

CIRCULAR DATED 4 JANUARY 2014

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

This Circular is issued by Travelite Holdings Ltd. (the “**Company**”). If you are in any doubt as to the course of action you should take, you should consult your bank manager, stockbroker, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form 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 the transferee.

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



**CIRCULAR TO SHAREHOLDERS**

**in relation to**

**THE PROPOSED DISPOSAL BY THE COMPANY OF THE ENTIRE ISSUED SHARE CAPITAL OF TRAVELITE MARKETING SDN. BHD. AND TRAVEL FOR ALL SDN. BHD.**

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	18 January 2014 at 10.30 a.m.
Date and time of Extraordinary General Meeting	:	20 January 2014 at 10.30 a.m.
Place of Extraordinary General Meeting	:	205A Kallang Bahru Singapore 339342

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## DEFINITIONS

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

- “Associate” : (a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more
- (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Board” : The board of Directors of the Company for the time being
- “Business Day” : A day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and Malaysia
- “CDP” : The Central Depository (Pte) Limited
- “Circular” : This circular to Shareholders dated 4 January 2014
- “Companies Act” : The Companies Act (Chapter 50) of Singapore, as amended or modified from time to time
- “Company” : Travelite Holdings Ltd.
- “Completion” : The completion of the sale and purchase of the Subsidiaries
- “Completion Date” : The actual day of Completion, which is scheduled on the day falling one week after the conditions precedent set out in the SPA are either fulfilled or waived;
- “Control” : The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating practice of the Company
- “Controlling Shareholder” : A person who:
- (a) holds directly or indirectly 15% or more of the issued share capital of the Company; or
  - (b) in fact exercises Control over the Company

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## DEFINITIONS

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“Directors”	:	The directors of the Company as at the date of this Circular
“EGM”	:	Extraordinary General Meeting
“Encumbrance”	:	Any mortgage, charge (whether fixed or floating), pledge, lien (including, without limitation any unpaid vendor’s lien or similar lien), assignment of rights and receivables, debenture, right of first refusal, option, hypothecation, title retention or conditional sale agreement, lease, hire or hire purchase agreement, restriction as to transfer, use or possession, easement, subordination to any right of any other person, and any other encumbrance or security interest
“EPS”	:	Earnings per Share
“Fashion Way”	:	Fashion Way Sdn. Bhd. (Company Number 418412-A), a company incorporated in Malaysia and having its business address at No. 8 Jalan TPP 6/12, Taman Perindustrian Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia
“FY”	:	Financial year ended or ending 31 March (as the case may be)
“Group”	:	The Company and its subsidiaries as at the date of this Circular
“Latest Practicable Date”	:	20 December 2013, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST
“NTA”	:	Net tangible assets
“Proposed Disposal”	:	The disposal by the Company of the entire issued share capital of the Subsidiaries pursuant to, and on the terms and conditions of the SPA
“Purchaser”	:	Eted Synergy Sdn. Bhd. (Company Number 1064635-X), a company incorporated in Malaysia and having its registered address at 51-9-A Menara BHL Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia
“Sale Consideration”	:	The sum of RM19,602,239 (approximately S\$7,680,000) being the sale consideration for the Proposed Disposal
“Sale Shares”	:	The entire issued share capital of the Subsidiaries
“SFA”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holders of the Shares, except where the registered depositor is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose securities accounts are credited with the Shares
“Shares”	:	Fully paid ordinary shares in the capital of the Company

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## DEFINITIONS

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“SPA”	:	The sale and purchase agreement dated 14 October 2013 entered into between the Company and the Purchaser in relation to the Proposed Disposal
“Subsidiaries”	:	TM and TFA collectively
“Substantial Shareholder”	:	A person who holds directly or indirectly 5% or more of the issued capital in the Company
“TFA”	:	Travel For All Sdn. Bhd. (Company Number 211798-X), a company incorporated in Malaysia and having its business address at No. 8 Jalan TPP 6/12, Taman Perindustrian Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia
“TM”	:	Travelite Marketing Sdn. Bhd. (Company Number 295606-X), a company incorporated in Malaysia and having its business address at No. 8 Jalan TPP 6/12, Taman Perindustrian Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia

### **Currencies, Units and Others**

“RM”	:	Malaysian Ringgit
“S\$” and “cents”	:	Singapore dollars and cents, respectively
“%” or “per cent”	:	Per centum or percentage

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them, respectively, in Section 130A of the Companies Act. The term “Subsidiary” shall have the same meaning ascribed to it in Section 5 of the Companies Act.

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

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

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning ascribed to it under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof, as the case may be.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

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

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## LETTER TO SHAREHOLDERS

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### TRAVELITE HOLDINGS LTD.

