registration No.: 201319080C)

(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS
IN RELATION TO
THE PROPOSED ACQUISITION OF HC HOME PTE. LTD.
AND
THE PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	28 August 2018 at 10 a.m.
Date and time of Extraordinary General Meeting	:	31 August 2018 at 10 a.m.
Place of Extraordinary General Meeting	:	229 Mountbatten Road #03-01 Mountbatten Square Singapore 398007

CONTENTS

DEFINITIONS	3
1. INTRODUCTION	6
2. PROPOSED ACQUISITION OF HC HOME	6
3. PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE	13
4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	22
5. DIRECTORS' RECOMMENDATIONS	23
6. EXTRAORDINARY GENERAL MEETING	23
7. ACTION TO BE TAKEN BY SHAREHOLDERS	23
8. INSPECTION OF DOCUMENTS	23
9. RESPONSIBILITY STATEMENT	24
NOTICE OF EXTRAORDINARY GENERAL MEETING	25

DBS Bank Ltd. is the sole issue manager of the initial public offering and listing of APAC Realty Limited. DBS Bank Ltd. assumes no responsibility for the contents of this Circular.

DEFINITIONS

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

"1H 2018"	: The half year ended 30 June 2018
"Announcement"	: The announcement of the Proposed Transaction
"Announcement Date"	: 5 June 2018, being the date of the Announcement
"Average Closing Market Price"	: The average of the closing market prices of the Shares over the last five market days, on which transactions in the Shares were recorded, before the day of the On-Market Share Buy-back or, as the case may be, the day of the making of the offer pursuant to the Off-Market Equal Access Share Buy-back, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period
"CEO"	: Chief Executive Officer
"Companies Act"	: The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
"Company"	: APAC Realty Limited
"Completion"	: Completion of the Proposed Transaction
"Completion Date"	: 12 September 2018 or such other earlier date as the Company may decide
"concert parties"	: Persons acting in concert under the definition in the Take-over Code
"Consideration"	: S\$72,800,000.00, being the consideration for the Proposed Transaction
"controlling Shareholder"	: A person who: (a) holds directly or indirectly 15% or more of the total voting rights in the Company; or (b) in fact exercises control over the Company
"Deposit"	: The sum of S\$728,000.00 paid by the Company to the Vendor upon the signing of the SPA
"Directors"	: The Directors of the Company as at the Latest Practicable Date
"EGM"	: The extraordinary general meeting of the Company to be convened on 31 August 2018, notice of which is set out on pages 25 to 27 of this Circular
"EPS"	: Earnings per Share
"ERA"	: ERA Realty Network Pte Ltd
"FY 2017"	: Financial year ended 31 December 2017
"Group"	: The Company and its subsidiaries as at the Latest Practicable Date

DEFINITIONS

“HC Home”	: HC Home Pte. Ltd.
“HDB”	: Housing and Development Board
“IPO Proceeds”	: Net proceeds from the Company’s initial public offering that had taken place in September 2017
“Latest Practicable Date”	: 8 August 2018, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	: The listing rules of the SGX-ST, as set out in the Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
“Market Day”	: A day on which the SGX-ST is open for securities trading
“Maximum Price”	: 105% of the Average Closing Market Price of the Shares (excluding related expenses of the purchase or acquisition)
“New Completion Date”	: New date for Completion no later than 30 days after the original Completion Date
“Notice of EGM”	: The notice of the EGM, which is set out on pages 25 to 27 of this Circular
“NTA”	: Net tangible assets
“Off-Market Equal Access Share Buy-back”	: Off-market purchases effected pursuant to an equal access scheme as defined in Section 76C of the Companies Act
“On-Market Share Buy-back”	: On-market purchases transacted on the SGX-ST through the SGX-ST’s trading system
“Property”	: The property at 450 Lorong 6 Toa Payoh Singapore 319394 owned by HC Home
“Proposals”	: The proposed acquisition of HC Home and the proposed adoption of the Share Buy-back Mandate
“Proposed Transaction”	: Proposed acquisition of the Target Shares representing 100% of the issued ordinary shares of HC Home immediately following Completion
“Purchase Price”	: The aggregate purchase price payable by the Company to the Vendor in respect of the Target Shares of S\$72,800,000.00
“Rule 14”	: Rule 14 of the Take-over Code
“Rule 1006”	: Rule 1006 of the Listing Manual
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Share Buy-back”	: Purchase or acquisition of Shares by the Company pursuant to the Share Buy-back Mandate

DEFINITIONS

“Share Buy-back Mandate”	: A general mandate given by Shareholders to authorise the Directors to purchase or acquire, on behalf of the Company, Shares in accordance with the terms of this Circular, as well as the rules and regulations set forth in the Companies Act and the Listing Manual
“Shareholders”	: Registered holders for the time being of the Shares (other than The Central Depository (Pte) Limited), or in the case of depositors, depositors who have Shares entered against their names in the Depository Register
“Shares”	: Ordinary shares in the share capital of the Company
“SPA”	: Sale and purchase of shares agreement dated 5 June 2018 and entered into between the Company and the Vendor pursuant to which the Vendor has agreed to sell, and the Company has agreed to purchase, the Target Shares
“S\$” and “cents”	: Singapore dollars and cents respectively
“Take-over Code”	: The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“Target Shares”	: 2,000,000 ordinary shares in the issued share capital of HC Home
“usage”	: Any sale, transfer, cancellation and/or use of treasury shares
“Valuation”	: A valuation of the Property, commissioned by the Company, performed by an independent valuer, Savills Valuation and Professional Services (S) Pte Ltd
“Vendor”	: Hersing Corporation Pte. Ltd.
“%” 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 term “**subsidiary**” shall bear the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. 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 in the Companies Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it in the Companies Act or any statutory modification thereof, as the case may be. Summaries of the provisions of any laws and regulations contained in this Circular are of such laws and regulations as at the Latest Practicable Date.

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

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof and/or the respective percentages are due to rounding.

