CIRCULAR DATED 13 FEBRUARY 2014

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

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 **CHASWOOD RESOURCES HOLDINGS LTD**. (the "Company") whose shares are listed for quotation on Catalist, 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 the transfer was effected for onward transmission to the purchaser or the transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this Circular. This Circular has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular. The contact person for the Sponsor is Mr Eric Wong (Director, Corporate Finance), CIMB Bank Berhad, Singapore Branch, 50 Raffles Place #09-01, Singapore Land Tower, Singapore 048623, telephone no: (65) 6337 5115.

CHASWOOD RESOURCES HOLDINGS LTD.

(Company Registration Number: 200401894D)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to

(1) THE PROPOSED ISSUE OF REDEEMABLE EXCHANGEABLE BONDS BY THE SUBSIDIARY OF THE COMPANY, CHASWOOD CAPITAL PTE. LTD. TO ASIASONS VENTURE FUND PTE. LTD.; AND

(2) THE PROPOSED ACQUISITION OF REDEEMABLE EXCHANGEABLE BONDS BY THE COMPANY FROM ASIASONS VENTURE FUND PTE. LTD. IN EXCHANGE FOR THE ISSUANCE OF EXCHANGE SHARES (THE "EXCHANGE") AND ISSUANCE OF EXCHANGE SHARES TO ASIASONS VENTURE FUND PTE. LTD. UPON THE EXCHANGE TAKING PLACE

Independent Financial Adviser to the Audit Committee of the Company in relation to the proposed interested person transactions

ASIAN CORPORATE ADVISORS PTE. LTD.

(Company Registration Number: 200310232R)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	26 February 2014 at 2 p.m.
Date and time of Extraordinary General Meeting	:	28 February 2014 at 2 p.m.
Place of Extraordinary General Meeting	:	22 Cross Street #03-54/61 China Square Central Singapore 048421

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DEFINITIONS

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

"ACL"	: Asiasons Capital Limited
"AIL"	: Asiasons Investment Ltd
"APE"	: Asiasons Private Equity Pte. Ltd.
"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
"associated company"	: A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group
"Audit Committee"	: The audit committee of the Company as at the Latest Practicable Date
"Board"	: The board of directors of the Company as at the Latest Practicable Date
"Bondholder"	: The registered holder of the Exchangeable Bonds, being the Investor
"Business Day"	: A day (other than Saturday, Sunday or public holiday) on which banks are open for business in Singapore
"Catalist"	: The sponsor-supervised listing platform of the SGX-ST
"Catalist Rules"	: Section B: Rules of Catalist of the listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time
"CDP"	: The Central Depository (Pte) Limited
"Chaswood Capital"	: Chaswood Capital Pte. Ltd.
"Circular"	: This circular to Shareholders dated 13 February 2014 in respect of the Proposed Bonds Issue and the Proposed Exchange and Issuance of Exchange Shares

"Companies Act"	:	The Companies Act, Chapter 50 of Singapore, as may be amended, modified or supplemented from time to time
"Company"	:	Chaswood Resources Holdings Ltd.
"Completion Date"	:	The date of issuance of the First Tranche Bonds
"Conditions"	:	The terms and conditions of the Exchangeable Bonds
"Conditions Precedent"	:	Conditions precedent to the issuance of the First Tranche Bonds
"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
"Directors"	:	The directors of the Company as at the date of this Circular
"DOF"	:	Dragonrider Opportunity Fund L.P.
"EGM"	:	The extraordinary general meeting of the Company, notice of which is given on page 79 of this Circular
"Exchange"	:	The proposed acquisition of the Exchangeable Bonds by the Company from the Investor in exchange for the issuance of Exchange Shares
"Exchange Price"	:	S$0.30 per Exchange Share
"Exchange Shares"	:	The new Shares to be allotted and issued by the Company following the Exchange from time to time in accordance with the Conditions
"Exchangeable Bonds"	:	Up to S$3,000,000 in aggregate principal amount of redeemable exchangeable bonds to be issued by Chaswood Capital pursuant to the Exchangeable Bonds Agreement and Conditions
"Exchangeable Bonds Agreement"	:	The redeemable exchangeable bonds agreement dated 29 November 2013 entered into between the Company, Chaswood Capital and the Investor, as varied by a supplemental agreement dated 12 December 2013
"First Tranche Bonds"	:	Exchangeable Bonds to be issued on Completion Date
"FY"	:	Financial year of the Company ended or ending 31 December (as the case may be)
"Group"	:	The Company and its Subsidiaries
"IFA" or "ACA"	:	Asian Corporate Advisors Pte. Ltd.
"Interested Person"	:	Has the meaning ascribed to it in the Catalist Rules
"Interested Person Transaction"	:	Transaction proposed to be entered or entered into between the Company, its Directors, Controlling Shareholders and their Associates as has the meaning ascribed to it in the Catalist Rules

"Investor"	:	Asiasons Venture Fund Pte. Ltd.
"Latest Practicable Date"	:	5 February 2014, being the latest practicable date prior to the printing of this Circular
"Liquidation Event"	:	Means in relation to Chaswood Capital (i) a merger or consolidation of Chaswood Capital with or into another entity (except a merger or consolidation in which the Company continues to hold at least 50% of the outstanding voting power of the capital of the surviving or acquiring entity); (ii) a voluntary liquidation of Chaswood Capital; or (iii) a major corporate restructuring, involving Chaswood Capital or other transaction(s) which would result in a change in majority control of the Company in Chaswood Capital
"Management"	:	The management team of the Company that is headed by its executive Director
"Market Day"	:	A day on which SGX-ST is open for securities trading
"Maturity Date"	:	In relation to each Exchangeable Bond, the date falling on the third (3^{rd}) anniversary of the Completion Date (being the date of issuance of the First Tranche Bonds)
"NTA"	:	Net tangible assets
"Payment Date"	:	The date on which the Refundable Deposit was paid by the Investor to Chaswood Capital, being 1 October 2013
"Posh Corridor"	:	Posh Corridor Sdn Bhd
"Principal"	:	The aggregate principal amount of the Exchangeable Bonds of up to S$3,000,000
"Proposed Bonds Issue"	:	The proposed issue of Exchangeable Bonds
"Proposed Exchange and Issuance of Exchange Shares"	:	The Exchange and proposed issuance of up to 10,000,000 Exchange Shares to the Investor upon the Exchange taking place
"Proposed Transactions"	:	Refers to the Proposed Bonds Issue and the Proposed Exchange and Issuance of Exchange Shares collectively
"Redemption Amount"	:	The redemption amount payable by Chaswood Capital upon the redemption of the Exchangeable Bonds, being the Principal amount plus such interest thereon as calculated in accordance with the Exchangeable Bonds Agreement
"Refundable Deposit"	:	The refundable deposit paid by the Investor to Chaswood Capital in accordance with the provisions of the Term Sheet
"Securities Account"	:	The securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
"SFA"	:	The Securities and Futures Act (Chapter 289) of Singapore, as may be amended, modified or supplemented from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited

"Share(s)"	:	Ordinary share(s) in the share capital of the Company
"Shareholders"	:	The registered holders of the Shares in the register of members of the Company, except where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with such Shares
"Sponsor" or "CIMB"	:	CIMB Bank Berhad, Singapore Branch
"Substantial Shareholder"	:	A person (including a corporation) who holds directly or indirectly 5% or more of the issued capital in the Company
"Term Sheet"	:	The binding term sheet dated 30 September 2013 entered into between the Company, Chaswood Capital and the Investor in relation to the Proposed Bonds Issue, as varied by a supplemental term sheet dated 30 October 2013

Currencies, Units and Others

"RM" and "RM sen"	:	Malaysian ringgit and cent, respectively
"S$" and "cent"	:	Singapore dollar and cent, 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. The term "Direct Account Holder" shall have the same meaning ascribed to the term "account holder" in Section 130A 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.

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

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

Any reference in this Circular to shares being allotted to a person includes allotment to CDP for the account of that person.

Any discrepancies in this Circular between the sum of the figures stated and the total thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures which precede them.

CHASWOOD RESOURCES HOLDINGS LTD.

(Company Registration Number: 200401894D)
(Incorporated in the Republic of Singapore)

Board of Directors	Registered Office
Dato' Mohammed Azlan Bin Hashim (Non-Executive Chairman)	80 Robinson Road
Mr Andrew Roach Reddy (Managing Director)	#02-00
Datuk Jared Lim Chih Li (Non-Executive Director)	Singapore 068898
Mr Ng Teck Wah (Non-Executive Director)	
Mr Ng Teck Sim Colin (Independent Director)	
Mr Christopher John McAuliffe (Independent Director)	13 February 2014

To: The Shareholders of Chaswood Resources Holdings Ltd.

Dear Sir/Madam

(1) THE PROPOSED ISSUE OF REDEEMABLE EXCHANGEABLE BONDS BY THE SUBSIDIARY OF THE COMPANY, CHASWOOD CAPITAL PTE. LTD. TO ASIASONS VENTURE FUND PTE. LTD.; AND

(2) THE PROPOSED ACQUISITION OF REDEEMABLE EXCHANGEABLE BONDS BY THE COMPANY FROM ASIASONS VENTURE FUND PTE. LTD. IN EXCHANGE FOR THE ISSUANCE OF EXCHANGE SHARES AND THE PROPOSED ISSUANCE OF EXCHANGE SHARES TO ASIASONS VENTURE FUND PTE. LTD. UPON THE EXCHANGE TAKING PLACE

1. INTRODUCTION

The Directors are convening the EGM to be held on 28 February 2014 to seek Shareholders' approval in relation to:

(i) the Proposed Bonds Issue; and

(ii) the Proposed Exchange and Issuance of Exchange Shares,

as further explained in Sections 2 and 3 of this Circular.

The purpose of this Circular is to provide Shareholders with information relating to, and to seek Shareholders' approval for, the Proposed Transactions to be tabled at the EGM.

The SGX-ST assumes no responsibility for the accuracy of any of the statements and opinions made and reports contained in this Circular.

2. PROPOSED BONDS ISSUE

2.1 Background

On 1 October 2013, the Company announced that it had entered into the Term Sheet with Chaswood Capital and the Investor in relation to the proposed issue of up to six Exchangeable Bonds by Chaswood Capital, at the issue price of S$500,000 for each Exchangeable Bond, to the Investor.

Chaswood Capital is a wholly owned subsidiary of Chaswood Resources Pte. Ltd. which in turn is wholly owned by Chaswood Resources Sdn Bhd. Chaswood Resources Sdn Bhd in turn is a wholly owned subsidiary of the Company.

Pursuant to the Term Sheet, the Company entered into the Exchangeable Bonds Agreement with Chaswood Capital and the Investor, pursuant to which Chaswood Capital agreed to issue up to six Exchangeable Bonds to the Investor for the aggregate issue price of up to S$3,000,000. Subject to the terms and conditions set out in the Exchangeable Bonds Agreement, the Investor may exchange the Exchangeable Bonds into the Exchange Shares.

2.2 **Information of the Investor**

The Investor is a private equity investment company incorporated in Singapore and managed by APE on a full discretionary basis. The shareholders of the Investor comprise mainly local and foreign high net worth individuals and corporate investors.

The Investor was identified by APE which is a wholly owned subsidiary of ACL. ACL is a controlling shareholder of the Company. In addition, Dato' Mohammed Azlan Bin Hashim, Datuk Jared Lim Chih Li and Ng Teck Wah who are the non-executive Directors of the Company are the directors and controlling shareholders of ACL. Datuk Jared Lim Chih Li and Mr Ng Teck Wah are also the directors of the Investor and APE. Accordingly, the Proposed Transactions constitute interested person transactions pursuant to Chapter 9 of the Catalist Rules. Please refer to Sections 2.7 and 3.8 of this Circular for further details.

2.3 **Terms of the Exchangeable Bonds**

Pursuant to the Exchangeable Bonds Agreement, Chaswood Capital shall issue the Exchangeable Bonds to the Investor on, *inter alia*, the following terms and conditions:

Issue Size	S$3,000,000, issuable in the following manner: (a) First Tranche Bonds of S$1,000,000; and (b) Subsequent tranches of S$500,000, at any time prior to the Maturity Date (being three years from the date of the issuance of the First Tranche Bonds), at the option of Chaswood Capital.
Issue Price	100% of the principal amount of the Exchangeable Bonds. The Exchangeable Bonds shall be denominated at an issue price of S$500,000 per Exchangeable Bond.
Exchange Price	S$0.30 per Exchange Share.
Coupon Rate	10% per annum based on a simple interest rate of which 5% shall be payable in cash and the remaining 5% rolled over as principal which shall be payable in cash upon redemption or waived in the event the Investor exercises its Exchangeable Right.
Coupon Payment Frequency	Semi-annually at the end of every six months from the date of issuance of the Exchangeable Bonds.
Tenure	Three years from the date of issuance of the First Tranche Bonds.