Company Registration Number 200511089K  
(Incorporated in the Republic of Singapore)

**Directors:**

Mr Thang Teck Jong (Executive Chairman)  
Mr Hoe Kee Kok (Executive Director)  
Mr Foong Daw Ching (Lead Independent Director)  
Mr Yap Kian Peng (Independent Director)  
Mr Tan Chun Chieh (Independent Director)

**Registered Office:**

205A Kallang Bahru  
Singapore 339342

4 January 2014

**To: The Shareholders of Travelite Holdings Ltd.**

Dear Sir/Madam

### THE PROPOSED DISPOSAL BY THE COMPANY OF THE ENTIRE ISSUED SHARE CAPITAL OF TRAVELITE MARKETING SDN. BHD. AND TRAVEL FOR ALL SDN. BHD.

#### 1. INTRODUCTION

##### 1.1 Background

On 14 October 2013, the Board announced that the Company had entered into the SPA with the Purchaser for the disposal by the Company of the entire issued share capital of the Subsidiaries to the Purchaser, for an aggregate Sale Consideration of RM19,602,239 (approximately S\$7,680,000 ). Upon Completion, the Subsidiaries will cease to be subsidiaries of the Company.

##### 1.2 Major Transaction

The Proposed Disposal is governed by the rules of Chapter 10 of the Listing Manual. The relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006 (a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	29.3% <sup>(1)</sup>
Rule 1006 (b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	21.8% <sup>(2)</sup>
Rule 1006 (c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	49.9% <sup>(3)</sup>
Rule 1006 (d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable

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i Unless otherwise stated, the approximate S\$ equivalent of RM amounts in this Circular are based on the exchange rate of RM1.00:S\$0.3918 published on the Oanda website on 11 October 2013.

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## LETTER TO SHAREHOLDERS

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### Notes:

- (1) Based on the Subsidiaries' audited net assets value of RM20,602,239 (approximately S\$8,258,000 based on an exchange rate of RM1.00:S\$0.40083) as at 31 March 2013 and the Company's audited consolidated net assets value of S\$28,170,000 as at 31 March 2013.
- (2) Based on the Subsidiaries' audited net profits before tax of RM636,139 (approximately S\$255,000 based on an average exchange rate of RM1.00:S\$0.4003) for FY2013 and the Company's audited consolidated profits before tax of S\$1,171,000 for FY2013.
- (3) Based on the Sale Consideration of S\$7,680,000 and the Company's market capitalisation of S\$15.4 million (being the Company's issued ordinary share capital of 102,619,020 Shares (excluding treasury shares) and the volume weighted average price of the Shares on the SGX-ST of S\$0.15 on 11 October 2013 (being the market day preceding the date of the SPA)).

As the relative figures under Rules 1006(a), (b) and (c) above exceed 20%, the Proposed Disposal constitutes a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Disposal is conditional upon approval by Shareholders at an EGM pursuant to Rule 1014 of the Listing Manual.

### 1.3 Purpose of the Circular

The purpose of this Circular is to provide the Shareholders with relevant information relating to the Proposed Disposal and to seek Shareholders' approval for the Proposed Disposal at the forthcoming EGM.

## 2. THE PROPOSED DISPOSAL

### 2.1 Information on the Subsidiaries

TM was incorporated in Malaysia on 14 April 1994 and has an issued and paid-up capital of RM3,300,000 comprising 3,300,000 ordinary shares of RM1.00 each. TM is principally engaged in the business of wholesaling, dealing and retailing of luggage, travel bags, winter wear and small leather goods in Malaysia.

TFA was incorporated in Malaysia on 26 January 1991 and has an issued and paid-up capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. TFA is principally engaged in the business of operating chain of specialty stores in Malaysia for the retailing of travel-related merchandise such as luggage, travel bags and winter wear.

TM and TFA together serve as the marketing arm of the Group for the wholesaling, dealing and retailing of travel-related merchandise in the Malaysian territory, which also carry out its retail operations in Malaysia through specialty stores managed by the Group.

### 2.2 Information on the Purchaser

The Purchaser is an investment holding company incorporated in Malaysia on 2 October 2013 being the corporate vehicle to acquire the Sale Shares. At the Latest Practicable Date, the Purchaser had six shareholders, namely Dato' Khor Chong Hai (50%), Chan Kok Keen (10%), Tong Soon Heng (10%), Lim Teck Shiun (10%), Heng Teik Chong (10%) and Yeoh Hock Pin (10%) who were also the directors of the Purchaser.

Chan Kok Keen was formerly an executive director of the Company. He has ceased to be a director of the Company on 9 October 2013 but remains as a member of the management team of the Group. In addition, Tong Soon Heng and Lim Teck Shiun are existing members of the management team of the Group. Both of them together with Chan Kok Keen, currently assist the Group in the management of the Subsidiaries and

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## LETTER TO SHAREHOLDERS

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its business, and will resign from the employment of the Group upon Completion.

Chan Kok Keen, Tong Soon Heng and Lim Teck Shiun are not related to any of the Directors or Controlling Shareholders.

The three remaining shareholders of the Purchaser, being Dato' Khor Chong Hai, Heng Teik Chong and Yeoh Hock Pin, are not related to the Company and any of its Directors or Controlling Shareholders.