LETTER TO SHAREHOLDERS

APAC Realty Limited (Company Registration No. 201319080C) (Incorporated in Singapore on 15 July 2013)

Board of Directors:

Mr. Stewart Yen Se-Hua (*Non-executive Chairman and Independent Director*)
Mr. Chua Khee Hak (*Executive Director and Chief Executive Officer*)
Mr. Tan Choon Hong (*Non-executive Non-Independent Director*)
Mr. Tommy Teo Zhi Zhuang (*Non-executive Non-Independent Director*)
Mr. Tan Bong Lin (*Non-executive Independent Director*)
Mr. Hee Theng Fong (*Non-executive Independent Director*)

Registered Office:

229 Mountbatten Road
#03-01 Mountbatten Square
Singapore 398007

16 August 2018

To: The Shareholders of APAC Realty Limited

Dear Sir/Madam

1. INTRODUCTION

1.1 EGM. The Directors are convening the EGM to be held on 31 August 2018 to seek the approval of the Shareholders for:

1.1.1 the proposed acquisition of HC Home; and

1.1.2 the proposed adoption of the Share Buy-back Mandate,

(together, the “**Proposals**”).

1.2 Circular. The purpose of this Circular is to provide Shareholders with information relating to the Proposals to be tabled at the EGM.

2. PROPOSED ACQUISITION OF HC HOME

2.1 Proposed Transaction

2.1.1 Background. On 5 June 2018, the Company announced that it had entered into the SPA pursuant to which Hersing Corporation Pte. Ltd. (the “**Vendor**”) has agreed to sell, and the Company has agreed to purchase, 2,000,000 ordinary shares in the issued share capital of HC Home (the “**Target Shares**”), representing 100% of the issued share capital of HC Home, for the purchase price of S\$72,800,000.00.

2.1.2 Approvals Required. The Proposed Transaction constitutes a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Transaction is subject to the approval of the Shareholders at the EGM.

2.2 Information on HC Home and the Vendor

2.2.1 HC Home. HC Home is an investment holding company incorporated in Singapore in 2009. HC Home owns the property at 450 Lorong 6 Toa Payoh Singapore 319394 (the “**Property**”). The Property, which is the sole real property asset owned by HC Home,

LETTER TO SHAREHOLDERS

is a 48-year old leasehold commercial property with a site area of approximately 1,392.4 square metres and a gross floor area of 4,121.4 square metres, and was last refurbished in 2012. Its 99-year lease from HDB commenced on 1 August 1970. The Property has four levels: the first and second levels are currently leased to retail businesses, while the third level and the fourth level (a mezzanine) are currently leased as office space. There are also two auditoriums on the third level which are leased. Total lettable floor area is approximately 2,155.3 square metres, excluding auditorium space of 441.34 square metres. The Property's current occupancy rate of 92.3% comprises multiple tenants, most of which are on one-year tenancies. The Property has no anchor tenants and the single largest tenant occupies approximately 11.8% of the total lettable floor area. Following Completion, it is intended that the Company's wholly-owned subsidiary, ERA Realty Network Pte Ltd ("**ERA**"), will occupy the third and fourth levels of the Property (which amounts to approximately 50% of the total lettable floor area), and thus it is projected that ERA will be an anchor tenant. The excess space not occupied by the Group will be leased to third parties. The current rental rates for the Property for retail range from S\$10 per square foot to S\$21 per square foot and for office range from S\$5 per square foot to S\$7 per square foot. As at the Latest Practicable Date, HC Home has a total issued and fully paid-up share capital of S\$2,000,000 comprising the Target Shares and is wholly owned by the Vendor.

- 2.2.2 Vendor.** The Vendor is a company incorporated in Singapore and is the registered and beneficial owner of 100% of the issued and paid-up capital of HC Home.

The Vendor is a brand manager and service provider of some of the region's most celebrated brands. The brand owners and franchisors which the Vendor used to own include Western Union and Tim Ho Wan in Singapore.

The Company acquired all its subsidiaries, including ERA, from the Vendor in August 2013, save for Coldwell Banker Real Estate (S) Pte Ltd and Coldwell Banker Commercial Real Estate (S) Pte Ltd, which were acquired from the Vendor in October 2013.

There is no relationship between the Vendor and the Company's CEO, controlling Shareholders, Directors or their respective associates that would give rise to the Vendor being considered the Company's interested person under the Listing Manual or a party acting in concert with the controlling Shareholders and Directors under the Take-over Code.

2.3 Principal Terms of the Proposed Transaction

- 2.3.1 The Target Shares.** Pursuant to the terms of the SPA, the Vendor shall sell, and the Company shall purchase, the Target Shares free from any encumbrance together with all benefits, rights and entitlements accrued or attaching thereto on a debt-free cash-free basis.
- 2.3.2 Purchase Price.** The aggregate purchase price payable by the Company to the Vendor in respect of the Target Shares is S\$72,800,000.00 (the "**Purchase Price**"), payable in cash as follows:
- (a) S\$728,000.00 which was paid upon the signing of the SPA (the "**Deposit**"); and
 - (b) S\$72,072,000.00 on the Completion Date.
- 2.3.3 Pricing Factors.** The Purchase Price was arrived at after arm's length negotiations, on a willing-buyer and willing-seller basis, and determined on the basis of and taking into account, *inter alia*, the valuation of the Property.

LETTER TO SHAREHOLDERS

A valuation of the Property, commissioned by the Company, was performed by Savills Valuation and Professional Services (S) Pte Ltd (the “**Valuation**”), an independent valuer accredited by the Singapore Institute Of Surveyors & Valuers, using the income capitalisation method, direct comparison method, cost method and residual method. Based on the highest and best-use basis, with reference to the Master Plan 2014 and the URA Written Permission dated 29 August 2013, the valuation of the Property is S\$72.8 million as at 30 May 2018⁽¹⁾. The Company is confident that the building will be well-utilised with full occupancy and higher rental rates. As ERA is a real estate agency with more than 6,000 agents, the Company is confident of bringing in tenants for spaces in the building that are not utilised by the Group.