Security	Secured by the corporate guarantee from the Company in favour of the Investor.
Exchangeable Period	Exchangeable at any time at the option of the Investor on or prior to the Maturity Date, by giving at least seven Business Days' notice in writing to Chaswood Capital.
Final Redemption	Chaswood Capital shall redeem the outstanding Exchangeable Bonds (not exchanged by the Investor) on the Maturity Date at 100% of their principal amount (including the interest rolled over as principal).
Transferability	The Exchangeable Bonds are not transferable (save for the transfer of the Exchangeable Bonds to the Company following the Exchange).
Early Redemption	Chaswood Capital shall have the option to redeem all or part of the Exchangeable Bonds at 100% of their principal amount (including the interest rolled over as principal) at any time before the Maturity Date, by giving at least seven Business Days' notice in writing to the Investor.
Exchangeable Right	Exchangeable at the option of the Investor before the Maturity Date into Exchange Shares, provided that such exchange into the Exchange Shares shall be subject to the receipt of the listing and quotation notice for the listing of and quotation for the Exchange Shares on Catalist being obtained from the SGX-ST and such listing and quotation notice not being revoked or amended.
Designated Event Put	Upon a change of control, suspension of trading for more than five days in any thirty calendar days period or delisting from Catalist of the Company or any other Liquidation Event or circumstances arising which may give rise to a Liquidation Event, the Investor shall have the right to require Chaswood Capital to redeem all or part of the Exchangeable Bonds at 100% of their principal amount (including the interest rolled over as principal). The Exchangeable Bonds shall rank *pari passu* and rateably without any preference among themselves and subject to all other debt obligations of Chaswood Capital existing before and after the issuance of the relevant Exchangeable Bonds.
Covenants	No new issuance of any securities or instruments convertible into or exchangeable for shares in Chaswood Capital or the Company without the prior written consent of the Investor while the Exchangeable Bonds remain outstanding.
Refundable Deposit	The Refundable Deposit has been paid to Chaswood Capital on the signing of the Term Sheet. The Refundable Deposit shall be converted into the equivalent amount of the Exchangeable Bonds upon satisfaction of the Conditions Precedent. The Coupon Rate for the Exchangeable Bonds shall take effect from the date the Refundable Deposit was paid to Chaswood Capital.

The obligations of the Investor to subscribe for the Exchangeable Bonds (or any part thereof) shall be conditional upon satisfaction of the Conditions Precedent, including amongst others:

(i) all necessary consents and approvals from the relevant third parties and regulatory bodies in Singapore (including but not limited to the SGX-ST) as well as the consents, approvals and waivers of the shareholders of the Company and Chaswood Capital (if required) having been obtained in connection with:

(a) the execution of the Exchangeable Bonds Agreement by the Company and Chaswood Capital with the Investor;

(b) the issuance of the Exchangeable Bonds by Chaswood Capital to the Investor and in particular, approval of shareholders of the Company for the transactions contemplated in the Exchangeable Bonds Agreement, being interested person transactions pursuant to Chapter 9 of the Catalist Rules; and

(c) the issuance of the Exchange Shares in the event of an Exchange to the Investor and in particular, the issuance of the Exchange Shares to the Investor pursuant to Rules 812(1) and 812(2) of the Catalist Rules;

(ii) the delivery to the Investor of the duly executed corporate guarantee by the Company; and

(iii) no material or adverse changes to the financial conditions or operations of Chaswood Capital.

In the event that: (i) the Conditions Precedent are not met and the issuance of the Exchangeable Bonds will not be proceeded; or (ii) at the end of a six months period from the date of the Term Sheet, whichever is earlier, the Refundable Deposit shall be refunded by Chaswood Capital to the Investor and an abortion fee of S$8,333 per month (calculated from the date the Refundable Deposit was paid up to the notification by Chaswood Capital to the Investor that the Conditions Precedent will not be met or at the end of the six months period from the date of the Term Sheet, whichever is earlier) shall be paid to the Investor.

2.4 **Use of Proceeds**

The net proceeds to be raised by the Company from the Proposed Bonds Issue (after deducting estimated expenses of approximately RM0.425 million) are approximately RM7.075 million ("**Net Proceeds**"). The Company intends to utilise the Net Proceeds for the purposes of capital expenditure and working capital for outlets expansion in China and/or Indonesia. In this regard, the Company intends to apply 70% to 100% of the Net Proceeds towards capital expenditure and the balance as working capital.

Pending the deployment of the Net Proceeds for the purposes mentioned above, the Net Proceeds may be placed as deposits with financial institutions and/or invested in short term money market or debt instruments or for any other purpose on a short term basis as the Directors may in their absolute discretion deem appropriate in the interests of the Group.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when they are materially disbursed, and provide a status report on the use of the Net Proceeds in the Company's interim and full year financial statements issued under Rule 705 of the Catalist Rules and the Company's annual report. The Company will also make the relevant announcement on the expiry of the Exchangeable Bonds.

2.5 **Rationale for the Proposed Bonds Issue**

The Company believes that the Proposed Bonds Issue would be beneficial to the Company as the proposed structure and terms of the Proposed Bonds Issue offers a line of ready facility with timely access as well as flexibility on the funding requirements. This may help reduce the barriers faced by the Company when it intends to take on potential investment opportunities, as and when they arise. The terms of the Proposed Bonds Issue are also more favourable to the Company compared to the typical structure and terms of funding options currently reasonably available from banks and financial institutions for similar purposes and amounts of borrowings. Furthermore, there is no certainty as to the ability to secure debt financing in relation to the Company's expansion into China (having no previous track record in China).

In addition, raising long term funds through the Exchangeable Bonds would help the Company to diversify its funding sources since its capital structure would have a mix of equity, exchangeable bonds and term loans.

2.6 **Confirmation by the Directors**

The Directors are of the opinion that after taking into consideration:

(i) the present bank facilities available to the Group, the working capital available to the Group is sufficient to meet its present requirements. The Directors, however believe that the Net Proceeds will enable the Group to fund its present expansion plans, and better manage its current working capital requirements; and

(ii) the present bank facilities available to the Group and the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

2.7 **Proposed Bonds Issue as an Interested Person Transaction**

Under Chapter 9 of the Catalist Rules (which governs interested person transactions), where the value of a transaction with an interested person singly, or, on aggregation with the values of other transactions conducted with the same interested person in the same financial year, equals or exceeds 5% of the Group's latest audited NTA, that transaction shall be subject to Shareholders' approval.

The Company is an "entity at risk" while the Investor is an "interested person" as defined under Chapter 9 of the Catalist Rules in view that the Investor is managed by APE which is a wholly owned subsidiary of ACL. ACL is a controlling shareholder of the Company as it is deemed interested in 64.35% of the total issued and paid-up share capital of the Company by virtue of the following:

(i) Posh Corridor holds 62.37% of the total issued and paid-up share capital of the Company (through DMG & Partners Securities Pte. Ltd. as nominee and G1 Investments Pte. Ltd. due to an assignment of shares arrangement). Posh Corridor is owned by DOF and AIL, each holding 78.4% and 21.6% of the total issued and paid-up share capital of Posh Corridor respectively. DOF is an exempted limited partnership fund established in the Cayman Islands and is managed by Asiasons Private Equity Inc. which is in turn wholly owned by ACL. AIL is a wholly owned subsidiary of ACL. As such, ACL is deemed to be interested in all the Shares held by Posh Corridor pursuant to Section 7 of the Companies Act; and

(ii) AIL holds 1.98% of the total issued and paid-up share capital of the Company (through DMG & Partners Securities Pte. Ltd. as nominee). AIL is a wholly owned subsidiary of ACL. As such, ACL is deemed to be interested in all the Shares held by AIL pursuant to Section 7 of the Companies Act.

In addition, Dato' Mohammed Azlan Bin Hashim, Datuk Jared Lim Chih Li and Ng Teck Wah who are the non-executive Directors of the Company are the directors and controlling shareholders of ACL.

Accordingly, the Proposed Bonds Issue constitutes an interested person transaction pursuant to Chapter 9 of the Catalist Rules.

The amount at risk to the Company is a combination of:

(i) the value of the Principal, being up to S$3,000,000;

(ii) the aggregate interest payable on the Exchangeable Bonds from the period commencing from the Payment Date for the First Tranche Bonds; and (ii) from the date of issuance of the subsequent Exchangeable Bonds for the subsequent Exchangeable Bonds, until the Principal amount and interest are fully paid by Chaswood Capital to the Investor (assuming that none of the Exchangeable Bonds are redeemed prior to the Maturity Date), being S$900,000; and

(iii) the sum of S$50,000 as a one-time processing fee for the issuance of up to six Exchangeable Bonds to be paid by Chaswood Capital to the Investor on Completion Date.

Save for the Proposed Bonds Issue, the details of other interested person transaction above S$100,000 entered into with ACL and its Associates for the financial year ended 31 December 2013 up to the date of this Circular are set out below:

Particulars of Interested Person Transaction	**Aggregate Value** (S$'000)
Provision of branding and web communication services	162

Except for the abovementioned interested person transaction with ACL and its Associates, there were no transactions above S$100,000 entered into with other interested persons for the financial year ended 31 December 2013 up to the date of this Circular.

The projected total value of the Proposed Bonds Issue and other interested person transaction entered into with ACL and its Associates for the financial year ended 31 December 2013 up to the date of this Circular, amounts to approximately S$3,249,500 or approximately RM8.124 million (on the basis of an exchange rate of S$1=RM2.50), being the aggregate of (i) the maximum Principal of S$3,000,000, (ii) the processing fee of S$50,000, (iii) the interest payable on the Exchangeable Bonds from the period commencing the Payment Date to 31 December 2013 of S$37,500 (assuming all six Exchangeable Bonds are issued), and (iv) the aggregate value of the interested person transaction with ACL and its Associates for the provision of branding and web communication services of S$162,000 (excluding transactions less than S$100,000), represents an aggregate of 23.1% of the Group's latest audited NTA of approximately RM35.188 million as at 31 December 2012. Under Chapter 9 of the Catalist Rules, where the value of a transaction with an interested person singly, or, on aggregation with the values of other transactions conducted with the same interested person in the same financial year, equals or exceeds 5% of the Group's latest audited NTA, that transaction shall be subject to Shareholders' approval. Accordingly, the Proposed Bonds Issue is an interested person transaction which is subject to the approval of Shareholders at the EGM to be convened.

ACA has been appointed as independent financial adviser to advise the Audit Committee whether or not the Proposed Bonds Issue is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. ACA's letter to the Audit Committee is set out in Appendix I of this Circular.

3. PROPOSED EXCHANGE AND ISSUANCE OF EXCHANGE SHARES

3.1 Exchange Mechanism

Pursuant to the Exchangeable Bonds Agreement, the Investor shall have the option to exchange any of the outstanding Exchangeable Bonds at any time commencing the date of issuance of the Exchangeable Bonds and expiring on the Maturity Date by giving at least seven Business Days' notice in writing of such intention to the Company.

After receipt of such written notice from the Investor, the Company shall acquire the relevant Exchangeable Bonds from the Investor and issue such number of Exchange Shares to the Investor as settlement of the acquisition consideration for the Company's acquisition of the Exchangeable Bonds from the Investor, according to the following Exchange formula (fractional entitlements to be disregarded):

$$\text{Number of Exchange Shares} = \frac{\text{Issue Price}}{\text{Exchange Price}}$$

3.2 Rule 1006 of Catalist Rules

The Exchange is governed by the rules of Chapter 10 of the Catalist Rules. Given that the option to exchange any of the Exchangeable Bonds is not exercisable at the discretion of the Company, the Company proposes to seek the Shareholders' approval for the Exchange at the EGM to be convened notwithstanding that none of the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 75%. For illustrative purposes, the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules assuming all of the six Exchangeable Bonds will be exchanged into 10,000,000 Exchange Shares and the aggregate Exchange Price being S$3,000,000, based on the market capitalisation of the Company on the full Market Day on which the Term Sheet was signed are as follows:

Basis		
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	Not applicable
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation	4.94%[(1)]
(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	4.41%[(2)]
(e)	The aggregate volume or amount proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable

Notes:

(1) Based on 10,000,000 Exchange Shares and the volume weighted average price of the Shares on Catalist of S$0.2676 on 30 September 2013 (being the full Market Day on which the Term Sheet was signed) and the Company's market capitalisation of S$60,696,448 (being the Company's issued ordinary share capital of 226,817,819 Shares and the volume weighted average price of the Shares on Catalist of S$0.2676 on 30 September 2013 (being the full Market Day on which the Term Sheet was signed)).