### 2.3 Sale Consideration

The manner of payment of the Sale Consideration of RM19,602,239 (approximately S\$7,680,000) by the Purchaser to the Company is as set out below:

- (i) a sum of RM2,940,335.85 (approximately S\$1,152,000) equivalent to 15% of the Sale Consideration has been paid by way of cheques upon signing of the SPA and is fully refundable to the Purchaser in the event the Completion does not take place due to Company's default; and
- (ii) The balance Sale Consideration is to be paid by way of cashier's order on the Completion Date.

The Sale Consideration was arrived at on a willing-buyer, willing-seller basis between the Company and the Purchaser and was derived from the aggregate audited NTA of the Sale Shares as at 31 March 2013 (being RM20,602,239 or approximately S\$8,071,000) less adjustment to stocks or inventories of RM2,500,000 (approximately S\$979,000) plus a goodwill of RM1,500,000 (approximately S\$588,000). There was an adjustment to stocks in order to reduce the intercompany unrealised profit margin included in TM's inventories (primarily purchased from a sister company in Singapore) to a margin mutually agreed by both parties. The goodwill of RM1,500,000 (approximately S\$588,000) was arrived at on a willing-buyer, willing-seller basis. The allocation of goodwill was on the proportion of a five-year average profit after tax ("PAT") of the Subsidiaries. Based on the five-year average PAT, the price earning ratio for TM is 22 times and TFA is 12 times.

The aggregate net profits before tax attributable to the Sale Shares for FY2013 were RM636,139 (approximately S\$249,000).

Based on the audited financial statements of the Group for FY2013 and assuming that the Proposed Disposal had been effected at the end of FY2013, the gain on the Proposed Disposal is approximately S\$1,032,000, which includes a loss of S\$588,000 arising from the partial waiver of the Debts as detailed in paragraph 2.5(i) of this Circular.

The gain on the Proposed Disposal of approximately S\$1,032,000 was arrived at as a net result of:

- (i) Crystallisation of unrealised profits, which arose from intercompany purchases made by TM up to 31 March 2013 of S\$2,011,000;
- (ii) Shortfall in the Sale Consideration compared to the Group's share of net assets of the Subsidiaries of S\$391,000; and
- (iii) Partial waiver of the Debts of S\$588,000.



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### 2.4 Conditions Precedent

The Completion is conditional upon the fulfilment of, *inter alia*, the following conditions precedent:

- (i) the Company having received the approval of the Shareholders and the approval of all the relevant authorities in Singapore for the transactions contemplated in the SPA (if required);
- (ii) the Debts (as defined in paragraph 2.5(i) of this Circular) are fully settled and paid in full to the Company;
- (iii) the completion of the sale and purchase of 500,000 ordinary shares representing the entire issued share capital in Fashion Way by TM to the Company at RM1.00 (please refer to the last paragraph below for more details);
- (iv) execution of a Trading Agreement to be entered into between the Subsidiaries and the Company for the supply of goods to the Subsidiaries (please refer to paragraph 2.6 of this Circular for more details);
- (v) all representations, warranties and undertakings of the Company and the Purchaser under the SPA being complied with, and being true, accurate and correct in all respects as at the Completion Date, as if repeated at Completion and at all times between the date of the SPA and Completion;
- (vi) each of the parties having performed all of the covenants and agreements required to be performed or caused to be performed by it under the SPA on or before the Completion Date; and
- (vii) the Company or the Purchaser not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the SPA, and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened.

In relation to paragraph 2.4(iii) above, the disposal of Fashion Way was negotiated as a condition precedent as Fashion Way was not intended to form part of the acquisition by the Purchaser. The reason is because Fashion Way deals in a different nature of business from the Subsidiaries. Fashion Way is principally engaged in the sale and distribution of ladies footwear and other related products, a segment which is very different from the Subsidiaries' current core business which deals in luggage, winter wear and travel-related merchandise. A nominal sale consideration of RM1.00 was agreed upon considering Fashion Way had a net capital deficit of RM887,000 (approximately S\$348,000) as at 31 March 2013.

### 2.5 Other Material Terms

Other material terms of the SPA are, *inter alia*:

- (i) In consideration of the Subsidiaries agreeing to repay their debts owing to the Company and its wholly owned subsidiary being Demarco Pte Ltd, totalling RM28,642,326.50 (approximately S\$11,221,000) as at 31 August 2013, in full before the Completion Date, the Company agrees to waive payment in respect of a sum of RM1,500,000 (approximately S\$588,000) from such debts resulting in the total outstanding debts owing to the Company and Demarco Pte Ltd by the Subsidiaries to be

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## LETTER TO SHAREHOLDERS

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RM27,142,326.50 (approximately S\$10,633,000) (the “**Debts**”). The amount of Debts is subject to the final amount to be determined upon Completion. As at 30 November 2013, the amount of Debts was RM32,655,781.23 (approximately S\$12,795,000 after a partial waiver of S\$588,000).