2.3.4 Source of Funds. The Purchase Price will be funded by way of a combination of internal funds, including net proceeds from the Company’s initial public offering that took place in September 2017 (“**IPO Proceeds**”) and bank financing from DBS Bank Ltd⁽²⁾. Upon Completion, the Company will release an announcement pursuant to Rule 704(30) of the Listing Manual to update the Shareholders on the use of the IPO Proceeds.

2.3.5 Conditions Precedent. Completion is conditional upon:

- (a) a due diligence exercise on HC Home being conducted to the satisfaction of the Company; and
- (b) approval of the Shareholders of the Proposed Transaction at the EGM.

The due diligence exercise on HC Home has been completed to the satisfaction of the Company.

2.3.6 Completion. Completion will take place on 12 September 2018, or such other earlier date as the Company may decide (“**Completion Date**”). On Completion, the Company will acquire the Target Shares from the Vendor in accordance with the terms of the SPA.

2.3.7 Other Material Terms. Some of the other material provisions in respect of the SPA include the following:

- (a) **Warranties.** Pursuant to the terms of the SPA, the Vendor has provided warranties. The Vendor also agreed to indemnify, defend and hold harmless the Company from and against all losses, liabilities, damages, claims, actions, judgments or causes of action, based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation, warranty, covenant or agreement of the Vendor contained in the SPA or in any documents delivered pursuant to the SPA. The Vendor also undertakes to indemnify the Company against, and shall pay the Company the amount of, any claim, cost or expense payable by the Company that is incurred in relation to any claim, litigation or arbitration subsisting as at Completion with respect to the Company.
- (b) **Termination.** Pursuant to the terms of the SPA:
 - (i) in relation to the Shareholders’ approval at the EGM, the Vendor shall be entitled to forfeit the Deposit and the SPA shall be deemed null and void

¹ The assumptions for the highest and best-use basis are as follows: for the developer’s profit, 10% of gross development value; for marketing fee, 1% of gross development value; for base construction cost, S\$3,014 psm of gross floor area; for professional fee, 6% of construction cost; for contingency, 3% of construction cost; for period for development, 2 years; for period for construction, 1.5 years; for cost of finance, 3.5% pa; for gearing for construction cost, 50%; for gearing for land financing, 50%; for legal/stamp duty fees, 3.5%; and for property tax, 10%.

² Please refer to paragraphs 2.6.4 and 2.6.5 which have included interest expenses in the calculations.

LETTER TO SHAREHOLDERS

if the Company does not commence the process to call the EGM by giving the requisite notice(s) to the Shareholders no later than 74 days from 5 June 2018, being the date of the SPA;

- (ii) subject to the conditions of the due diligence exercise as provided in the SPA and the Company commencing the process to call the EGM within 74 days from 5 June 2018, the Company shall be entitled to rescind the SPA and obtain a refund of the Deposit if the due diligence exercise on HC Home is deemed unsatisfactory, if the Company is unable to obtain the Shareholders' approval at the EGM or if the Company is unable to obtain the approval of HDB rendering the Company unable to complete the Proposed Transaction. As at the Latest Practicable Date, the Company has obtained the requisite approval from HDB;
- (iii) in relation to the payment of the Purchase Price, in the event of delay or default in the payment of any of the sums comprising the Purchase Price by the Purchaser, the Vendor shall be entitled to forfeit the Deposit and treat the SPA as null and void and save for the Deposit being forfeited, neither the Vendor nor the Company shall have any claims against each other; and
- (iv) in relation to the Completion obligations of the Company and the Vendor under the SPA, if Completion does not occur on the Completion Date, parties are to agree on a new date for Completion no later than 30 days after the original Completion Date ("**New Completion Date**"). If on the New Completion Date, completion does not occur, the Company shall be entitled to rescind the SPA and obtain a refund of the Deposit.

2.4 Rationale of the Proposed Transaction and Benefits to the Group

The Proposed Transaction will secure a permanent place of business for the Group and will cater for the expansion of the Group's real estate agency business through ERA, as well as generate rental income from leasing excess space not occupied by the Group to third parties.

Of the total lettable floor area of approximately 2,155.3 square metres, it is expected that approximately 50% of the Property will be occupied by the Group (through ERA's occupation of the third and fourth levels), and the remainder 50% (comprising the first and second levels) will be leased to third party retailers.

The income generated from leasing to third party retailers and ERA agents is expected to offset the operating costs (including finance costs) of the Property.

2.5 Financial Information

2.5.1 Values. Based on the unaudited financial statements of HC Home for the half year ended 30 June 2018, the book value and NTA value attributable to the Target Shares is approximately negative S\$2.74 million. The Proposed Transaction will be on a debt-free cash-free basis.

2.5.2 Net Profit. Based on the unaudited financial statements of HC Home for the half year ended 30 June 2018, the net loss (excluding extraordinary items) attributable to the Target Shares is approximately S\$0.31 million⁽³⁾.

³ HC Home is loss-making and relies on funds from the Vendor to repay its mortgage loan installments to United Overseas Bank Limited. The current loan taken out by HC Home will be repaid prior to Completion. As HC Home is being acquired on a debt-free cash-free basis, there will be no net liability.

LETTER TO SHAREHOLDERS

2.6 Financial Effects

2.6.1 Bases and Assumptions. The financial effects of the Proposed Transaction on the NTA per Share, EPS, and the share capital of the Company are set out below and are prepared purely for illustration only and do not reflect the actual future financial situation of the Group after Completion. The pro-forma financial effects have been computed based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 (“**FY 2017**”) and the latest announced unaudited consolidated financial statements of the Group for the half year ended 30 June 2018 (“**1H 2018**”).

2.6.2 NTA – FY 2017. Assuming the Proposed Transaction had been completed on 31 December 2017, being the end of the most recently completed financial year of the Group, the financial effects on the consolidated NTA of the Group as at 31 December 2017 are as follows:

	Before the Proposed Transaction	After the Proposed Transaction
NTA (S\$'000)	32,639	32,639
No. of issued Shares ('000)	355,198	355,198
NTA per Share (cents)	9.19	9.19

Note: As HC Home is being acquired on a debt-free cash-free basis, it will be of nil asset value at Completion.