(2) Based on 10,000,000 Exchange Shares and the issue and paid-up share capital of the Company of 226,817,819 Shares.

3.3 **Adjustment and Modification**

Under the terms of the Exchangeable Bonds Agreement, in the event that the Company and/or Chaswood Capital should effect any of the following (any such event being an "**Adjustment Event**"):

(i) issuance of new shares by way of capitalisation of profits or reserves (whether of capital or income nature and including any capital redemption reserve fund);

(ii) capital distribution to its shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets) or any offer or invitation to its shareholders under which they may require or subscribe for Shares by way of rights; or

(iii) sub-division, consolidation or re-classification of shares, reorganisations or any other activities that alter their capital structure,

then the Exchange Price shall from time to time be adjusted in such manner so that the Investor shall be entitled to such number of Exchange Shares (as set out in the Exchangeable Bonds Agreement) as nearly as possible to the case where the Adjustment Event has not taken place provided that no adjustment to the Exchange Price will be required in respect of:

(i) an issue by the Company of Shares or other securities convertible into rights to acquire or subscribe for Shares to officers, including directors, or employees of the Company or any of its subsidiaries, related corporations and associated companies pursuant to any purchase or option scheme approved by Shareholders in general meeting;

(ii) an issue by the Company of Shares in consideration or part consideration for or in connection with the acquisition of any other strategic securities, assets or business;

(iii) any issue by the Company of new Shares pursuant to the exercise of any warrants or the conversion of any convertible securities previously issued by the Company; or

(iv) any purchase by the Company of Shares pursuant to any share purchase scheme approved by Shareholders in general meeting subsequent, whether such Shares purchased pursuant to any such share purchase scheme are deemed cancelled or held in treasury.

Fractional entitlements to an Exchange Share upon the Exchange shall be disregarded. In addition, Chaswood Capital is required to obtain its shareholders' approval for any material modification to the terms of the Exchangeable Bonds which is for the benefit of the Bondholder, except where such modification is made pursuant to the terms of the Exchangeable Bonds.

3.4 **Details of Exchange Shares**

The Exchange Price of S$0.30 per Exchange Share represents a premium of approximately 12.1% to S$0.2676, which is the volume weighted average price of the Shares in respect of trades done on Catalist on 30 September 2013, being the full Market Day on which the Term Sheet was signed.

Assuming that the Investor exercises its right to exchange all of the six Exchangeable Bonds into Exchange Shares at any time commencing the date of issuance of the First Tranche Bonds and expiring on the Maturity Date by giving at least seven Business Days' notice in writing to the Company, in which case all of the six Exchangeable Bonds shall be exchanged into 10,000,000 Exchange Shares (the "**Maximum Exchange Scenario**").

As at the Latest Practicable Date, the issued and paid-up share capital of the Company comprises 226,817,819 Shares (the "**Share Capital**"). Under the Maximum Exchange Scenario, the 10,000,000 Exchange Shares represent approximately 4.41% of the Share Capital and approximately 4.22% of the enlarged shares capital of the Company comprising 236,817,819 Shares.

The Exchange Shares, when issued by the Company, will rank *pari passu* in all respects with and carry all rights similar to the then existing Shares, save that they will not rank for any dividends, rights, allotments or other distributions, the record date for which falls on or before the relevant date of issue of such New Shares.

The Company is seeking specific approval from the Shareholders at the EGM to be convened to approve the issue of the Exchange Shares (upon exchange of the Exchangeable Bonds) by way of an ordinary resolution. For avoidance of doubt, the Company will not be utilising the share issue mandate granted by the Shareholders at the annual general meeting of the Company held on 25 April 2013 for the issue of the Exchange Shares.

3.5 **Shareholders' Approval for the Issuance of Shares to a Restricted Person**

The Investor is a restricted person under Rule 812(1) of the Catalist Rules, which states as follows:

"An issue must not be placed to any of the following persons:

(a) The issuer's directors and substantial shareholders;

(b) Immediate family members of the directors and substantial shareholders;

(c) Substantial shareholders, related companies (as defined in Section 6 of the Companies Act), associated companies and sister companies of the issuer's substantial shareholders;

(d) Corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10%; or

(e) Any person who, in the opinion of the SGX-ST, falls within category (a) to (d).

Pursuant to Rule 812(2) of the Catalist Rules, Rule 812(1) of the Catalist Rules will not apply if specific Shareholder's approval for the Proposed Bonds Issue is obtained. Specific mandate will also be obtained from the Shareholders to approve the issuance of Exchange Shares.

In view that the Investor is managed by APE, a wholly owned subsidiary of ACL which is a controlling shareholder of the Company, the Proposed Transactions are subject to the approval of Shareholders at the EGM to be convened. Accordingly, ACL and its Associates will abstain from voting on the ordinary resolutions approving the Proposed Transactions.

3.6 Changes in Directors' and Substantial Shareholders' Interests upon Exchange of the Exchangeable Bonds

Assuming that all of the six Exchangeable Bonds are exchanged into 10,000,000 Exchange Shares under the Maximum Exchange Scenario, the shareholding structure of the Company prior to and after the issue of such Exchange Shares are set out below:

	As at the Latest Practicable Date Number of Shares				Under Maximum Exchange Scenario Number of Shares			
	Direct Interest	Deemed Interest	Total Interest	% (1)	Direct Interest	Deemed Interest	Total Interest	% (2)
Directors								
Dato' Mohammed Azlan Bin Hashim (7)	–	145,951,367	145,951,367	64.35	–	155,951,367	155,951,367	65.85
Andrew Roach Reddy	52,054,455	–	52,054,455	22.95	52,054,455	–	52,054,455	21.98
Datuk Jared Lim Chih Li (8)	–	145,951,367	145,951,367	64.35	–	155,951,367	155,951,367	65.85
Ng Teck Wah (8)	–	145,951,367	145,951,367	64.35	–	155,951,367	155,951,367	65.85
Ng Teck Sim Colin	–	–	–	–	–	–	–	–
Christopher John McAuliffe	–	–		–	–	–	–	–
Substantial Shareholders								
G1 Investments Pte. Ltd. (3)	13,340,000	–	13,340,000	5.88	13,340,000	–	13,340,000	5.63
Blumont Group Ltd. (3)	–	13,340,000	–	5.88	–	13,340,000	13,340,000	5.63
Posh Corridor Sdn Bhd (4),(5)	–	141,463,367	141,463,367	62.37	–	141,463,367	141,463,367	59.74
Asiasons Investment Ltd (5),(6)	–	145,951,367	145,951,367	64.35	–	145,951,367	145,951,367	61.63
Dragonrider Opportunity Fund L.P. (5)	–	141,463,367	141,463,367	62.37	–	141,463,367	141,463,367	59.74
Asiasons Private Equity Inc. (5)	–	141,463,367	141,463,367	62.37	–	141,463,367	141,463,367	59.74
Asiasons Capital Limited (5),(6)	–	145,951,367	145,951,367	64.35	–	155,951,367	155,951,367	65.85
Other Shareholders								
Asiasons Venture Fund Pte. Ltd. (9)	–	–	–	–	10,000,000	–	10,000,000	4.22
Asiasons Private Equity Pte. Ltd. (9)	–	–	–	–	–	10,000,000	10,000,000	4.22
Public	–	–	28,811,997	12.70	–	–	28,811,997	12.17

Notes:

(1) As a percentage of the issued share capital of the Company comprising 226,817,819 Shares as at the Latest Practicable Date.

(2) As a percentage of the issued share capital of the Company comprising 236,817,819 Shares under the Maximum Exchange Scenario.

(3) G1 Investments Pte. Ltd. is a wholly owned subsidiary of Blumont Group Ltd.. By virtue of Section 7 of the Companies Act, Blumont Group Ltd. is deemed to be interested in all the Shares held by G1 Investments Pte. Ltd..

(4) Posh Corridor is deemed interested in 128,123,367 Shares held by DMG & Partners Securities Pte. Ltd. as nominee and 13,340,000 Shares held by G1 Investments Pte. Ltd. due to an assignment of shares arrangement.

(5) Posh Corridor is owned by DOF (78.4%) and AIL (21.6%). DOF is a fund managed by Asiasons Private Equity Inc. which is in turn wholly owned by ACL. AIL is a wholly owned subsidiary of ACL. By virtue of Section 7 of the Companies Act, DOF, Asiasons Private Equity Inc., AIL and ACL are deemed to be interested in all the Shares held by Posh Corridor.

(6) AIL is deemed interested in 141,463,367 Shares held by Posh Corridor and 4,488,000 Shares held by DMG & Partners Securities Pte. Ltd. as nominee. By virtue of Section 7 of the Companies Act, ACL is deemed to be interested in all the Shares held by AIL.

(7) Dato' Mohammed Azlan Bin Hashim has a deemed interest of 53.07% in ACL. By virtue of Section 7 of the Companies Act, he is deemed to be interested in all the Shares held by Posh Corridor, AIL and the Investor.

(8) Each of Datuk Jared Lim Chih Li and Ng Teck Wah has a deemed interest of 49.30% in ACL. By virtue of Section 7 of the Companies Act, each of them is deemed to be interested in all the Shares held by Posh Corridor, AIL and the Investor.

(9) The Investor is a private equity investment company managed by APE on a full discretionary basis, APE is in turn wholly owned by ACL. By virtue of Section 7 of the Companies Act, APE and ACL are deemed to be interested in all the Shares held by the Investor.

3.7 **Approval**

CIMB, acting as Sponsor to, and on behalf of the Company, had submitted an additional listing confirmation to the SGX-ST for the listing of and quotation for the Exchange Shares on Catalist. As announced by the Company on 6 February 2014, the Company had on 6 February 2014 received the listing and quotation notice from the SGX-ST for the listing of and quotation for the 10,000,000 Exchange Shares on Catalist, subject to the following conditions:

(i) compliance with the SGX-ST's listing requirements; and

(ii) Shareholders' approval being obtained for the Proposed Transactions at the EGM to be convened.

It should be noted that the listing and quotation notice issued by the SGX-ST is not an indication of the merits of the Proposed Transactions, the Exchangeable Bonds, the Exchange Shares, the Company, its subsidiaries and their securities.

3.8 **Proposed Exchange and Issuance of Exchange Shares as an Interested Person Transaction**

The Proposed Exchange and Issuance of Exchange Shares is an interested person transaction pursuant to Chapter 9 of the Catalist Rules and is subject to the approval of the Shareholders at the EGM to be convened. Please refer to Section 2.7 of this Circular for further details.

For illustrative purposes, assuming all of the six Exchangeable Bonds will be exchanged into 10,000,000 Exchange Shares and based on the volume weighted average price of the Shares on Catalist of S$0.2676 on 30 September 2013 (being the full Market Day on which the Term Sheet was signed), the amount at risk to the Company is estimated to be S$2.676 million and represents 19.0% of the Group's latest audited NTA of approximately RM35.188 million as at 31 December 2012.

ACA has been appointed as independent financial adviser to advise the Audit Committee whether or not the Proposed Exchange and Issuance of Exchange Shares is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. ACA's letter to the Audit Committee is set out in Appendix I of this Circular.

4. FINANCIAL EFFECTS

For the purposes of this section, the following assumptions apply:

(i) the financial effects of the Exchangeable Bonds on the loss per Share and the NTA per Share of the Group are set out below and are prepared purely for illustration only and do not reflect the actual future financial situation of the Company. The financial effects have been computed based on the audited consolidated financial statements of the Group for FY2012;

(ii) the Group issued an aggregate principal amount of S$3,000,000 Exchangeable Bonds, which are then exchanged into 10,000,000 Exchange Shares; and

(iii) the financial effects of the Exchangeable Bonds have been translated using the exchange rate of S$1 to RM2.50.

4.1 **Share Capital**

The effects of the Proposed Exchange and Issuance of Exchange Shares on the share capital of the Company as at the Latest Practicable Date are as follows:

	Number of Shares	S$'000
Issued share capital as at the Latest Practicable Date	226,817,819	64,238
Add: Exchange Shares	10,000,000	3,000
Issued share capital after the issuance of Exchange Shares	236,817,819	67,238

4.2 **NTA**

For the purposes of illustration, assuming that the Exchangeable Bonds had been issued on 31 December 2012 and Exchangeable Bonds exchanged into Exchange Shares on 31 December 2012, the effect on the consolidated NTA per Share as at 31 December 2012 is as follows:

	Before the issuance of Exchangeable Bonds	After the issuance of the Exchangeable Bonds	
		Before exchange of Exchangeable Bonds into Exchange Shares (1)	After exchange of Exchangeable Bonds into Exchange Shares (2)
NTA (RM'000)	35,188	34,763	42,263
Number of Shares ('000)	226,818	226,818	236,818
NTA per share (RM sen)	15.5	15.3	17.8

Notes:

(1) Assuming professional fees and the processing fee payable to the Investor of RM425,000 for FY2012.