- (ii) The Company agrees and undertakes to ensure that all debts (if any) due and owing by its subsidiaries, Fashion Way and Yangtzekiang Industries Sdn. Bhd. to the Subsidiaries to be settled in full within seven (7) days from the Completion Date.
- (iii) The Purchaser agrees and undertakes to change the Subsidiaries’ names so that the name “Travelite” or any portion or derivative of such name is no longer included as part of their names within one (1) year after a notice has been served by the Company (or its subsidiaries) to the Purchaser.
- (iv) Except for the condition stated in paragraph 2.4(i) of this Circular, in the event any of the conditions imposed on the Company as stated in paragraph 2.4 of this Circular is not fulfilled for any reason not attributable to the Purchaser, the Company shall refund whatever monies paid by the Purchaser to the Company under the SPA and in addition, pay to the Purchaser an amount equivalent to 15% of the Sale Consideration as liquidated agreed damages and thereafter, neither party shall have any right, interest and/or claim against the other and the SPA shall be null and void and of no further legal effect.

If however any of the conditions imposed on the Purchaser as stated in paragraph 2.4 of this Circular is not fulfilled for any reason not attributable to the Company, the Company is entitled to forfeit an amount equivalent to 15% of the Sale Consideration as liquidated agreed damages. Thereafter, neither party shall have any right, interest and/or claim against the other and the SPA shall be null and void and of no further legal effect.

In relation to paragraph 2.5(iv) above, the provision for liquidated agreed damages is for the defaulting party to compensate the other party in the event the defaulting party aborts the proposed transaction under the SPA unilaterally. This will cause the innocent party to suffer loss, including resources, time and transaction costs incurred in the proposed transaction. The quantum of the 15% liquidated agreed damages mirrors the earnest deposit paid by the Purchaser upon signing of the SPA.

### **2.6 Trading Agreement**

As a condition precedent to Completion, the Company and the Subsidiaries will enter into a Trading Agreement for the supply of goods by the Group to the Subsidiaries subsequent to Completion.

The Trading Agreement is valid upon execution by the parties and for such time until it is terminated by the Group issuing a 60 days’ prior written notice where there is no default on the part of the Subsidiaries, or a 30 days’ prior written notice should the Subsidiaries commit a breach of the provisions of the Trading Agreement. It also sets out the arrangement for the supply of goods by the Group to the Subsidiaries and their trading terms, such as method of pricing for the goods, delivery arrangement, payment terms and other customary undertakings for similar trading transaction.

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### 2.7 Completion

Completion shall take place on the day falling one (1) week after the conditions precedent as set out in paragraph 2.4 of this Circular are either fulfilled or waived by the parties. The parties shall fulfil the conditions precedent within five (5) months from the date of the SPA or such other date to be extended by the parties upon mutual agreement.

In the event the Company is unable to fulfil the condition as set out in paragraph 2.4(i) of this Circular within five (5) months from the date of the SPA, the Company shall refund the deposit free of interest to the Purchaser and thereafter, neither party shall have any right, interest and/or claim against the other and the SPA shall be null and void and of no further legal effect.

### 3. RATIONALE FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Company owns a group of companies primarily engaged in the sale and distribution of luggage and travel accessories, menswear and ladies fashion, representing more than 20 international brands in various parts of Southeast Asia. It has a distribution channel which consists of departmental stores, specialty stores managed by the Group, third party retail outlets and gift redemption and corporate gift programmes, mainly in Singapore and Malaysia. The Group also distributes on a wholesale basis to third party distributors in other Southeast Asian countries, such as Brunei, Cambodia, Indonesia, the Philippines, the People's Republic of China and Thailand.

Currently, the Subsidiaries together serve as the marketing arm of the Group for the wholesaling, dealing and retailing of travel-related merchandise in the Malaysian territory, which also carry out its retail operations in Malaysia through specialty stores managed by the Group. These merchandise covers luggage, travel bags, winter wear, small leather goods and other travel-related merchandise. The business model of the Subsidiaries involving marketing on consignment basis is capital intensive due to the need to fund the inventory cost for the merchandise, whereas marketing through chain of specialty stores managed by the Group is overhead intensive due to rental of the specialty stores, remuneration of the sales and marketing staff and other overhead costs. In this regard, although the revenue of the Subsidiaries has been increasing in recent years, their profitability has been on a declining trend due to the higher costs of goods, increasing rental and staff costs in Malaysia, which outpaced the increase in revenue.

Over time, the Group has been exploring opportunity to re-model itself by moving up the value chain in the distribution channel through hiving off or scaling down the capital and/or overhead intensive marketing and retail operations, in order to focus on distribution and sub-licensing business and manage the various international brands that it represents in the respective territories. Notwithstanding that the Proposed Disposal will result in the carving out of the marketing arm and retail operations of the Group for travel-related merchandise in the Malaysian territory, it presents a good opportunity for the Group to move up the value chain.