2.6.3 NTA – 1H 2018. Assuming the Proposed Transaction had been completed on 30 June 2018, being the end of the most recently completed financial period of the Group ended 30 June 2018, the financial effects on the consolidated NTA of the Group as at 30 June 2018 are as follows:

	Before the Proposed Transaction	After the Proposed Transaction
NTA (S\$'000)	39,610	39,610
No. of issued Shares ('000)	355,198	355,198
NTA per Share (cents)	11.15	11.15

Note: As HC Home is being acquired on a debt-free cash-free basis, it will be of nil asset value at Completion.

LETTER TO SHAREHOLDERS

- 2.6.4 EPS – FY 2017.** Assuming the Proposed Transaction had been completed on 1 January 2017, being the beginning of the most recently completed financial year of the Group, the financial effects on the consolidated earnings of the Group for FY 2017, calculated based on profit after tax, minority interests and extraordinary items of the Group, are as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Profit after tax and minority interests (S\$'000)	25,903	26,141
Weighted average number of Shares ('000)	322,563	322,563
Earnings per Share – Basic (cents)	8.03	8.10
Earnings per Share – Diluted (cents)	8.03	8.10

Note: The Group will be adopting fair value accounting for the Property, whereby changes in fair value will be reflected directly in profit-and-loss. This is a different accounting method from the straight-line depreciation currently used by the Vendor. Therefore, although the audited financial statements of HC Home for FY 2017 reflect the net loss (excluding extraordinary items) attributable to the Target Shares as approximately S\$0.9 million, the Group's EPS will increase after Completion. Interest expenses of S\$1.241 million have been included based on the loan that will be taken from DBS Bank Ltd. to partially finance the Purchase Price.

- 2.6.5 EPS – 1H 2018.** Assuming the Proposed Transaction had been completed on 1 January 2018, being the beginning of the most recent financial year of the Group, the financial effects on the consolidated earnings of the Group for 1H 2018, calculated based on profit after tax, minority interests and extraordinary items of the Group, are as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Profit after tax and minority interests (S\$'000)	13,610	13,713
Weighted average number of Shares ('000)	355,198	355,198
Earnings per Share – Basic (cents)	3.83	3.86
Earnings per Share – Diluted (cents)	3.83	3.86

Note: The Group will be adopting fair value accounting for the Property, whereby changes in fair value will be reflected directly in profit-and-loss. This is a different

LETTER TO SHAREHOLDERS

accounting method from the straight-line depreciation currently used by the Vendor. Therefore, although the unaudited financial statements of HC Home for 1H 2018 reflect the net loss (excluding extraordinary items) attributable to the Target Shares as approximately S\$0.31 million, the Group's EPS will increase after Completion. Interest expenses of S\$0.627 million have been included based on the loan that will be taken from DBS Bank Ltd. to partially finance the Purchase Price.

- 2.6.6 **Share Capital.** The Proposed Transaction will not have any impact on the issued and paid-up share capital of the Company.

2.7 Major Transaction

- 2.7.1 **Rule 1006.** The relative figures in relation to the Proposed Transaction computed on the applicable bases set out in Rule 1006 of the Listing Manual ("**Rule 1006**") are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	N.A.
(b)	The net profits attributable to the Target Shares compared with the Group's net profits ⁽¹⁾	-2.3 ⁽²⁾
(c)	The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares	22.7 ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for the acquisitions, compared with the number of equity securities previously in issue	N.A.

Notes:

- (1) Pursuant to Rule 1002 of the Listing Manual, "net profits" is defined as profit or loss before income tax, minority interests and extraordinary items.
- (2) Based on the unaudited consolidated financial statements of the Group for 1H 2018, the Group's net profit was S\$13,610,000, and based on the unaudited financial statements of HC Home for the financial period ended 30 June 2018, HC Home's net loss was S\$309,000.
- (3) The market capitalisation of the Company is based upon 355,197,700 Shares in issue as at the Announcement Date at a volume weighted average price of S\$0.9044 for each Share on 4 June 2018, being the last full Market Day preceding the Announcement Date.

- 2.7.2 **Classification.** As the relative figure under Rule 1006(c) exceeds 20%, the Proposed Transaction constitutes a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Transaction is subject to the approval of the Shareholders.

LETTER TO SHAREHOLDERS

2.8 Interests of Directors and Controlling Shareholders. None of the Directors and to the best of the Directors' knowledge, none of the controlling Shareholders or their respective associates has any interest, direct or indirect, in the Proposed Transaction, other than that arising from their respective shareholdings and/or directorships, as the case may be, in the Company.

2.9 Directors' Service Contracts. No person is proposed to be appointed as a Director in connection with the Proposed Transaction. Accordingly no service contract is proposed to be entered into between the Company and any such person.

3. PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE

3.1 Introduction. Any purchase or acquisition of Shares by the Company would have to be made in accordance with, and in the manner prescribed by, the Companies Act, the Listing Manual and such other laws and regulations as may, for the time being, be applicable. The Company is also required to obtain the approval of Shareholders at a general meeting if it wishes to purchase or acquire Shares. Accordingly, approval is being sought from Shareholders at the EGM for the Share Buy-back Mandate to enable the Company to purchase or acquire issued Shares.

If approved by Shareholders at the EGM, the authority conferred by the Share Buy-back Mandate will continue in force until the next annual general meeting of the Company (whereupon it will lapse, unless renewed at such meeting) or until it is varied or revoked by the Company in general meeting (if so varied or revoked prior to the next annual general meeting).

While the Share Buy-back Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in paragraph 3.2.1 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate may not be carried out to the full 10% limit as authorised and no purchases or acquisitions of Shares would be made in circumstances which would have or may have a material adverse effect on the financial condition of the Company.

3.2 Authority and Limits of the Share Buy-back Mandate. The authority and limitations placed on Share Buy-backs pursuant to the Share Buy-back Mandate, if approved at the EGM, are summarised below:

3.2.1 Maximum Number of Shares

Only Shares which are issued and fully paid may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buy-back Mandate is limited to that number of Shares representing not more than 10% of the issued Shares as at the date of the EGM at which the adoption of the Share Buy-back Mandate is approved. Any Shares which are held as treasury shares and any subsidiary holdings⁽⁴⁾ will be disregarded for the purposes of computing the 10% limit.