(2) Assuming professional fees and the processing fee payable to the Investor of RM425,000 and the issuance of 10,000,000 Exchange Shares and an increase in share capital of RM7.5 million.

4.3 **Loss per Share**

For the purposes of illustration, assuming that the Exchangeable Bonds had been issued on 1 January 2012 and Exchangeable Bonds exchanged into Exchange Shares on 31 December 2012, the effect on the consolidated loss per Share for FY2012 are as follows:

	Before the issuance of Exchangeable Bonds	After the issuance of the Exchangeable Bonds	
		Before exchange of Exchangeable Bonds into Exchange Shares (1)	After exchange of Exchangeable Bonds into Exchange Shares (2)
Loss attributable to the Shareholders (RM'000)	(11,711)	(12,886)	(12, 511)
Weighted average number of Shares ('000)	222,277	222,277	232,277
Loss per Share (RM sen)	(5.3)	(5.8)	(5.4)

Notes:

(1) Assuming interest expenses of RM750,000 arising from cost of coupon at 10% per annum and professional fees and the processing fee payable to the Investor of RM425,000 for FY2012.

(2) Assuming interest expenses of RM375,000 arising from cost of coupon at 5% per annum and professional fees and the processing fee payable to the Investor of RM425,000 and the issuance of 10,000,000 Exchange Shares.

5. INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

5.1 The interests of the Directors and Substantial Shareholders 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	%
Directors				
Dato' Mohammed Azlan Bin Hashim [5]	–	–	145,951,367	64.35
Andrew Roach Reddy	52,054,455	22.95	–	–
Datuk Jared Lim Chih Li [6]	–	–	145,951,367	64.35
Ng Teck Wah [6]	–	–	145,951,367	64.35
Ng Teck Sim Colin	–	–	–	–
Christopher John McAuliffe	–	–	–	–
Substantial Shareholders				
G1 Investments Pte. Ltd. [1]	13,340,000	5.88	–	–
Blumont Group Ltd. [1]	–	–	13,340,000	5.88
Posh Corridor Sdn Bhd [2],[3]	–	–	141,463,367	62.37
Asiasons Investment Ltd [3],[4]	–	–	145,951,367	64.35
Dragonrider Opportunity Fund L.P. [3]	–	–	141,463,367	62.37
Asiasons Private Equity Inc. [3]	–	–	141,463,367	62.37
Asiasons Capital Limited [3] [4]	–	–	145,951,367	64.35

NOTES:

(1) G1 Investments Pte. Ltd. is a wholly owned subsidiary of Blumont Group Ltd.. By virtue of Section 7 of the Companies Act, Blumont Group Ltd. is deemed to be interested in all the Shares held by G1 Investments Pte. Ltd..

(2) Posh Corridor is deemed interested in 128,123,367 Shares held by DMG & Partners Securities Pte. Ltd. as nominee and 13,340,000 Shares held by G1 Investments Pte. Ltd. due to an assignment of shares arrangement.

(3) Posh Corridor is owned by DOF (78.4%) and AIL (21.6%). DOF is a fund managed by Asiasons Private Equity Inc. which is in turn wholly owned by ACL. AIL is a wholly owned subsidiary of ACL. By virtue of Section 7 of the Companies Act, DOF, Asiasons Private Equity Inc., AIL and ACL are deemed to be interested in all the Shares held by Posh Corridor.

(4) AIL is deemed interested in 141,463,367 Shares held by Posh Corridor and 4,488,000 Shares held by DMG & Partners Securities Pte. Ltd. as nominee. By virtue of Section 7 of the Companies Act, ACL is deemed to be interested in all the Shares held by AIL.

(5) Dato' Mohammed Azlan Bin Hashim has a deemed interest of 53.07% in ACL. By virtue of Section 7 of the Companies Act, he is deemed to be interested in all the Shares held by Posh Corridor and AIL.

(6) Each of Datuk Jared Lim Chih Li and Ng Teck Wah has a deemed interest of 49.30% in ACL. By virtue of Section 7 of the Companies Act, each of them is deemed to be interested in all the Shares held by Posh Corridor and AIL.

5.2 Save for Posh Corridor, AIL, DOF, Asiasons Private Equity Inc., ACL, Dato' Mohammed Azlan Bin Hashim, Datuk Jared Lim Chih Li and Ng Teck Wah who are interested in the Proposed Transactions being interested person transactions, none of the Directors (other than in his capacity as a director or shareholder of the Company) and substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Transactions. No directors are proposed to be appointed to the Company nor any service agreement entered into with the Company in connection with the Proposed Transactions.

Each of Dato' Mohammed Azlan Bin Hashim, Datuk Jared Lim Chih Li and Ng Teck Wah has abstained from making any recommendation in respect of the Proposed Transactions for the aforesaid reasons.

6. ADVICE OF THE IFA IN RELATION TO THE PROPOSED TRANSACTIONS

ACA has been appointed as independent financial adviser to advise the Audit Committee on whether or not the Proposed Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The IFA's letter to the Audit Committee is set out in Appendix I of this Circular.

The IFA's opinion is extracted and set out in italics as follows:

"In summary, our opinion takes into account our analysis and the consideration in this Letter and is subject to the qualifications and assumptions set out in this Letter including but not limited to the uncertainties of occurrence of the Proposed Exchange and Issuance of the Exchange Shares, the fact that the Coupon Rate (in the event that the Investors exercises its Exchangeable Rights) is within the range of the interest rate for the Group's existing credit facilities and lower than the simple average and median for the Selected Convertible/Exchangeable Loans, which we have viewed collectively with the premium of the Exchange Price over the Group's NTA per Share and NAV per Share as at 30 June 2013 of approximately 273.3% and 382.7% respectively, the Group's net current liabilities position of approximately RM14.4 million as at 30 June 2013, the premium of the Exchange Price over the historical market prices (save for the period 1 month prior to the Term Sheet Announcement Date) as well as the last closing price for the Shares on the last Trading Day prior to the Latest Practicable Date (represent a significant premium of approximately 100.0%), the favourable valuation of the Group as implied by the Exchange Price in terms of EV/EBITDA, P/NAV and P/NTA as compared to the simple average and median for the Selected Comparable Companies (excluding Tung Lok) which we have assessed in conjunction with the Group's weaker financial performance and position as compared to the Selected Comparable Companies, the favourable comparison of the Proposed Bonds Issue against the Selected Convertible/Exchangeable Loans (in terms of the Exchange Price/NTA and the premium as implied by the Exchange Price over the market price prior to the Term Sheet Announcement Date), and the confirmation and representation from the Directors that (a) there are no alternative offers for funding as at the Latest Practicable which is comparable in nature, size and scope to the Proposed Transactions, and (b) taking into account the Group's internal resources, operating cash flow and the potential return from the outlets expansion in China and/or Indonesia, the Directors are of the opinion that, as at the Latest Practicable Date, barring unforeseen circumstances, the Group is able service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date in the event that the Investor opts not to exercise its Exchangeable Rights.

*However, in the event that the Exchange does not occur, the Coupon Rate is higher than the simple average and median for the Selected Convertible/Exchangeable Loans and the interest rates for the Group's existing credit facilities. The higher nominal Coupon Rate for the Exchangeable Bonds as compared to the interest rates payable for the Group's existing credit facilities and the Selected Convertible/Exchangeable Loan should be assessed in the context of the fact that the Exchangeable Bonds will only be secured by the corporate guarantee by the Company in favour of the Investor while the securities for the Group's existing credit facilities include fixed and floating charges over the Group's assets, pledge of fixed deposit as well as various guarantees from directors and/ or the Company and the Directors' confirmation that there will be no further drawdowns for the Exchangeable Bonds or the amounts drawn will be refinanced in the event that the Group is able to secure more favourable financing terms (timing and rates) as compared to the Exchangeable Bonds ("**Directors Confirmation**"), the Coupon Rate is relatively in line with the estimated average commercial loan rate (on secured lending basis) and without taking into account cost for hedging exchange risk and the need for payment of "commitment fees" in view of the committed nature of the Exchangeable Bonds as well as the need for the prior written consent of its existing lender for additional borrowings from banks (while for the Exchangeable Bonds, no prior written consent from the said lender is required), of approximately 10.08% that may be available for the Company in Indonesia and/or China as well as representation from the Directors that as at the Latest Practicable Date, there are no alternative offers for funding which is comparable in nature, size and scope to the Proposed Transactions despite the fact that the management are in* *discussions with local banks in China and Indonesia since August 2013, we are of the opinion that albeit that the coupon rates payable in the event that there is no Exchange is on the high side, the Proposed Transactions, subject to there being no other financing proposal on more favourable terms as compared to the Exchangeable Bonds, is **on normal commercial terms**.*

*Lastly, having regard to the potential financial effect of the Proposed Transactions which whilst showing deterioration in LPS and NTA per Share in the event the Exchange does not occur (not taking into account the expected return from the deployment of the proceeds) but will lead to higher NTA per Share in the event the Exchange does occur, the minimum dilution impact of the Proposed Transactions on the existing Independent Shareholders, which we have reviewed together with the representation and confirmation from the Directors that (a) the Proposed Transactions are in the interest and beneficial to the Group as it, inter alia, provides alternative source of funding (as a back-up line) for its outlets expansion in China and/or Indonesia, (b) in the event that the Company is able to secure external debt financing with more favourable terms and conditions than that of the Exchangeable Bonds (including, inter alia, lower interest rate as compared to the Coupon Rate) and such external debt financing can be obtained and made available for outlet expansion in China and/or Indonesia on a timely basis, the Company will not proceed with further drawdown on the Exchangeable Bonds, (c) taking into account the Group's internal resources, operating cash flow and the potential return from the outlets expansion in China and/ or Indonesia, the Directors are of the opinion that, as at the Latest Practicable Date, barring unforeseen circumstances, the Group is able service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the Maturity Date in the event that the Investor opts not to exercise its Exchangeable Rights, and (d) the Company shall not proceed with the outlets expansion in China and/or Indonesia in the event the expected return from such expansion is not adequate to service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date in the event that the Investor opts not to exercise its Exchangeable Right, we are of the view that based on the information available to us as at the Latest Practicable Date, the Proposed Transactions are **not prejudicial** to the interest of the Independent Shareholders and the Company.*

Recommendation

*Accordingly, we advise the Audit Committee to recommend that Independent Shareholders vote **in favour of** resolutions for the Proposed Transactions to be proposed at the EGM, and to highlight to Independent Shareholders the matters as stated in our Letter and to exercise caution in their decision in relation to the resolutions for the Proposed Transactions.*

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Group or the plans to hedge the exchange risk. The opinion set forth herein is based solely on publicly available information and information provided by the Directors and the Management and therefore does not reflect any projections or future financial performance of the Company or the Group after the completion of the Proposed Transaction(s) and as well as the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the financial terms of the Proposed Transactions as Interested Person Transactions.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of the Independent Shareholders:

1. *We have not made any independent evaluation or appraisal of the PPE and intangible assets and we have not been furnished by the Company with any such appraisal and valuation report for the PPE and intangible assets. With respect to such evaluation or appraisal, we are not experts in the evaluation or appraisal of the PPE and intangible assets and have relied on the opinion of and confirmation from the Directors that, to their best knowledge and belief, as at the Latest Practicable Date, on aggregate basis, there are no material differences between the estimated market value of the PPE and intangible assets and their respective book values as at 30 June 2013 which would have a material impact on the revalued NAV or NTA of the Group.*

2. *Independent Shareholders should note in the event that the Investor decides not to exercise its Exchangeable Rights; the nominal Coupon Rate would be 10.0% per annum. In addition, it is noted that the Exchange Price represents a premium of approximately 100.0% from the last transacted price of S$0.15 per Share on the SGX-ST on 14 January 2014, being the last Trading Day prior to the Latest Practicable Date. Likewise the features of the Exchangeable Bonds provides for half of the Coupon Rate to be accrued with payment at maturity and only in the event that is not exercised.*

3. *The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group or the viability of the Group's plan for outlets expansion in China and/or Indonesia or the ability of Chaswood Capital or the Company or the Group to service the coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date or the possibility of the Proposed Exchange and Issuance of Exchange Shares to occur.*

   The Directors confirmed that taking into account the Group's internal resources, operating cash flow and the potential return from the outlets expansion in China and/ or Indonesia, the Directors are in the opinion that, as at the Latest Practicable Date, barring unforeseen circumstances, the Group is able service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date in the event that the Investor opts not to exercise its Exchangeable Rights.

   The Directors also represented and confirmed that the Company shall not proceed with the outlets expansion in China and/or Indonesia in the event the expected return from such expansion is not adequate to service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date in the event that the Investor opts not to exercise its Exchangeable Right.