Subsequent to Completion, the Subsidiaries are intended by the Purchaser to be managed by the same management team, who are the three employees of the Group as disclosed in paragraph 2.2 of this Circular. These three employees are the minority shareholders of the Purchaser who will resign from the Group at Completion. Notwithstanding the Proposed Disposal, the Group expects to maintain the existing working relationship with the Subsidiaries as it will be dealing with the same hands of experienced management who are familiar with the marketing business and retail operations of the Subsidiaries. In addition, as a

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condition precedent to Completion, the Company and the Subsidiaries will enter into a Trading Agreement (please refer to paragraph 2.6 of this Circular for more details) which provides for the arrangement on the continuous supply of goods and trading terms subsequent to Completion. As such, the Group expects to maintain to a certain extent, continuity in the distribution business in the Malaysian territory. This will facilitate a smoother transition of the Group as it attempts to move up the value chain in the distribution channel.

The rationale for and benefits of the Proposed Disposal are, *inter alia*, as follows:

- (i) The Directors view the Proposed Disposal as a sound commercial decision which will yield an immediate and fair gain of approximately S\$1,032,000, assuming the Proposed Disposal had been effected at the end of FY2013;
- (ii) Pursuant to a Trading Agreement to be entered into between the Company and the Subsidiaries (please refer to paragraph 2.6 of this Circular for more details), the Subsidiaries will continue to be the distributor and/or licensee of the Company in Malaysia and will continue to purchase merchandise from the Company following the Completion. Such arrangement is made on normal commercial terms which are not prejudicial to the interest of the Company and its minority shareholders. Such arrangement will allow the Company to reduce the burden of overheads, risk and associated costs of holding inventory while continue to enjoy the profit margin, albeit lower, arising from the sale of such inventory. As at 31 March 2013, current assets amounted to S\$45.2 million or 86.0% of the Group's total assets. Inventory was the largest component of the Group's current assets, accounting for 54.4% of the current assets, of which, 49.0% of the inventory was held by the Subsidiaries;
- (iii) While the Subsidiaries have contributed favourably to the Group's financial performance in the past, the Subsidiaries are plagued by high costs of sales and declining gross and net profit margins due to the challenging economic climate and intensely competitive business environment in Malaysia. The net profits of the Group contributed by the Subsidiaries in FY2011, FY2012 and FY2013 were 155.5%, 61.8% and 21.8% respectively. Please refer to paragraph 6 of this Circular for further financial information of the Subsidiaries. Moving forward, the Subsidiaries are expected to require continued funding in view of the escalating operating overheads and capital commitments. It is uncertain whether the Subsidiaries will be able to sustain their profit margins in the next few years;
- (iv) The Proposed Disposal is consistent with the Group's plan to re-model itself as discussed above, with an aim to move up the value chain to enable it to operate in a more cost efficient manner under a leaner structure; and
- (v) Subject to the success of the Company's future business plan as set out in paragraph 4 of this Circular, there is a possibility that the Proposed Disposal could improve the prospects of the Group in view that the Proposed Disposal will allow the Company to re-strategise and redeploy its financial and capital resources. The Group expects to receive net proceeds of approximately S\$7,610,000 and collect the Debts of approximately S\$12,795,000 (after a partial waiver of S\$588,000) as at 30 November 2013 from the Proposed Disposal. With the Proposed Disposal, the Company will have better cash flows and more working capital to fund its operations, expand into other businesses which will be identified and capitalise on new investment opportunities that may arise in the future, which may add value to the Shareholders.

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## LETTER TO SHAREHOLDERS

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### 4. FUTURE PLANS OF THE GROUP

As at the Latest Practicable Date and assuming the Proposed Disposal has been completed, the subsidiaries of the Company and their principal activities are as follows:

<u>Name of subsidiaries</u>	<u>Country of incorporation</u>	<u>Effective interest held by the Group</u>	<u>Principal activities</u>
<b><u>Held by the Company</u></b>			
Demarco Pte Ltd	Singapore	100%	Import, export, manufacture and wholesale of luggage, travel bags and accessories
YG Marketing Pte. Ltd.	Singapore	100%	Trading in garments and other related products
SYI Co (Pte) Ltd	Singapore	100%	Franchisor of U.R.S & inc. trademark
Yangtzekiang Industries Sdn. Bhd.	Malaysia	100%	Trading in garments, wholesale and retailing of fashion apparels and related products
Fashion Way <sup>(1)</sup>	Malaysia	100%	Sale and distribution of footwear, knitwear, wallets and leather goods
<b><u>Held by Yangtzekiang Industries Sdn. Bhd.</u></b>			
YGM Marketing Sdn. Bhd.	Malaysia	100%	Dormant

**Note:**

(1) Fashion Way is currently a wholly owned subsidiary of TM and the entire issued share capital of Fashion Way will be transferred to the Company prior to the Completion at the sale price of RM1.00 as stated in paragraph 2.4(iii) of this Circular.