3.2.2 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 EGM at which the adoption of the Share Buy-back Mandate is approved, up to:

- (a) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (b) the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied; or

⁴ Defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act.

LETTER TO SHAREHOLDERS

- (c) the date on which purchases and acquisitions of Shares pursuant to the Share Buy-back Mandate are carried out to the full extent mandated,

whichever is the earliest.

3.2.3 Manner of Share Buy-backs

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

- (a) on-market purchases transacted on the SGX-ST through the SGX-ST's trading system ("**On-Market Share Buy-back**"); and/or
- (b) off-market purchases effected pursuant to an equal access scheme as defined in Section 76C of the Companies Act ("**Off-Market Equal Access Share Buy-back**").

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

An Off-Market Equal Access Share Buy-back must, however, satisfy all 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 (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Equal Access Share Buy-back, it will issue an offer document containing at least the following information:

- (I) terms and conditions of the offer;
- (II) period and procedures for acceptances; and
- (III) information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

3.2.4 Purchase Price

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the committee constituted for the purposes of effecting Share Buy-backs. The purchase price to be paid for the Shares pursuant to Share Buy-backs (both On-Market Share Buy-backs and Off-Market Equal Access Share Buy-backs) must not exceed 105% of the Average Closing Market Price of the Shares (excluding related expenses of the purchase or acquisition) (the "**Maximum Price**").

LETTER TO SHAREHOLDERS

In this Circular:

“**day of the making of the offer**” means the day on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Equal Access Share Buy-back.

- 3.3 Rationale for the Share Buy-back Mandate.** The adoption of the Share Buy-back Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake share purchases or acquisitions up to the 10% limit described in paragraph 3.2.1 above at any time, subject to market conditions, during the period when the Share Buy-back Mandate is in force.

In managing the business of the Group, management strives to increase Shareholders' value. Share Buy-backs are one of the ways through which Shareholders' value may be enhanced. Share Buy-backs are intended to be made as and when the Directors believe them to be of benefit to the Company and/or the Shareholders.

The Share Buy-back Mandate is an available option for the Company to return surplus cash which is in excess of the financial and possible investment needs of the Group to its Shareholders.

- 3.4 Status of Purchased Shares.** Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. 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.

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

3.5.1 Maximum Holdings

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

3.5.2 Voting and Other Rights

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

In addition, no dividend 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. A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as the total value of the treasury share before the subdivision or consolidation, as the case may be.

3.5.3 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 for cash;

LETTER TO SHAREHOLDERS

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

Under Rule 704(28) of the Listing Manual, 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 comprised in the usage 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 if they are used for a sale or transfer, or cancelled.

3.6 Funding of Share Buy-Backs. The Company may use internal or external sources of funds of the Group to finance Share Buy-backs. The Directors do not propose to exercise the Share Buy-back Mandate to such extent that it would materially affect the working capital requirements, financial flexibility or investment ability of the Group.

3.7 Financial Effects. The financial effects of a Share Buy-back on the Group and the Company will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the audited financial statements of the Group and the Company will depend, *inter alia*, on the factors set out below.

3.7.1 Purchase or Acquisition out of Profits and/or Capital

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company’s profits and/or capital. Where the consideration paid by the Company for the Share Buy-back is made out of profits, such consideration (excluding brokerage, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for distribution of cash dividends by the Company. Where the consideration paid by the Company for the Share Buy-back is made out of capital, the amount available for distribution of cash dividends by the Company will not be reduced.

3.7.2 Number of Shares Acquired or Purchased

Based on 355,197,700 issued Shares as at the Latest Practicable Date, and assuming no further Shares are issued on or prior to the EGM, the purchase by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 35,519,770 Shares.

3.7.3 Maximum Price Paid for Shares Acquired or Purchased

Assuming that the Company purchases or acquires 35,519,770 Shares at the Maximum Price of S\$0.6626 for each Share (being the price equivalent to 105% of the average of the closing market prices of the Shares over the last five Market Days,

LETTER TO SHAREHOLDERS

on which Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for such Share Buy-Back is approximately S\$23.5 million.

The maximum amount of funds required for such Share Buy-back is the same regardless of whether the Company effects an On-Market Share Buy-back or an Off-Market Equal Access Share Buy-back.

For illustrative purposes only, assuming:

- (a) the Share Buy-back Mandate had been effective since 1 January 2017;
- (b) every one Share in the issued and paid-up capital of the Company was sub-divided into 4.4 Shares on 1 January 2017;
- (c) there was no expense incurred directly in such purchase of Shares;
- (d) the Company had on 1 January 2017 purchased 35,519,770 Shares (representing 10% of its issued Shares as at the Latest Practicable Date) at the Maximum Price of S\$0.6626 for each Share (being 105% of the average of the closing market prices of the Shares over the last five Market Days, on which Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date); and
- (e) the purchase or acquisition of 35,519,770 Shares were made equally out of profits and capital and either cancelled or held in treasury,

the financial effects of the Share Buy-back on the audited financial statements of the Group and the Company for FY 2017 would have been as follows:

LETTER TO SHAREHOLDERS

Share Buy-back up to a maximum of 10% made equally out of profits (5%) and capital (5%) and cancelled

	Group		Company	
	Per audited financial statements as at 31 December 2017	Proforma after Share Buy-back	Per audited financial statements as at 31 December 2017	Proforma after Share Buy-back
Share capital (S\$'000)	98,946	87,179 ⁽¹⁾	98,946	87,179 ⁽¹⁾
Other Reserves (S\$'000)	(1)	(1)	-	-
Accumulated profits (S\$'000)	34,081	22,314 ⁽¹⁾	49,728	37,961 ⁽¹⁾
	133,026	109,492	148,674	125,140
Treasury shares (S\$'000)	-	-	-	-
Shareholders' funds (S\$'000)	133,026	109,492	148,674	125,140
NTA (S\$'000)	32,638	9,104	145,863	122,329
Current assets (S\$'000)	133,962	110,428	40,390	16,856
Current liabilities (S\$'000)	98,477	98,447	12,221	12,221
Number of issued shares	355,197,700	319,677,930	355,197,700	319,677,930
Number of treasury shares	-	-	-	-
Weighted average number of shares	322,563,000	287,042,919	322,563,000	287,042,919
Financial ratios				
NTA/Share (cents) ⁽²⁾	9.19	2.85	41.07	38.27
Current ratio (times) ⁽³⁾	1.36	1.12	3.30	1.38
EPS (cents) ⁽⁴⁾	8.03	9.02	8.62	9.68