4. *Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after HY2013 for the Company and its subsidiaries."*

A copy of the IFA Letter is reproduced in Appendix I of this Circular. Shareholders are advised to read the IFA Letter in its entirety.

7. AUDIT COMMITTEE'S STATEMENT

The Audit Committee having reviewed, *inter alia*, the rationale for, the terms and conditions of the Proposed Transactions and having considered the advice of the IFA in relation to the Proposed Transactions, is of the opinion that the Proposed Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The Audit Committee notes the rationale for the Proposed Transactions, as described in Sections 2 and 3 of this Circular. The Audit Committee considers the Proposed Transactions to be in the best interests of the Company for the principal reasons described in Section 2.5 of this Circular.

Dato' Mohammed Azlan Bin Hashim, a member of the Audit Committee, is also a director and controlling shareholder of ACL. ACL is the controlling shareholder of the Company and the holding company of APE which manages the Investor on a full discretionary basis. Accordingly, Dato' Mohammed Azlan Bin Hashim, has abstained from voting on resolutions of the Audit Committee in relation to the Proposed Transactions.

8. DIRECTORS' RECOMMENDATIONS

8.1 The Directors who are deemed to be independent in respect of the Proposed Transactions, being Andrew Roach Reddy, Ng Teck Sim Colin and Christopher John McAuliffe, have considered and reviewed, *inter alia,* the terms of the Proposed Transactions, the rationale for, and the financial effects of the Proposed Transactions and all other relevant facts set out in this Circular. Save for Dato' Mohammed Azlan Bin Hashim, Datuk Jared Lim Chih Li and Ng Teck Wah who have refrained from making any recommendation, Andrew Roach Reddy, Ng Teck Sim Colin and Christopher John McAuliffe are collectively of the view that the Proposed Transactions are in the best interests of the Company and therefore recommend that Shareholders vote in favour of the Proposed Transactions at the EGM to be convened.

8.2 Shareholders are advised in deciding whether to vote in favour of the Proposed Transactions, to carefully consider the advice of the IFA and in particular, the various factors highlighted by the IFA in its advice (as set out in Section 7 of the IFA Letter). In giving the above recommendation, the Directors who are deemed to be independent in respect of the Proposed Transactions have not had regard to the general or specific investment objectives, financial situation, tax position or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, it is recommended that any individual Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

9. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 79 of this Circular, will be held at 22 Cross Street #03-54/61 China Square Central Singapore 048421 on 28 February 2014 at 2 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolutions set out in the notice of EGM.

10. ABSTENTION FROM VOTING

Posh Corridor, AIL and their Associates will abstain from voting in respect of the ordinary resolutions relating to the Proposed Transactions at the EGM.

Any other Shareholder who is interested in the Proposed Transactions should abstain from voting at the EGM in respect of the ordinary resolutions relating to the Proposed Transactions. Such Shareholders should also not accept nominations as proxies or otherwise for voting in respect of the aforesaid ordinary resolutions at the EGM unless specific instruction has been given in the proxy form as to the manner in which votes are to be cast in respect of such ordinary resolutions.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

11.1 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 a Proxy Form attached to this Circular which they should 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 not less than 48 hours before the time fixed 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 in place of his proxy if he finds that he is able to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

11.2 A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears in the Depository Register, as certified by CDP as at 48 hours before the EGM.

12. CONSENT

The IFA, ACA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and its letter to the Audit Committee set out in Appendix I of this Circular and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

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 Transactions, 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. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection by Shareholders at the registered office of the Company at 80 Robinson Road #02-00 Singapore 068898, during normal business hours from the date of this Circular up to and including the date of the EGM:

(a) the Memorandum and Articles of Association of the Company;

(b) the Annual Report of the Company for FY2012;

(c) the Term Sheet;

(d) the Exchangeable Bonds Agreement;

(e) the IFA letter dated 13 February 2014; and

(f) the letter of consent referred to in Section 12 of this Circular.

Yours faithfully
For and on behalf of the Board of Directors

ANDREW ROACH REDDY
Managing Director

LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE AUDIT COMMITTEE OF CHASWOOD RESOURCES HOLDINGS LTD.

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No: 200310232R)

112 Robinson Road #03-02
Singapore 068902

To:
The Audit Committee (as defined herein)
Chaswood Resources Holdings Ltd.
80 Robinson Road
#02-00
Singapore 068898

13 February 2014

(1) THE PROPOSED ISSUE OF REDEEMABLE EXCHANGEABLE BONDS ("PROPOSED BOND ISSUE") BY THE SUBSIDIARY OF CHASWOOD RESOURCES HOLDINGS LTD. (THE "COMPANY"), CHASWOOD CAPITAL PTE. LTD. ("CHASWOOD CAPITAL"), TO ASIASONS VENTURE FUND PTE. LTD.; AND

(2) THE PROPOSED ACQUISITION OF REDEEMABLE EXCHANGEABLE BONDS BY THE COMPANY FROM ASIASONS VENTURE FUND PTE. LTD. IN EXCHANGE FOR THE ISSUANCE OF EXCHANGE SHARES (THE "EXCHANGE") AND ISSUANCE OF EXCHANGE SHARES (AS DEFINED HEREIN) TO ASIASONS VENTURE FUND PTE. LTD. UPON THE EXCHANGE TAKING PLACE (COLLECTIVELY, THE "PROPOSED EXCHANGE AND ISSUANCE OF EXCHANGE SHARES")

Unless otherwise defined or where the context otherwise requires, the definition used in the Circular (defined later) shall apply throughout this Letter. Certain of the figures and computations as enumerated or set out in this Letter are based on approximations and its accuracy is subject to rounding.

1. INTRODUCTION

On 1 October 2013 (the "**Term Sheet Announcement Date**"), the Company announced that it had entered into a binding term sheet dated 30 September 2013 (the "**Term Sheet**") with Chaswood Capital and Asiasons Venture Fund Pte. Ltd. (the "**Investor**") in relation to the proposed issue of up to six exchangeable bonds (the "**Exchangeable Bonds**") by Chaswood Capital, at the issue price of S$500,000 for each Exchangeable Bond, to the Investor. Subsequently, on 30 October 2013, the Company, Chaswood Capital and the Investor entered into a supplemental term sheet to amend and vary certain provisions of the Term Sheet, *inter alia,* extension of the deadline for the execution of a definitive Exchangeable Bonds agreement and revision of the deadline for the submission of the additional listing application to the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

Pursuant to the Term Sheet, the Company entered into a redeemable exchangeable bonds agreement dated 29 November 2013 (the "**Exchangeable Bonds Agreement**") with Chaswood Capital and the Investor, pursuant to which Chaswood Capital agreed to issue up to six Exchangeable Bonds to the Investor for the aggregate issue price of up to S$3,000,000. Subject to the terms and conditions set out in the Exchangeable Bonds Agreement, the Investor may exchange the Exchangeable Bonds into new ordinary shares in the share capital of the Company (the "**Shares**") to be allotted and issued by the Company following the exchangeable of the Exchangeable Bonds from time to time (the "**Exchange Shares**").

Chaswood Capital is a wholly owned subsidiary of Chaswood Resources Pte. Ltd. which in turn is wholly owned by Chaswood Resources Sdn Bhd. Chaswood Resources Sdn Bhd in turn is a wholly owned subsidiary of the Company. The Investor is a private equity investment company incorporated in Singapore and managed by Asiasons Private Equity Pte. Ltd. ("**APE**") on a full discretionary basis. APE is a wholly owned subsidiary of Asiasons Capital Limited ("**ACL**") which is a controlling shareholder of the Company. In addition, Dato' Mohammed Azlan Bin Hashim, Datuk Jared Lim Chih Li and Ng Teck Wah who are the non-executive Directors of the Company are the directors and controlling shareholders of ACL. Datuk Jared Lim Chih Li and Mr Ng Teck Wah are also the directors of the Investor and APE. Pursuant to Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), the Proposed Bonds Issue and the Proposed Exchange and Issuance of Exchange Shares (collectively, the "**Proposed Transactions**") fall within the ambit of an interested person transaction ("**IPT**" or "**Interested Person Transaction**").

Asian Corporate Advisors Pte. Ltd. ("**ACA**") has been appointed as an independent financial adviser ("**IFA**") to provide an opinion as to whether the Proposed Transactions is on normal commercial terms and whether it would be prejudicial to the interests of the Company and its minority Shareholders. This letter ("**IFA Letter**" or "**Letter**") has been prepared for use by the audit committee of the Company ("**Audit Committee**") as at the date of this Letter for the purposes of making a recommendation to the registered holders of the Shares ("**Shareholders**") in respect of the Proposed Transactions as Interested Person Transactions. We note from the Circular that the Audit Committee comprises Mr. Ng Teck Sim Colin, Dato' Mohammed Azlan Bin Hashim and Mr. Christopher John McAuliffe. We note from Section 7 of the Circular that Dato' Mohammed Azlan Bin Hashim, a member of the Audit Committee, is also a director and controlling shareholder of ACL. ACL is the controlling shareholder of the Company and the holding company of APE which manages the Investor on a full discretionary basis. Accordingly, Dato' Mohammed Azlan Bin Hashim, has abstained from voting on resolutions of the Audit Committee in relation to the Proposed Transactions.

This Letter sets out, *inter alia*, our views and evaluation of the Proposed Transactions as Interested Person Transactions, which is being proposed as ordinary resolutions in the notice of the extraordinary general meeting ("**EGM**") of the Company as set out in the circular ("**Circular**") dated 13 February 2014 issued to the Shareholders. The Proposed Transactions will be subject to the approval by Shareholders who are not interested in the Proposed Transactions ("**Independent Shareholders**"). Likewise, it contains our recommendations to the Audit Committee in relation to the Proposed Transactions as Interested Person Transactions. It is prepared for inclusion in the Circular in connection with, *inter alia*, the Proposed Transactions.

2. TERMS OF REFERENCE

ACA has been appointed by the Company to advise the Audit Committee with respect to the Proposed Transactions, being an Interested Person Transaction under Chapter 9 of the Catalist Rules. We were neither a party to the negotiations entered into by the Company in relation to the Proposed Transactions as an Interested Person Transaction, nor were we involved in the deliberation leading up to the decision on the part of the directors of the Company ("**Directors**") to enter into the Proposed Transactions, and we do not, by this Letter or otherwise, advise or form any judgment on the merits of the transactions contemplated in the Circular for the Company and its subsidiaries (the "**Group**") other than to form an opinion, strictly and solely on the bases set out herein on whether the financial terms of the Proposed Transactions as Interested Person Transactions (pursuant to Chapter 9 of the Catalist Rules) are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

We have confined our evaluation strictly and solely on the financial terms for the Proposed Transactions as Interested Person Transactions and have not taken into account the commercial/financial risks and/or merits (if any) of or the timing for the transactions contemplated in the Circular including the structuring or inter-conditionality (if applicable), of the Proposed Transactions as Interested Person Transactions or the validity of any resolution, or the future financial performance or position of the Company and the Group subsequent to the Proposed Transactions as an Interested Person Transaction or the possibility or probability that the Group can improve their profitability or that the anticipated benefits from the Proposed Transactions can be realised (as the case may be). Such evaluation or comment remains the responsibility of the Directors and the management ("**Management**") of the Company although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors and the Management, *inter alia*, regarding their assessment of the rationale for the Proposed Transactions and have examined publicly available information collated by us including the audited financial statements as well as information including material information or developments pertaining to the Company and the Group (both written and verbal), provided to us by the Directors and Management or where applicable professional advisers of the Company, including its consultants or advisers or solicitors or auditors. We have not independently verified such information but have made such enquiries and used our judgement as we deemed necessary on such information and have found no reason to doubt the reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for, the accuracy or completeness or adequacy of such information or the manner it has been classified or presented or the basis of any valuations.

We have relied upon the assurance of the Directors and Management that all statements of fact, belief, opinion and intention made by the Directors and the Management in the Circular as well as their announcements for the financial results have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, expressed and implied, is made and no responsibility is accepted by us concerning the accuracy or completeness or adequacy of such information or statements of facts or belief or opinion or intention.