Post Completion, the Group will continue its re-modelling efforts with an aim to move up the value chain in the distribution channel to enable it to operate in a more cost efficient manner under a leaner structure. The Group aims to be the supplier to the exclusive distributors and/or licensees in each territory the Group operates in. Without the burden of significant overheads and large stock holding, the Group would be able to expand its reach faster and keep its structure lean and cost efficient. To this end, the Group will identify suitable partners for investment and acquisition when opportunities arise.

### 5. USE OF PROCEEDS

The Company expects to receive net proceeds of approximately S\$7,610,000 (after deducting estimated expenses of approximately S\$70,000) from the Proposed Disposal. The Company intends to utilise the net proceeds and the collected Debts, which amounted to S\$20,405,000 in aggregate based on the amount of Debts of S\$12,795,000 as at 30 November 2013, to fund future business expansions, investments and acquisitions when suitable opportunities arise and general working capital requirements of the Group.

Pending the deployment of the unutilised proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, invested in short term money markets and/or marketable securities, or used for any other purpose on a short term basis, as the Directors may deem appropriate in the interests of the Group.

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## LETTER TO SHAREHOLDERS

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### 6. FINANCIAL HIGHLIGHTS OF THE SUBSIDIARIES

- 6.1 Summary of audited profit and loss account and balance sheet of the Subsidiaries for the last three financial years are set out below. The summary of profit and loss account of the Subsidiaries had been translated from RM to S\$ using the average exchange rates for the relevant financial year while the summary of balance sheet had been translated using the exchange rates as at the relevant financial year end.

#### **TM**

	FY2011 S\$'000	FY2012 S\$'000	FY2013 S\$'000
<b>Summary of Profit and Loss Account</b>			
Revenue	25,784	25,997	27,618
Cost of sales	(17,582)	(17,658)	(19,009)
Gross profit	8,202	8,339	8,609
Finance costs	(93)	(141)	(183)
Other operating expenses	(7,167)	(7,751)	(8,317)
Other credits/ (other charges)	47	33	(12)
Profit before tax	989	480	97
Income tax expense	(294)	(210)	(103)
Profit/ (loss) net of tax	695	270	(6)

	As at 31 March 2011 S\$'000	As at 31 March 2012 S\$'000	As at 31 March 2013 S\$'000
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#### **Summary of Balance Sheet**

Property, plant and equipment	1,174	1,006	954
Inventories	10,704	13,530	14,065
Trade receivables	3,712	3,559	3,620
Other receivables	1,016	492	227
Cash and cash equivalents	2,137	2,049	2,405
Total assets	18,743	20,636	21,271
Income tax payable	43	-	-
Trade payables <sup>(1)</sup>	7,542	9,549	11,345
Other payables	905	1,834	1,151
Other financial liabilities	2,210	2,087	1,780
Total liabilities	10,700	13,470	14,276
Equity	8,043	7,166	6,995

#### **Note:**

- (1) Include amounts payable to related companies and subsidiary totalling S\$7,485,000, S\$9,448,000 and S\$11,109,000 as at 31 March 2011, 2012 and 2013 respectively.

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## LETTER TO SHAREHOLDERS

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### TFA

	<b>FY2011</b> <b>S\$'000</b>	<b>FY2012</b> <b>S\$'000</b>	<b>FY2013</b> <b>S\$'000</b>
<b>Summary of Profit and Loss Account</b>			
Revenue	6,544	7,241	6,624
Cost of sales	(3,225)	(3,461)	(3,390)
Gross profit	3,319	3,780	3,234
Finance costs	(41)	-	-
Other operating expenses	(3,001)	(3,222)	(3,091)
Other credits	-	19	14
Profit before tax	277	577	157
Income tax expense	(78)	(194)	(64)
Profit net of tax	199	383	93
	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31 March 2011</b>	<b>31 March 2012</b>	<b>31 March 2013</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Summary of Balance Sheet</b>			
Plant and equipment	333	164	203
Deposits - non-current	345	240	211
Trade receivables	192	927	576
Other receivables	76	150	312
Cash and cash equivalents	289	223	283
Total assets	1,235	1,704	1,585
Deferred taxation	2	2	2
Income tax payable	-	8	-
Trade payables	187	209	77
Other payables	221	288	242
Total liabilities	410	507	321
Equity	825	1,197	1,264

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## LETTER TO SHAREHOLDERS

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6.2 The relevant profitability and working capital ratios of the Subsidiaries for the last three financial years are as follows:

	FY2011	FY2012	FY2013
<b>TM</b>			
Gross profit margin (%)	31.8	32.1	31.2
Net profit (before tax) margin (%)	3.8	1.8	0.4
Current ratio	1.6	1.5	1.4
Quick ratio	0.6	0.5	0.4
Inventory turnover (days)	222	280	270
Trade receivables turnover (days)	53	50	48
Trade payables turnover (days)	157	197	218
<b>TFA</b>			
Gross profit margin (%)	50.7	52.2	48.8
Net profit (before tax) margin (%)	4.2	8.0	2.4
Current/ Quick ratio	1.4	2.6	3.7
Trade receivables turnover (days) <sup>(2)</sup>	n.m.	n.m.	n.m.
Trade payables turnover (days)	21	22	8

**Note:**

(2) n.m. denotes not meaningful as payments are usually settled in cash (including electronic payments) or via credit cards. The trade receivables amounts in the balance sheet include S\$165,000, S\$876,000 and S\$460,000 excess payments made to TM being TFA's main supplier on consignment term, as at 31 March 2011, 2012 and 2013 respectively.