Notes:

- (1) The purchases are computed based on the price of S\$0.6626 per Share which is equivalent to 105% of the average of the closing market prices of the Shares over the last five Market Days, on which Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date.
- (2) NTA/Share equals NTA divided by number of Shares (excluding treasury shares) outstanding as at 31 December 2017.
- (3) Current ratio equals current assets divided by current liabilities.
- (4) EPS is computed based on profit for the year attributable to the Shareholders divided by the weighted average number of Shares.

LETTER TO SHAREHOLDERS

Share Buy-back up to a maximum of 10% made equally out of profits (5%) and capital (5%) and held as treasury shares

	Group		Company	
	Per audited financial statements as at 31 December 2017	Proforma after Share Buy-back	Per audited financial statements as at 31 December 2017	Proforma after Share Buy-back
Share capital (S\$'000)	98,946	98,946 ⁽¹⁾	98,946	98,946 ⁽¹⁾
Other Reserves (S\$'000)	(1)	(1)	-	-
Accumulated profits (S\$'000)	34,081	34,081 ⁽¹⁾	49,728	49,728 ⁽¹⁾
	133,026	133,026	148,674	148,674
Treasury shares (S\$'000)	-	(23,534)	-	(23,534)
Shareholders' funds (S\$'000)	133,026	109,492	148,674	125,140
NTA (S\$'000)	32,638	9,104	145,863	122,329
Current assets (S\$'000)	133,962	110,428	40,390	16,856
Current liabilities (S\$'000)	98,477	98,447	12,221	12,221
Number of issued shares	355,197,700	319,677,930	355,197,700	319,677,930
Number of treasury shares	-	35,519,770	-	35,519,770
Weighted average number of shares	322,563,000	287,042,919	322,563,000	287,042,919
Financial ratios				
NTA/Share (cents) ⁽²⁾	9.19	2.85	41.07	38.27
Current ratio (times) ⁽³⁾	1.36	1.12	3.30	1.38
EPS (cents) ⁽⁴⁾	8.03	9.02	8.62	9.68

Notes:

- (1) The purchases are computed based on the price of S\$0.6626 per Share which is equivalent to 105% of the average of the closing market prices of the Shares over the last five Market Days, on which Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date.
- (2) NTA/Share equals NTA divided by number of Shares (excluding treasury shares) outstanding as at 31 December 2017.
- (3) Current ratio equals current assets divided by current liabilities.
- (4) EPS is computed based on profit for the year attributable to the Shareholders divided by the weighted average number of Shares.

LETTER TO SHAREHOLDERS

Shareholders should note that the financial effects set out above are purely for illustrative purposes only. Although the Share Buy-back Mandate would authorise the Company to purchase or acquire up to 10% of the total number of issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total number of issued Shares. In addition, the Company may cancel all or part of the Shares purchased or acquired or hold all or part of the Shares purchased in treasury.

3.8 Take-over Implications arising from Share Buy-backs.

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

3.8.1 Obligation to make a Take-over Offer

Any resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following any Share Buy-back by the Company, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code (“**Rule 14**”). Consequently, depending on the number of Shares purchased or acquired by the Company and the number of Shares (excluding treasury shares and subsidiary holdings) in issue at that time, a Shareholder or group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make a takeover offer under Rule 14.

3.8.2 Persons Acting in Concert

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

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

- (a) the following companies:
 - (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of any of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights; and
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts). Close relatives include immediate family (i.e. parents, siblings, spouse and children), siblings of parents (i.e. uncles and aunts) as well as their children (i.e. cousins) and children of siblings (i.e. nephews and nieces).

LETTER TO SHAREHOLDERS

The circumstances under which Shareholders, including any Directors and other persons acting in concert with them, will incur an obligation to make a takeover offer under Rule 14 as a result of a Share Buy-back by the Company are set out in full in Appendix 2 of the Take-over Code.

3.8.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

The effect of Rule 14 when read with Appendix 2 of the Take-over Code is that unless exempted, Directors and persons acting in concert with them will incur an obligation to make a takeover offer under Rule 14 if as a result of the Share Buy-back by the Company:

- (a) the voting rights of such Directors and their concert parties increase to 30% or more; or
- (b) in the event that such Directors and their concert parties hold 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.

In calculating the percentage of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

However, under Appendix 2 of the Take-over Code, a Shareholder will not be required to make a takeover offer under Rule 14 if:

- (i) he is not acting in concert with the Directors; and
- (ii) as a result of a Share Buy-back by the Company:
 - (I) the voting rights of such Shareholder increases to 30% or more; or
 - (II) if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder increases by more than 1% in any period of six months.

Accordingly, such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy-back Mandate.

Based on the interests of substantial Shareholders as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date, none of the substantial Shareholders of the Company would be obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase by the Company of the maximum limit of 10% of its issued Shares as at the Latest Practicable Date.

Notwithstanding the above, Shareholders are reminded that those who are in doubt as to their obligations, if any, to make a mandatory offer under the Take-over Code as a result of any Share Buy-back by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

3.9 Listing Status of the Shares

Rule 723 of the Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by the public. The "public", as defined in the Listing Manual, are persons other than the Directors, CEO, substantial Shareholders or controlling Shareholders of the Company and its subsidiaries, as well as the associates of such persons.