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at 5 February 2014 (the "**Latest Practicable Date**"), and therefore does not reflect expected financial performance after the financial for the six months period ("**HY**") ended 30 June 2013 ("**HY2013**") for the Company and its subsidiaries. Accordingly, we have not commented on or assessed the expected future performance or prospects of the Company or the Group after the completion of the transactions stipulated in the Circular. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance of the Company or the Group and neither are we responsible for it. Accordingly, estimates or analysis or evaluation of the merits of the Company or the Group or the Proposed Transactions as Interested Person Transactions, if any, in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or appraisal of the Group's assets and liabilities (including without limitation, property, plant and equipment, investment property and land use rights) or contracts entered into by the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group. With respect to such valuation, we are not experts in the evaluation (including without limitation, market value or economic potential) or appraisal of assets and liabilities (including without limitation, property, plant and equipment, investment property and land use rights) including, *inter alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

Our opinion in this Letter is based on economic, market, industry, monetary and other conditions (if applicable) in effect on, and the information provided to us, as of the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter alia*, include general as well as company specific or industry specific conditions or sentiments or factors. Audit Committee (as well as Independent Shareholders of the Company who would be receiving the Circular and this Letter enclosed with the Circular) should note that our evaluation is based solely on publicly available information and other information provided by the Company, the Directors, as well as those disclosed in the Circular as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the relevant financial year end of financial period for the Company or the Group or developments both macro and company specific and that these factors do and will necessarily affect the evaluation of the Proposed Transactions as Interested Person Transactions and our recommendation or opinion or views. Likewise this Letter outlines some of the matters or bases or factors or assumptions which we have used in our assessment and is a summary. They are by no means exhaustive or a reproduction of all the matters or bases or factors or assumptions etc. which we have used in our assessment. The Directors have jointly and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of the information and representations as provided by the Directors and contained therein. The Directors have, to their best knowledge, confirmed to ACA that all material information including but not limited to plans or prospects or proposals or rationale involving the Proposed Transactions stipulated in the Circular or issue or changes to its capital structure, available to them and the Management in connection with the Proposed Transactions have been disclosed to ACA and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the expected future performance or future growth prospects or plans of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group or the viability of the Group's plan for outlets expansion in China and/or Indonesia or the ability of Chaswood Capital or the Company or the Group to service the coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date or the possibility of the Proposed Exchange and Issuance of Exchange Shares to occur. In addition, our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or appraisal of the Group's assets and liabilities (including without limitation, property, plant and equipment, investment property and land use rights) or contracts entered into by the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group. With respect to such valuation, we are not experts in the evaluation (including without limitation, market value or economic potential) or appraisal of assets and liabilities (including without limitation, property, plant and equipment, investment property and land use rights) including, *inter alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Company and the Group as reflected in the half year unaudited financial statements for the Company and the Group as at 30 June 2013 are true and fair. The Directors have also confirmed that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements for HY2013 to be false or misleading in any material aspect. In addition, the Directors confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter alia* the valuation or appraisal of assets and liabilities including, *inter alia* the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information to be untrue, inaccurate, incomplete or misleading.

The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter and the unaudited financial statements for the Group for HY2013, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

The scope of our appointment does not require us to express, and we do not express, a view on the prices at which the Shares may trade upon completion or rejection of the Proposed Transactions or the other transactions or resolutions stipulated in the Circular (if any) or voting for or voting against the Proposed Transactions or the other transactions or resolutions stipulated in the Circular (if any) or on the future financial performance of the Company or the Group or the plans (if any) for each of them.

In rendering our advice and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints or particular circumstances of any individual Shareholder. As each Shareholder would have different investment profiles and objectives, we would advise the Audit Committee to recommend that any Shareholder, who may require advice in the context of his specific investment objective(s), investment portfolio(s), including his investment in the Company, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Accordingly, any factor or assumption or basis as well as the relative emphasis on any matter set out in this Letter or the Proposed Transactions as Interested Person Transactions, or the Company or the Group or the Shares which we used or may have used may differ from the relative emphasis accorded by any individual Independent Shareholder or Audit Committee, and as such the Audit Committee are advised to highlight to Independent Shareholders as well as note for themselves that any reliance on our opinion or view or assessment, is subject to the contents of this Letter in its entirety. In addition, ACA will not be responsible or required to provide an updated assessment or opinion or views of the Proposed Transactions as Interested Person Transactions or its recommendation, following the date of the issue of this Letter.

Our Letter or opinion or views or recommendation should not be used or relied by anyone for any other purposes and should only be used by the Audit Committee, subject to our terms of reference and the contents of this Letter as one of the basis for their opinion or views or recommendation. In addition, any references to our Letter or opinion or views or recommendation, should not be made except with our prior consent in writing and even if made with our prior consent in writing, shall be subject to the contents of this Letter in its entirety *inter alia* the matters, conditions, assumptions, limitations, factors and bases as well as our terms of reference for this Letter.

3. THE PROPOSED BONDS ISSUE

3.1 Background

On 1 October 2013, the Company announced that it had entered into the Term Sheet with Chaswood Capital and the Investor in relation to the proposed issue of up to six Exchangeable Bonds by Chaswood Capital, at the issue price of S$500,000 for each Exchangeable Bond, to the Investor.

Chaswood Capital is a wholly owned subsidiary of Chaswood Resources Pte. Ltd. which in turn is wholly owned by Chaswood Resources Sdn Bhd. Chaswood Resources Sdn Bhd in turn is a wholly owned subsidiary of the Company.

Pursuant to the Term Sheet, the Company entered into the Exchangeable Bonds Agreement with Chaswood Capital and the Investor, pursuant to which Chaswood Capital agreed to issue up to six Exchangeable Bonds to the Investor for the aggregate issue price of up to S$3,000,000. Subject to the terms and conditions set out in the Exchangeable Bonds Agreement, the Investor may exchange the Exchangeable Bonds into the Exchange Shares.

3.2 Information of the Investor

Information of the Investor is set out in Section 2.2 of the Circular.

3.3 Terms of the Exchangeable Bonds

Terms of the Exchangeable Bonds has been extracted from Section 2.3 of the Circular and reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Circular unless otherwise stated.

"2.3 ***Terms of the Exchangeable Bonds***

Pursuant to the Exchangeable Bonds Agreement, Chaswood Capital shall issue the Exchangeable Bonds to the Investor on, inter alia, the following terms and conditions:

Issue Size	*S$3,000,000, issuable in the following manner:* *(a) First Tranche Bonds of S$1,000,000; and* *(b) Subsequent tranches of S$500,000,* *at any time prior to the Maturity Date (being three years from the date of the issuance of the First Tranche Bonds), at the option of Chaswood Capital.*
Issue Price	*100% of the principal amount of the Exchangeable Bonds. The Exchangeable Bonds shall be denominated at an issue price of S$500,000 per Exchangeable Bond.*
Exchange Price	*S$0.30 per Exchange Share.*
Coupon Rate	*10% per annum based on a simple interest rate of which 5% shall be payable in cash and the remaining 5% rolled over as principal which shall be payable in cash upon redemption or waived in the event the Investor exercises its Exchangeable Right.*
Coupon Payment Frequency	*Semi-annually at the end of every six months from the date of issuance of the Exchangeable Bonds.*
Tenure	*Three years from the date of issuance of the First Tranche Bonds.*
Security	*Secured by the corporate guarantee from the Company in favour of the Investor.*
Exchangeable Period	*Exchangeable at any time at the option of the Investor on or prior to the Maturity Date, by giving at least seven Business Days' notice in writing to Chaswood Capital.*
Final Redemption	*Chaswood Capital shall redeem the outstanding Exchangeable Bonds (not exchanged by the Investor) on the Maturity Date at 100% of their principal amount (including the interest rolled over as principal).*
Transferability	*The Exchangeable Bonds are not transferable (save for the transfer of the Exchangeable Bonds to the Company following the Exchange).*
Early Redemption	*Chaswood Capital shall have the option to redeem all or part of the Exchangeable Bonds at 100% of their principal amount (including the interest rolled over as principal) at any time before the Maturity Date, by giving at least seven Business Days' notice in writing to the Investor.*

Exchangeable Right	*Exchangeable at the option of the Investor before the Maturity Date into Exchange Shares, provided that such exchange into the Exchange Shares shall be subject to the receipt of the listing and quotation notice for the listing of and quotation for the Exchange Shares on Catalist being obtained from the SGX-ST and such listing and quotation notice not being revoked or amended.*
Designated Event Put	*Upon a change of control, suspension of trading for more than five days in any thirty calendar days period or delisting from the Catalist of the Company or any other Liquidation Event or circumstances arising which may give rise to a Liquidation Event, the Investor shall have the right to require Chaswood Capital to redeem all or part of the Exchangeable Bonds at 100% of their principal amount (including the interest rolled over as principal).* *The Exchangeable Bonds shall rank pari passu and rateably without any preference among themselves and subject to all other debt obligations of Chaswood Capital existing before and after the issuance of the relevant Exchangeable Bonds.*
Covenants	*No new issuance of any securities or instruments convertible into or exchangeable for shares in Chaswood Capital or the Company without the prior written consent of the Investor while the Exchangeable Bonds remain outstanding.*
Refundable Deposit	*The Refundable Deposit has been paid to Chaswood Capital on the signing of the Term Sheet. The Refundable Deposit shall be converted into the equivalent amount of the Exchangeable Bonds upon satisfaction of the Conditions Precedent.* *The Coupon Rate for the Exchangeable Bonds shall take effect from the date the Refundable Deposit was paid to Chaswood Capital.*

The obligations of the Investor to subscribe for the Exchangeable Bonds (or any part thereof) shall be conditional upon satisfaction of the Conditions Precedent, including amongst others:

(i) all necessary consents and approvals from the relevant third parties and regulatory bodies in Singapore (including but not limited to the SGX-ST) as well as the consents, approvals and waivers of the shareholders of the Company and Chaswood Capital (if required) having been obtained in connection with:

(a) the execution of the Exchangeable Bonds Agreement by the Company and Chaswood Capital with the Investor;

(b) the issuance of the Exchangeable Bonds by Chaswood Capital to the Investor and in particular, approval of shareholders of the Company for the transactions contemplated in the Exchangeable Bonds Agreement, being interested person transactions pursuant to Chapter 9 of the Catalist Rules; and

(c) the issuance of the Exchange Shares in the event of an Exchange to the Investor and in particular, the issuance of the Exchange Shares to the Investor pursuant to Rules 812(1) and 812(2) of the Catalist Rules;

(ii) the delivery to the Investor of the duly executed corporate guarantee by the Company; and

(iii) no material or adverse changes to the financial conditions or operations of Chaswood Capital.

In the event that: (i) the Conditions Precedent are not met and the issuance of the Exchangeable Bonds will not be proceeded; or (ii) at the end of a six months period from the date of the Term Sheet, whichever is earlier, the Refundable Deposit shall be refunded by Chaswood Capital to the Investor and an abortion fee of S$8,333 per month (calculated from the date the Refundable Deposit was paid up to the notification by Chaswood Capital to the Investor that the Conditions Precedent will not be met or at the end of the six months period from the date of the Term Sheet, whichever is earlier) shall be paid to the Investor."

We note from Section 3.7 of the Circular that as announced by the Company on 6 February 2014, the Company had on 6 February 2014 received the listing and quotation notice from the SGX-ST for the listing of and quotation for the 10,000,000 Exchange Shares on the Catalist, subject to the following conditions:

(i) compliance with the SGX-ST's listing requirements;

(ii) Shareholders' approval being obtained for the Proposed Bonds Issue and the Proposed Exchange and Issuance of the Exchange Shares at an EGM to be convened.

It should be noted that the listing and quotation notice issued by the SGX-ST is not an indication of the merits of the Proposed Bonds Issue, the Proposed Exchange and Issuance of Exchange Shares, the Exchangeable Bonds, the Exchange Shares, the Company, its subsidiaries and their securities.

3.4 Proposed Bonds Issue as an Interested Person Transaction

We note from Section 2.7 of the Circular that the Company is an "entity at risk" while the investor is an "interested person" as defined under Chapter 9 of the Catalist Rules in view that the Investor is managed by APE which is a wholly owned subsidiary of ACL. ACL is a controlling shareholder of the Company as it is deemed interested in 64.35% of the total issued and paid-up share capital of the Company by virtue of the following:

(i) Posh Corridor holds 62.37% of the total issued and paid-up share capital of the Company through DMG & Partners Securities Pte. Ltd. as nominee. Posh Corridor is owned by Dragonrider Opportunity Fund L.P. ("**DOF**") and Asiasons Investment Ltd ("**AIL**"), each holding 78.4% and 21.6% of the total issued and paid-up share capital of Posh Corridor respectively. DOF is an exempted limited partnership fund established in the Cayman Islands and is managed by Asiasons Private Equity Inc. which is in turn wholly owned by ACL. AIL is a wholly owned subsidiary of ACL. As such, ACL is deemed to be interested in all the Shares held by Posh Corridor pursuant to Section 7 of the Companies Act; and

(ii) AIL holds 1.98% of the total issued and paid-up share capital of the Company through DMG & Partners Securities Pte. Ltd. as nominee. AIL is a wholly owned subsidiary of ACL. As such, ACL is deemed to be interested in all the Shares held by AIL pursuant to Section 7 of the Companies Act.