6.3 The profit contribution of the Subsidiaries to the Group for the last three financial years are as follows:

	FY2011 S\$'000	FY2012 S\$'000	FY2013 S\$'000
Net profit of the Subsidiaries	1,266	1,057	255
Net profit of the Group	814	1,711	1,171
Net profit contribution to the Group (%)	155.5	61.8	21.8

**TM**

Despite year-on-year increase in revenue, TM's net profit margin continued to fall due to the following reasons: (i) rising staff costs due to annual mark-to-market increment and increased headcount over the years; (ii) write-offs of counters' fixtures and fittings (either due to renovation or closing down of counters); and (iii) escalating trade promotional expenses in light of competitive business environment in Malaysia.

While in net current assets position throughout the last three financial years, TM's quick ratio deteriorated as its liquid current assets (excluding inventories) were unable to match the pace of increase in the current liabilities, especially the trade payables. The trade receivables turnover period remained stable at approximately 50 days. Thinning margins coupled with the lengthened inventory turnover period brought about the longer trade payables turnover period.



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## LETTER TO SHAREHOLDERS

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### **TFA**

TFA's gross profit margin is typically in the region of 50%. The drop in gross and net profit margins in FY2013 was attributable to the increased costs of goods. As TFA purchases mainly from TM, the increase in the cost of goods by TM was due to an annual pricing review. It maintained a healthy current ratio and short trade payables turnover period throughout the last three financial years, inherent in its retail-based operations.

## **7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

The financial effects of the Proposed Disposal set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after Completion. The pro forma financial effects set out below are based on the audited consolidated financial statements of the Group for FY2013.

### **7.1 Share Capital**

As the Proposed Disposal does not involve the issue and allotment of any new Shares, the Proposed Disposal will not have any impact on the share capital of the Company.

### **7.2 NTA**

The effect of the Proposed Disposal on the NTA (defined as shareholders' fund less intangible assets) per Share of the Group for FY2013, assuming that the Proposed Disposal had been effected at the end of FY2013 is as follows:

<b>As at 31 March 2013</b>	<b>Before the Proposed Disposal</b>	<b>After the Proposed Disposal</b>
NTA (S\$'000)	26,415	27,447
NTA per Share (Cents)	25.16	26.14

### **7.3 EPS**

The effect of the Proposed Disposal on the EPS of the Group for FY2013, assuming that the Proposed Disposal had been effected at the beginning of FY2013 is as follows:

<b>FY2013</b>	<b>Before the Proposed Disposal</b>	<b>After the Proposed Disposal</b>
Profits after tax and minority interests (S\$'000)	589	1,621
Earnings per Share (Cents)	0.61	1.68

## **8. SERVICE CONTRACT**

There are no directors proposed to be appointed to the Company in connection with the Proposed Disposal.

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## LETTER TO SHAREHOLDERS

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### 9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

#### 9.1 Interests in the Company

The interests of the Directors and Substantial Shareholder in the capital of the Company as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
<b>Directors</b>				
Thang Teck Jong <sup>(1)</sup>	31,933,976	31.12	12,939,000	12.61
Hoe Kee Kok	2,353,170	2.29	-	-
Foong Daw Ching	-	-	-	-
Yap Kian Peng	-	-	-	-
Tan Chun Chieh <sup>(2)</sup>	-	-	1,050,000	1.02

**Notes:**

(1) Thang Teck Jong owns 31,933,976 Shares registered in his own name. He owns another 10,464,000 Shares which are held by nominee companies, namely Phillip Securities Pte Ltd, Citibank Consumer Nominees Pte Ltd and Maybank Kim Eng Securities Pte Ltd. Thang Teck Jong's deemed interest also includes 2,475,000 Shares held by his spouse, Kong Ling Ting @ Kang Ling Ting.

(2) Tan Chun Chieh's deemed interest includes 250,000 Shares held by a nominee company (Phillip Securities Pte Ltd) and 800,000 Shares held by his spouse, Poon Wai Yuen.

There are no other Substantial Shareholders as at the Latest Practicable Date.

#### 9.2 Interests in the Proposed Disposal

None of the Directors or Controlling Shareholders has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings (if any) in the Company.