LETTER TO SHAREHOLDERS

As at the Latest Practicable Date, there are 99,845,831 Shares in the hands of the public, representing approximately 28.11% of the total number of issued Shares of the Company. Accordingly, the Company is of the view that there is a sufficient number of issued Shares held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10% limit pursuant to the proposed Share Buy-back Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or affect orderly trading.

3.10 Reporting Requirements

Rule 886(1) of the Listing Manual 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 Share Buy-back, on the Market Day following the day on which the On-Market Share Buy-back was made; or
- (b) in the case of an Off-Market Equal Access Share Buy-back, on the second Market Day after the close of acceptance of the offer for the Off-Market Equal Access Share Buy-back.

The notification of such Share Buy-backs to the SGX-ST (which must be in the form of Appendix 8.3.1 to the Listing Manual) must include, *inter alia*, details of the date of the purchase, the total number of Shares purchased, the number of Shares cancelled, the number of Shares held as treasury shares, the purchase price per Share or the highest and lowest prices paid for such Shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the Shares, the number of Shares purchased as at the date of announcement (on a cumulative basis), the number of issued Shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings held after the purchase. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

3.11 No Purchases During Price-Sensitive Developments

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, 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 proposed Share Buy-back Mandate at any time after a price-sensitive development has occurred or has been the subject of a decision until the price-sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares during the period of one month immediately preceding the announcement of the Company’s full-year results and the period of two weeks before the announcement of the first quarter, second quarter and third quarter results.

4. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS

4.1 Directors’ Interests in Shares. The interest of the Directors in the Shares as recorded in the Register of Directors’ Shareholdings as at the Latest Practicable Date are set out below:

	Direct Interest	%	Deemed Interest	%
Tan Choon Hong	-	-	255,040,674 ⁽¹⁾	71.80
Chua Khee Hak	311,195	0.09	-	-

LETTER TO SHAREHOLDERS

4.2 Substantial Shareholders' Interests in Shares. The interest of the substantial Shareholders in the Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

	Direct Interest	%	Deemed Interest	%
Asia Pacific Realty Holdings Ltd	-	-	255,040,674 ⁽²⁾	71.80
PGA Realty Partners Ltd	-	-	255,040,674 ⁽¹⁾	71.80
Tan Choon Hong	-	-	255,040,674 ⁽¹⁾	71.80

Notes:

(1) Tan Choon Hong and PGA Realty Partners Ltd are deemed interested in the Shares held by Asia Pacific Realty Holdings Ltd.

(2) Asia Pacific Realty Holdings Ltd's deemed interest is held by DBS Nominees (Private) Limited.

5. DIRECTORS' RECOMMENDATIONS

5.1 Proposed Acquisition of HC Home Pte. Ltd. The Directors are of the opinion that the Proposed Transaction is in the best interests of the Company. Accordingly, they recommend that the Shareholders vote in favour of Resolution 1, being the Ordinary Resolution relating to the Proposed Transaction to be proposed at the EGM.

5.2 Proposed Adoption of the Share Buy-back Mandate. The Directors are of the opinion that the Share Buy-back Mandate is in the best interests of the Company. Accordingly, they recommend that the Shareholders vote in favour of Resolution 2, being the Ordinary Resolution relating to the adoption of the Share Buy-back Mandate to be proposed at the EGM.

6. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 25 to 27 of this Circular, is being convened to be held at 229 Mountbatten Road, #03-01 Mountbatten Square, Singapore 398007 on 31 August 2018 at 10 a.m. for the purpose of considering and, if thought fit, passing the Ordinary Resolutions set out in the Notice of the EGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

7.1 Appointment of Proxies. Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find enclosed in this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 229 Mountbatten Road, #03-01 Mountbatten Square, Singapore 398007, not less than 72 hours before the time appointed for the EGM. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked and the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.

7.2 When Depositor regarded as Shareholder. A depositor shall not be regarded as a Shareholder entitled to attend the EGM and vote thereat unless his name appears on the depository register at least 72 hours before the time appointed for the EGM.

8. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 229 Mountbatten Road, #03-01 Mountbatten Square, Singapore 398007, during normal

LETTER TO SHAREHOLDERS

business hours for a period of three months commencing from the date of the Announcement or up to the date of the EGM, whichever is later:

- (i) the Announcement;
- (ii) the report in relation to the Valuation;
- (iii) the SPA;
- (iv) the Constitution of the Company;
- (v) the annual report of the Company for FY 2017; and
- (vi) the unaudited consolidated financial statements of the Group for 1H 2018.

9. 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 Proposals and the Group, 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.

Yours faithfully
For and on behalf of the Board of Directors of
APAC REALTY LIMITED

Chua Khee Hak
CEO and Executive Director

NOTICE OF EXTRAORDINARY GENERAL MEETING

APAC Realty Limited

(Company Registration No. 201319080C)
(Incorporated in Singapore on 15 July 2013)

Notice is hereby given that an Extraordinary General Meeting of APAC Realty Limited (the “**Company**”) will be held at 229 Mountbatten Road, #03-01 Mountbatten Square, Singapore 398007 on 31 August 2018 at 10 a.m. for the purpose of considering and, if thought fit, approving, with or without amendment, the following Resolutions:

RESOLUTION 1

THE PROPOSED ACQUISITION OF HC HOME PTE. LTD.

That:

- (a) the proposed acquisition of 2,000,000 ordinary shares in the issued share capital of HC Home Pte. Ltd. (“**HC Home**”) representing 100% of the issued ordinary shares of HC Home upon the terms and conditions of the Sale and Purchase Agreement dated 5 June 2018 and entered into between the Company and Hersing Corporation Pte. Ltd. (the “**Proposed Transaction**”) be and is hereby approved; and
- (b) the Directors of the Company and each of them be and are hereby authorised to perform, complete and do all such acts and things (including approving, amending, modifying, supplementing and executing all such documents as may be required), as they and/or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to the Proposed Transaction and this Resolution 1.