In addition, Dato' Mohammed Azlan Bin Hashim, Datuk Jared Lim Chih Li and Ng Teck Wah who are the non-executive Directors of the Company are the directors and controlling shareholders of ACL.

Accordingly, the Proposed Bonds Issue constitutes an interested person transaction pursuant to Chapter 9 of the Catalist Rules.

The amount at risk to the Company is a combination of:

(i) the value of the Principal, being up to S$3,000,000;

(ii) the aggregate interest payable on the Exchangeable Bonds from the period commencing from the Payment Date for the First Tranche Bonds; and (ii) from the date of issuance of the subsequent Exchangeable Bonds for the subsequent Exchangeable Bonds, until the Principal amount and interest are fully paid by Chaswood Capital to the Investor (assuming that none of the Exchangeable Bonds are redeemed prior to the Maturity Date), being S$900,000; and

(iii) the sum of S$50,000 as a one-time processing fee for the issuance of up to six (6) Exchangeable Bonds to be paid by Chaswood Capital to the Investor on Completion Date.

Save for the Proposed Bonds Issue, the details of other interested person transaction above S$100,000 entered into with ACL and its Associates for the financial year ended 31 December 2013 up to the date of the Circular is set out below:

Particulars of Interested Person Transaction	**Aggregate Value** (S$'000)
Provision of branding and web communication services	162

Except for the abovementioned interested person transaction with ACL and its Associates, there were no transactions above S$100,000 entered into with other interested persons for the current financial year ended 31 December 2013 up to the date of the Circular.

The projected total value of the Proposed Bonds Issue and other interested person transactions entered into with ACL and its Associates for the current financial year ended 31 December 2013 up to the date of the Circular, amounts to approximately S$3,249,500 or approximately RM8.124 million (on the basis of an exchange rate of S$1=RM2.50), being the aggregate of (i) the maximum Principal of S$3,000,000, (ii) the processing fee of S$50,000, (iii) the interest payable on the Exchangeable Bonds from the period commencing the Payment Date to 31 December 2013 of S$37,500 (assuming all six Exchangeable Bonds are issued), and (iv) the aggregate value of the interested person transaction with ACL and its Associates for the provision of branding and web communication services of S$162,000 (excluding transactions less than S$100,000), which represents an aggregate of 23.1% of the Group's latest audited NTA of approximately RM35.188 million as at 31 December 2012. Under Chapter 9 of the Catalist Rules, where the value of a transaction with an interested person singly, or, on aggregation with the values of other transactions conducted with the same interested person in the same financial year, equals or exceeds 5% of the Group's latest audited NTA, that transaction shall be subject to Shareholders' approval. Accordingly, the Proposed Bonds Issue is an interested person transaction which is subject to the approval of Shareholders at the EGM to be convened.

4. PROPOSED EXCHANGE AND ISSUANCE OF EXCHANGE SHARES

4.1 Exchange Mechanism

Pursuant to the Exchangeable Bonds Agreement, the Investor shall have the option to exchange any of the outstanding Exchangeable Bonds at any time commencing the date of issuance of the Exchangeable Bonds and expiring on the Maturity Date by giving at least seven (7) Business Days' notice in writing of such intention to the Company.

After receipt of such written notice from the Investor, the Company shall acquire the relevant Exchangeable Bonds from the Investor and issue such number of Exchange Shares to the Investor as settlement of the acquisition consideration for the Company's acquisition of the Exchangeable Bonds from the Investor, according to the following Exchange formula (fractional entitlements to be disregarded):

$$\text{Number of Exchange Shares} = \frac{\text{Issue Price}}{\text{Exchange Price}}$$

4.2 Adjustment and Modification

Pursuant to the terms of the Exchangeable Bonds Agreement, in the event that the Company and/or Chaswood Capital should effect any of the following (any such event being an "**Adjustment Event**"):

(i) issuance of new shares by way of capitalisation of profits or reserves (whether of capital or income nature and including any capital redemption reserve fund);

(ii) capital distribution to its shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets) or any offer or invitation to its shareholders under which they may require or subscribe for Shares by way of rights; or

(iii) sub-division, consolidation or re-classification of shares, reorganisations or any other activities that alter their capital structure,

then the Exchange Price shall from time to time be adjusted in such manner so that the Investor shall be entitled to such number of Exchange Shares (as set out in the Exchangeable Bonds Agreement) as nearly as possible to the case where the Adjustment Event has not taken place provided that no adjustment to the Exchange Price will be required in respect of:

(i) an issue by the Company of Shares or other securities convertible into rights to acquire or subscribe for Shares to officers, including directors, or employees of the Company or any of its subsidiaries, related corporations and associated companies pursuant to any purchase or option scheme approved by Shareholders in general meeting;

(ii) an issue by the Company of Shares in consideration or part consideration for or in connection with the acquisition of any other strategic securities, assets or business;

(iii) any issue by the Company of new Shares pursuant to the exercise of any warrants or the conversion of any convertible securities previously issued by the Company; or

(iv) any purchase by the Company of Shares pursuant to any share purchase scheme approved by Shareholders in general meeting subsequent, whether such Shares purchased pursuant to any such share purchase scheme are deemed cancelled or held in treasury.

Fractional entitlements to an Exchange Share upon the Exchange shall be disregarded. In addition, Chaswood Capital is required to obtain its shareholders' approval for any material modification to the terms of the Exchangeable Bonds which is for the benefit of the Bondholder, except where such modification is made pursuant to the terms of the Exchangeable Bonds.

4.3 Details of Exchange Shares

The Exchange Price of S$0.30 per Exchange Share represents a premium of approximately 12.1% to S$0.2676, which is the volume weighted average price of the Shares in respect of trades done on the Catalist on 30 September 2013, being the full Market Day on which the Term Sheet was signed.

Assuming that the Investor exercises its right to exchange all of the six Exchangeable Bonds into Exchange Shares at any time commencing on the date of issuance of the First Tranche Bonds and expiring on the Maturity Date by giving at least seven (7) Business Days' notice in writing to the Company, in which case all of the six (6) Exchangeable Bonds shall be exchanged into 10,000,000 Exchange Shares (the "**Maximum Exchange Scenario**").

As at the Latest Practicable Date, the issued and paid-up Share capital of the Company comprises 226,817,819 Shares. Under the Maximum Exchange Scenario, the 10,000,000 Exchange Shares represent approximately 4.41% of the Share Capital and approximately 4.22% of the enlarged Share capital of the Company comprising 236,817,819 Shares.

The Exchange Shares, when issued by the Company, will rank *pari passu* in all respects with and carry all rights similar to the then existing Shares, save that they will not rank for any dividends, rights, allotments or other distributions, the record date for which falls on or before the relevant date of issue of such Exchange Shares.

The Company is seeking specific approval from the Shareholders at the EGM to be convened to approve the issue of the Exchange Shares (upon exchange of the Exchangeable Bonds) by way of an ordinary resolution. For avoidance of doubt, the Company will not be utilising the share issue mandate granted by the Shareholders at the annual general meeting of the Company held on 25 April 2013 for the issue of the Exchange Shares.

4.4 Proposed Transactions as an Interested Party Transaction

We note from Section 3.8 of the Circular that the Proposed Exchange and Issuance of Exchange Shares is an interested person transaction pursuant to Chapter 9 of the Catalist Rules and is subject to the approval of the Shareholders at the EGM to be convened.

For illustrative purposes, assuming all of the six (6) Exchangeable Bonds will be exchanged into 10,000,000 Exchange Shares and based on the volume weighted average price of the Shares on the Catalist of S$0.2676 on 30 September 2013 (being the full Market Day on which the Term Sheet was signed), the amount at risk to the Company is estimated to be S$2.676 million and represents 19.0% of the Group's latest audited NTA of approximately RM35.188 million as at 31 December 2012.

5. EVALUATION OF THE PROPOSED TRANSACTIONS AS AN INTERESTED PERSON TRANSACTION

For the purposes of evaluating the financial terms of the Proposed Transactions as an Interested Person Transaction, we have taken into account the following pertinent factors as well as others as set out in this Letter, which we consider as having a significant bearing on our assessment:

(i) Use of proceeds and rationale of the Proposed Bond Issue and;

(ii) Financial performance and position of the Group;

(iii) The Group's net asset value ("**NAV**") and net tangible assets (**"NTA"**);

(iv) Market quotation and trading activity of the Shares;

(v) Relative valuation analysis;

(vi) Selected comparable transactions;

(vii) Financial effects of the Proposed Transactions;

(viii) Other relevant considerations which have significant bearing on our assessment.

These factors are discussed in greater detail in the ensuing paragraphs.

In our assessment of the Proposed Transactions as an Interested Person Transaction, we have applied certain valuation ratios in assessing the reasonableness of the Exchange Price. A brief description of such valuation ratios are as follows:–

(i) **EV/EBITDA**

"EV" or **"Enterprise Value"** is defined as the sum of a company's market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. **"EBITDA"** stands for earnings before interest, tax, depreciation and amortisation but after share of associates' and joint ventures' income but excluding exceptional items.

The **"EV/EBITDA"** multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.

(ii) **Price-to-Earnings ("PER")**

The PER is a widely used earnings-based valuation methodology that illustrates the ratio of the current market price of a company's shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies.

(iii) **Price-to-NTA ("P/NTA")**

The P/NTA ratio is the ratio of the relevant prices of the shares to the net tangible asset value of the relevant companies. It is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its asset backing as measured in terms of its NTA value. The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders. The NTA-based approach is widely used for valuing the shares of property-based companies as their tangible asset backings are perceived as providing support for the value of their shares.

(iv) **Price-to-NAV ("P/NAV")**

The P/NAV ratio is the ratio of the relevant prices of the shares to the net asset value of the relevant companies. It is an asset based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible and intangible asset backing as measured in terms of its NAV value.

The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its tangible and intangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.

In assessing the financial terms of the Proposed Transactions as an Interested Person Transaction, we have taken into account the following pertinent factors (as well as others in this Letter), which we consider will have a significant bearing on our assessment.

5.1 Rationale of the Proposed Bond Issue and use of proceeds

The use of proceeds and rationale of the Proposed Bond Issue have been extracted from Sections 2.4 and 2.5 of the Circular respectively and are set out in italics below. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

"2.4 ***Use of Proceeds***

*The net proceeds to be raised by the Company from the Proposed Bonds Issue (after deducting estimated expenses of approximately RM0.425 million) are approximately RM7.075 million ("**Net Proceeds**"). The Company intends to utilise the Net Proceeds for the purposes of capital expenditure and working capital for outlets expansion in China and/or Indonesia. In this regard, the Company intends to apply 70% to 100% of the Net Proceeds towards capital expenditure and the balance as working capital.*

Pending the deployment of the Net Proceeds for the purposes mentioned above, the Net Proceeds may be placed as deposits with financial institutions and/or invested in short term money market or debt instruments or for any other purpose on a short term basis as the Directors may in their absolute discretion deem appropriate in the interests of the Group.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when they are materially disbursed, and provide a status report on the use of the Net Proceeds in the Company's interim and full year financial statements issued under Rule 705 of the Catalist Rules and the Company's annual report. The Company will also make the relevant announcement on the expiry of the Exchangeable Bonds.

2.5 ***Rationale for the Proposed Bonds Issue***

The Company believes that the Proposed Bonds Issue would be beneficial to the Company as the proposed structure and terms of the Proposed Bonds Issue offers a line of ready facility with timely access as well as flexibility on the funding requirements. This may help reduce the barriers faced by the Company when it intends to take on potential investment opportunities, as and when they arise. The terms of the Proposed Bonds Issue are also more favourable to the Company compared to the typical structure and terms of funding options currently reasonably available from banks and financial institutions for similar purposes and amounts of borrowings. Furthermore, there is no certainty as to the ability to secure debt financing in relation to the Company's expansion into China (having no previous track record in China).

In addition, raising long term funds through the Exchangeable Bonds would help the Company to diversify its funding sources since its capital structure would have a mix of equity, exchangeable bonds and term loans."

2.6 ***Confirmation by the Directors***

The Directors are of the opinion that after taking into consideration:

(i) the present bank facilities available to the Group, the working capital available to the Group is sufficient to meet its present requirements. The Directors, however believe that the Net Proceeds will enable the Group to fund its present expansion plans, and better manage its current working capital requirements; and

(ii) the present bank facilities available to the Group and the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements."

The Directors have represented that whilst the Group may be able to secure debt financing for its expansion plan in Malaysia, its ability to secure debt financing and/or timing of debt financing for its proposed first and subsequent outlets in China and additional outlets in Indonesia may be uncertain due to the Company's lack of operating track record in China and limited track record in Indonesia (as evidenced by having only 3 outlets in the Indonesia market since its foray in 2012).