### 10. DIRECTORS' RECOMMENDATION

Having considered and reviewed, amongst others, the terms of the SPA, the rationale for and the financial effects of the Proposed Disposal, and all other relevant facts set out in this Circular, the Directors are of the opinion that the Proposed Disposal is in the interest of the Company. Accordingly, they recommend that Shareholders vote in favour of the ordinary resolution set out in the Notice of EGM.

### 11. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 20 of this Circular, will be held at 205A Kallang Bahru Singapore 339342 on 20 January 2014 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the Ordinary Resolution set out in the Notice of EGM.

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## LETTER TO SHAREHOLDERS

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### 12. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf must complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at 205A Kallang Bahru Singapore 339342 not less than 48 hours before the time fixed for the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM to speak and vote thereat unless his name appears in the Depository Register as at 48 hours before the EGM.

### 13. 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 Disposal, 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.

### 14. INSPECTION OF DOCUMENTS

The following documents may be inspected at 205A Kallang Bahru Singapore 339342, during normal business hours from the date of this Circular up to the date of the EGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Annual Report of the Company for FY2013; and
- (c) the SPA.

Yours faithfully  
For and on behalf of the Board

Thang Teck Joong  
Executive Chairman  
Travelite Holdings Ltd.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### **TRAVELITE HOLDINGS LTD.**

Company Registration Number 200511089K  
(Incorporated in the Republic of Singapore)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“**EGM**”) of **TRAVELITE HOLDINGS LTD.** (the “**Company**”) will be held at 205A Kallang Bahru Singapore 339342 on 20 January 2014 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution:

### **ORDINARY RESOLUTION:**

#### **THE PROPOSED DISPOSAL BY THE COMPANY OF THE ENTIRE ISSUED SHARE CAPITAL OF TRAVELITE MARKETING SDN. BHD. AND TRAVEL FOR ALL SDN. BHD.**

#### **That:**

- (a) approval be and is hereby given to the Company to dispose of the entire issued share capital of Travelite Marketing Sdn. Bhd. and Travel For All Sdn. Bhd. to Eted Synergy Sdn. Bhd. for an aggregate consideration of RM19,602,239 payable in cash and on the terms and subject to the conditions of the sale and purchase agreement dated 14 October 2013 entered into between the Company and Eted Synergy Sdn. Bhd., as a major transaction for the purposes of Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited; and
- (b) all the directors of the Company and each of them be and are hereby authorised and empowered to do all acts and things as they or he may consider necessary or expedient to give effect to this Ordinary Resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required).

By Order of the Board  
**Travelite Holdings Ltd.**

Thang Teck Jong  
Executive Chairman  
4 January 2014

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**Notes:**

- (1) A shareholder of the Company entitled to attend and vote at the EGM of the Company may appoint not more than two proxies to attend and vote in his stead. A shareholder of the Company which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a shareholder of the Company.
- (2) If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the registered office of the Company at 205A Kallang Bahru Singapore 339342 not later than 48 hours before the time appointed for the holding of the EGM.
- (3) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
- (4) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 48 hours before the time fixed for holding the EGM in order for the Depositor to be entitled to attend and vote at the EGM.

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## PROXY FORM

### TRAVELITE HOLDINGS LTD.

Company Registration Number 200511089K  
(Incorporated in the Republic of Singapore)

**Important:**

1. For investors who have used their CPF monies to buy shares in the capital of Travelite Holdings Ltd., this circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We\* \_\_\_\_\_ (Name) NRIC/Passport no.\* \_\_\_\_\_ of \_\_\_\_\_ (Address) being a shareholder/shareholders\* of Travelite Holdings Ltd. (the "**Company**") hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or\*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him, the Chairman of the Extraordinary General Meeting (the "**EGM**") of the Company as my/our\* proxy/proxies\* to attend and to vote for me/us\* on my/our\* behalf and, if necessary, to demand a poll at the EGM of the Company to be held at 205A Kallang Bahru Singapore 339342 on 20 January 2014 at 10.30 a.m., and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolution as set out in the Notice of EGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the EGM.)

Ordinary Resolution	To be used on a show of hands		To be used in the Event of a Poll	
	For	Against	No. of Votes For**	No. of Votes Against**
To approve the proposed disposal by the Company of the entire issued share capital of Travelite Marketing Sdn. Bhd. and Travel For All Sdn. Bhd.				

\* Delete accordingly

\*\* If you wish to exercise all your votes "For" or "Against", please indicate an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014

<b>Total Number of Shares Held</b>

\_\_\_\_\_  
Signature(s) of Shareholder(s) or Common Seal

**IMPORTANT:** PLEASE READ NOTES OVERLEAF

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## PROXY FORM

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### Notes

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members of the Company, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
2. A shareholder entitled to attend and vote at the EGM is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
3. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 205A Kallang Bahru Singapore 339342 not less than 48 hours before the time appointed for the EGM.
4. Where a shareholder appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy and, if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. 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 EGM, in accordance with Section 179 of the Companies Act, Cap. 50.
8. The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the EGM if he so wishes.
9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the shareholder, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.