RESOLUTION 2

THE PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire ordinary shares in the share capital of the Company (“**Shares**”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) on-market purchase(s) (each an “**On-Market Share Buy-back**”) transacted on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) through the SGX-ST’s trading system; and/or
 - (ii) off-market purchase(s) (each an “**Off-Market Equal Access Share Buy-back**”) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

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

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-back Mandate may be exercised by the

NOTICE OF EXTRAORDINARY GENERAL MEETING

Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

- (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
 - (ii) the date on which purchases and acquisitions of Shares pursuant to the Share Buy-back Mandate are carried out to the full extent mandated; and
 - (iii) the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by the Company in a general meeting;
- (c) in this Resolution:

“Average Closing Market Price” means the average of the closing market prices of the Shares over the last five market days, on which transactions in the Shares were recorded, before the day of the On-Market Share Buy-back or, as the case may be, the day of the making of the offer pursuant to the Off-Market Equal Access Share Buy-back, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

“day 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 Off-Market Equal Access Share Buy-back;

“Maximum Limit” means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding treasury shares and subsidiary holdings (as defined in the listing rules of the SGX-ST as amended, modified or supplemented from time to time)); and

“Maximum Price”, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, stamp duties, applicable goods and services tax and other related expenses) which shall not exceed (in the case of both an On-Market Share Buy-back and an Off-Market Equal Access Share Buy-back) 105% of the Average Closing Market Price of the Shares; and

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

BY ORDER OF THE BOARD

Chua Khee Hak
CEO and Executive Director
16 August 2018

Notes:

1. (a) A Shareholder entitled to attend and vote at the extraordinary general meeting of the Company (“EGM”) who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote in his stead. Where such Shareholder’s instrument of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument of proxy.
- (b) A Shareholder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such Shareholder’s instrument of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument of proxy.

NOTICE OF EXTRAORDINARY GENERAL MEETING

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notorially certified copy thereof, must be deposited at the registered office of the Company at 229 Mountbatten Road, #03-01 Mountbatten Square, Singapore 398007 not less than 72 hours before the time appointed for the EGM. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked and the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
4. The Company may use internal or external sources of funds of the Company and its subsidiaries to finance the purchase or acquisition of its Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired and the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are held in treasury or cancelled.

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Buy-back Mandate on the audited financial statements of the Company and the Company and its subsidiaries for the financial year ended 31 December 2017, based on certain assumptions, are set out in paragraph 3.7 of the Circular.

Personal data privacy:

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

APAC REALTY LIMITED

(Company Registration No. 201319080C)
(Incorporated in Singapore on 15 July 2013)

EXTRAORDINARY GENERAL MEETING PROXY FORM

Important:

CPF/SRS investors

1. For investors who have used their CPF/SRS monies to buy the Company's shares, this Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
2. CPF/SRS investors who wish to attend the Extraordinary General Meeting as OBSERVERS have to submit their requests through their respective Agent Banks/SRS Operators so that their Agent Banks/SRS Operators may register with the Company's Registrar (please see Note No. 7 on the reverse side).

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Shareholder accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 16 August 2018.

*I/We, _____ (Name)

_____ (NRIC/Passport Number)

of _____ (Address)

being a shareholder/shareholders of APAC Realty Limited (the "Company") hereby appoint

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

and/or (delete as appropriate)

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

or failing *him/her, the Chairman of the Extraordinary General Meeting of the Company, as *my/our *proxy/proxies to attend and to vote for *me/us and on *my/our behalf at the Extraordinary General Meeting of the Company to be held at 229 Mountbatten Road, #03-01 Mountbatten Square, Singapore 398007 on 31 August 2018 at 10 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Extraordinary General Meeting. If no person is named in the above boxes, the Chairman of the Extraordinary General Meeting shall be *my/our *proxy/proxies to vote, for or against the Resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder, for *me/us and on *my/our behalf at the Extraordinary General Meeting and at any adjournment thereof.

No.	Ordinary Resolutions	** No. of Votes "For"	** No. of Votes "Against"
1	To approve the proposed acquisition of HC Home Pte. Ltd.		
2	To approve the proposed adoption of the Share Buy-back Mandate		

* Delete accordingly

** If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please insert the relevant number of shares in the boxes provided.

Dated this _____ day of _____ 2018.

Total Number of Shares Held:

Signature(s) of Shareholder(s) or Common Seal of Corporate Shareholder

Important: Please read notes on the reverse side



Notes:

1. (a) A Shareholder entitled to attend and vote at the Extraordinary General Meeting who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote in his stead. Where such Shareholder's instrument of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument of proxy.
(b) A Shareholder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Extraordinary General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such Shareholder's instrument of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument of proxy.
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore ("Companies Act").
2. This instrument of proxy or proxies must be signed by the appointor or his duly authorised attorney or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or duly authorised officer.
3. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with Section 179 of the Companies Act.
4. This instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof), must be deposited at the registered office of the Company at 229 Mountbatten Road, #03-01 Mountbatten Square, Singapore 398007, not less than 72 hours before the time fixed for holding the Extraordinary General Meeting.
5. A Shareholder should insert the total number of shares held in this instrument of proxy. If the Shareholder has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the Shareholder has shares registered in his name in the Register of Members, he should insert that number of shares. If the Shareholder has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by the Shareholder.
6. The Company shall be entitled to reject this instrument of proxy or proxies if it is incomplete, or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of a Shareholder whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Shareholder, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for holding the Extraordinary General Meeting as certified by The Central Depository (Pte) Limited to the Company.
7. Agent Banks/SRS Operators acting on the request of the CPF/SRS investors who wish to attend the Extraordinary General Meeting as Observers are requested to submit in writing, a list with details of the investors' names, NRIC/Passport numbers, addresses and number of shares held. The list, signed by an authorised signatory of the Agent Bank/SRS Operators, should reach the registered office of the Company at 229 Mountbatten Road, #03-01 Mountbatten Square, Singapore 398007, at least 72 hours before the time fixed for holding the Extraordinary General Meeting.

1st fold here

Affix
postage
stamp

APAC Realty Limited
229 Mountbatten Road
#03-01 Mountbatten Square
Singapore 398007

2nd fold here

3rd fold here for sealing

www.apacrealty.com.sg

229 Mountbatten Road, #03-01 Mountbatten Square, Singapore 398007

 6226 2000