We note from the discussions with the Directors that the Company is also concurrently exploring debt financing for its first and subsequent outlets in China, however the discussions are still in their preliminary stages and the ability and timing to secure debt financing is still uncertain. The Directors and the Management represented that the purpose of the Proposed Bonds Issue is mainly to provide the Company with an alternative source of funding (as a backup line) for outlet expansion into China and/or Indonesia and in the event that the Company is able to secure external debt financing with more favourable terms and conditions than those of the Exchangeable Bonds (including, *inter alia,* lower interest rate as compared to the Coupon Rate) and such external debt financing can be obtained and made available for outlet expansion on a timely basis, the Company will not proceed with further drawdown on the Exchangeable Bonds or the amounts drawn will be refinanced.

In addition, we understand from the Directors and the Management that for the Company to obtain additional bank borrowings, it will require prior written consent from one of its lenders. The Management has represented that no prior written consent is required from the said lender for the Exchangeable Bonds.

The Directors are of the view that the Proposed Bonds Issue allows the Company to have a timely access to funding as well as flexibility to fund and execute its expansion plan in China and/or Indonesia.

5.2 Financial performance and position of the Group

Review of financial performance of the Group

The following are extracts from the audited consolidated financial statements of the Group for the financial year ended 31 December 2012 ("**FY2012**"), 31 December 2011 ("**FY2011**"), 31 December 2010 ("**FY2010**"), and the unaudited financial statements of the Group for HY2013 and six-months period ended 30 June 2012 ("**HY2012**").

Figures in RM '000	Unaudited HY2013	Unaudited HY2012	Audited FY2012	Audited FY2011	Audited FY2010
Revenue	78,259	72,677	149,742	123,006	112,264
Cost of sales	(24,012)	(23,184)	(47,514)	(39,319)	(35,758)
Gross profit	54,247	49,493	102,228	83,687	76,506
Profit/(Loss) before tax	2,369	(3,050)	(8,086)	12,024	11,359
Profit/(Loss) after tax	1,670	(5,581)	(11,918)	8,438	8,005
Profit/(Loss) after tax attributable to owners of the Company	1,635	(5,581)	(11,711)	8,438	8,005

HY2013 vs. HY2012

The Group reported an increase in revenue of approximately RM5.6 million or 7.7%, from approximately RM72.7 million in HY2012 to approximately RM78.3 million in HY2013, mainly due to contribution from the new outlets in FY2013 as compared to HY2012.

Cost of sales increased by approximately RM0.8 million from approximately RM23.2 million in HY2012 to approximately RM24.0 million in HY2013. As a result, gross profit for HY2013 increased by approximately RM4.7 million or 9.5% from approximately RM49.5 million in HY2012 to approximately RM54.2 million in HY2013, led by a higher increase in revenues as compared to cost of sales.

The Group recorded other credits of approximately RM4.8 million in HY2012 which were mainly attributable to a non-recurring compensation from a third party.

Marketing and distribution costs for the Group rose by approximately RM0.6 million or 19.3% from approximately RM3.1 million for HY2012 to approximately RM3.7 million for HY2013. The increase was mainly due to higher royalties paid to franchisors/licensor as a result of the increase in revenue for franchised/licensed brands. In addition, the introduction of creative/digital marketing and new brands/outlets contributed to the increase in advertising and marketing expenses.

Administrative expenses increased by approximately RM2.3 million or 5.5% from approximately RM41.5 million in HY2012 to approximately RM43.8 million in HY2013 which was mainly attributable to higher staff costs arising from more headcounts, higher rental expenses and utilities costs due to more operating outlets in HY2013, as well as higher listing compliance cost subsequent to the reverse takeover exercise involving, *inter alia*, Asia Silk Holdings Limited's acquisition of Chaswood Resources Sdn. Bhd. and its subsidiaries (the "**RTO**").

Other charges in HY2012 comprise mainly write-off of goodwill arising from the RTO exercise, and write-off in equipment. There was a significant drop in other charges of approximately RM9.5 million or 96.9% from approximately RM9.8 million in HY2012 to approximately RM0.3 million in HY2013 mainly due to a net decrease in equipment written off by approximately RM1.7 million arising from the closure of outlets, and write-off of goodwill arising from the RTO exercise by approximately RM7.8 million.

Other expenses increased by approximately RM1.1 million or 47.8% from approximately RM2.3 million in HY2012 to RM3.4 million in HY2013 mainly due to higher depreciation of property and equipment and amortization of franchise fees in HY2013. Depreciation of property and equipment rose by 45.5% from approximately RM2.2 million in HY2012 to RM3.2 million in HY2013 while amortization of franchisee fees rose from approximately RM0.1 million in HY2012 to RM0.2 million in HY2013.

Income tax expense decreased by approximately RM1.8 million or 72.0% from RM2.5 million in HY2012 to RM0.7 million in HY2013 mainly due to tax charge for 1H2012 despite the loss before tax of RM3.1 million which arose due to the write off of goodwill and fees incurred in relation to the RTO which are not tax deductible. The effective tax rates for HY2012 (after adjusting for the write off of goodwill and fees incurred in relation to the RTO which are not tax deductible) and HY2013 were higher than the statutory tax rate due to loss making outlets and certain expenses being not tax deductible.

The Group reported profit after tax attributable to the owners of the Company of approximately RM1.6 million in HY2013 as compared to loss after tax attributable to the owners of the Company of approximately RM5.6 million in the previous corresponding period mainly due to higher revenue arising from the contribution of new outlets and the decline in other charges which mainly consisted of write-off of goodwill arising from RTO and equipment write-off incurred in HY2012.

FY2012 vs. FY2011

The Group reported a growth in revenue of approximately RM26.7 million or 21.7%, increasing from approximately RM123.0 million in FY2011 to approximately RM149.7 million in FY2012, mainly attributable to increase in the sale of food and beverages from both the existing and new outlets of approximately RM24.6 million and increase in service charges of approximately RM2.1 million.

Cost of sales increased by approximately RM8.2 million or 20.9% from approximately RM39.3 million in FY2011 to approximately RM47.5 million in FY2012. Gross profit for HY2013 increased by approximately RM18.5 million or 22.1% from approximately RM83.7 million in FY2011 to approximately RM102.2 million in FY2012, which is relatively in line with the growth of the Group's revenue in FY2012.

Other credits of RM5.0 million in FY2012 mainly pertains to a non-recurring compensation from a third party of approximately RM4.7 million. Whereas in FY2011, the other credits was only approximately RM0.3 million consisting of sundry income, gain from disposal of equipment and translation gain.

Marketing and distribution costs for the Group increased by approximately RM3.0 million or 63.8% from approximately RM4.7 million in FY2011 to RM7.7 million in FY2012. The increase in costs was partly due to the Group's strategy to be a regional casual dining operator where several marketing initiatives, digital marketing and creative initiatives were initiated.

The Group's administrative expenses increased by approximately RM26.5 million or 42.8% from approximately RM61.9 million in FY2011 to approximately RM88.4 million in FY2012. The increase was mainly attributable to higher staff costs due to higher headcount, higher rental expenses, utilities costs, operating supplies and repair and maintenance, mainly due to more operating outlets and/or higher revenue. In addition, the higher administrative expenses were attributable to higher compliance related costs subsequent to the RTO exercise which were not applicable to the Company prior to the RTO exercise.

Finance costs increased by approximately RM0.1 million or 8.3% from approximately RM1.2 million in FY2011 to approximately RM1.3 million in FY2012 mainly due to the higher interest expense in relation to the drawdown of new term loans to finance capital expenditure of new outlets.

Other charges increased significantly by approximately RM12.1 million from RM0.3 million in FY2011 to RM12.4 million in FY2012. The increase in other charges was mainly due to net increase in equipment written off by approximately RM4.2 million due to closure of certain outlets and the write-off of goodwill arising from the RTO by approximately RM7.8 million (which represents the excess of the consideration over the fair value of net assets acquired).

Other expenses increased by approximately RM1.6 million or 41.0% from approximately RM3.9 million in FY2011 to RM5.6 million in FY2012 mainly due to higher depreciation of property and equipment as a result of more operating outlets.

Income tax expense increased by approximately RM0.2 million, or 5.6% from approximately RM3.6 million in FY2011 to approximately RM3.8 million in FY2012. There was a tax charge for FY2012 despite the loss before tax of approximately RM8.1 million which arose due to the write off of goodwill and fees incurred in relation to the RTO which are not tax deductible. The effective tax rates for FY2012 (after adjusting for the write off of goodwill and fees incurred in relation to the RTO which are not tax deductible) and FY2011 were higher than the statutory tax rate due to loss-making outlets and certain expenses being not tax deductible.

The Group reported a loss after tax attributable to the owners of the Company of approximately RM11.7 million in FY2012 as compared to profit after tax attributable to the owners of the Company of approximately RM8.4 million in FY2011, mainly due to RTO expenses and goodwill written off, higher equipment written off, as well as higher operating costs arising from the Group's expansion plan during FY2012.

We understand from the Management that the losses in FY2012 was attributable to, *inter alia,* the expenses related to the RTO of approximately RM2.6 million and the goodwill written-off arising from the RTO exercise of approximately RM7.8 million, which are non-recurring and non-trade in nature. For illustrative purpose only, in the event that the aggregate amount of the said expenses related to the RTO and the goodwill written-off arising from the RTO exercise of approximately RM10.4 million were excluded, the Group would still be in the loss making position, but would have recorded a smaller loss after tax of approximately RM1.5 million.

<u>FY2011 vs. FY2010</u>

The Group reported an increase in revenue of approximately RM10.7 million or 9.5%, increasing from approximately RM112.3 million in FY2010 to approximately RM123.0 million in FY2011, mainly contributed by higher food and beverage sales.

Cost of sales also increased by approximately RM3.5 million or 9.8%, from RM35.8 million in FY2010 to approximately RM39.3 million in FY2011. Gross profit for this period increased by approximately RM7.2 million or 9.4% from approximately RM76.5 million in FY2010 to approximately RM83.7 million in FY2011, the increase in gross profit was mainly attributable to the increase in revenue.

Other credits declined by approximately RM1.8 million or 81.8% from FY2010 to FY2011. This was mainly due to a one time business purchase agreement that the Group entered into with a third party, Italiannies (Tripleone) Pte. Ltd. on 27 December 2010 for the sale of one of its restaurant, Italiannies Pasta and Pizza & Vino which amounted to a net gain from disposal of approximately RM1.9 million.

Administrative expenses increased by approximately RM3.5 million for the period FY2011 against FY2010 mainly due to higher expenses from normal operations which includes rental of restaurants, utilities and repairs and maintenance.

Finance costs rose by 33.3% or approximately RM0.3 million for the period FY2011 against FY2010 due to higher interest expense in FY2011.

Other charges fell by 40.0% or approximately RM0.2 million for the period FY2011 against FY2010 due to higher equipment write-off in FY2010.

The Group registered a 14.7% increase in other expenses, approximately RM0.5 million for the period FY2011 against FY2010 due to higher depreciation of property and equipment and amortization expenses.

Hence, the Group reported a marginal increase in profit after tax attributable to owners of the Company of approximately RM0.4 million or 5.0% from approximately RM8.0 million FY2010 to approximately RM8.4 million for FY2011.

The following tabulates the gross profit, profit before tax and after tax margins for the Group:

Profitability Margins	**Unaudited HY2013**	**Unaudited HY2012**	**Audited FY2012**	**Audited FY2011**	**Audited FY2010**
Gross profit margin	69.3%	68.1%	68.3%	68.0%	68.1%
Profit/(Loss) before tax margin	3.0%	(4.2%)	(5.4%)	9.8%	10.1%
Profit/(Loss) after tax margin	2.1%	(7.7%)	(8.0%)	6.9%	7.1%
Profit/(Loss) after tax attributable to owners of the Company margin	2.1%	(7.7%)	(7.8%)	6.9%	7.1%

From the above table, we note that for the past three financial years under review, the Group turned into a loss making position in FY2012 as compared to the profits recorded for FY2011 and FY2010. However, it is noted that the loss in FY2012 was attributed mainly to expenses related to the RTO and goodwill written off arising from the RTO. We also note that gross profit margin has remained relatively stable for the past three financial years. In addition, we note that the Group was profitable in HY2013 although the margins for profit before and after tax in HY2013 are lower than those in FY2011 and FY2010.

Review of financial position

The table below is the extract of the Group's unaudited balance sheet for HY2013 and audited balance sheet for FY2012, FY2011 and FY2010.

Figures in RM '000	Unaudited HY2013	Audited FY2012	Audited FY2011	Audited FY2010
Non-current assets	78,745	80,388	60,377	49,590
Current assets	21,471	19,989	23,636	17,620
Non-current liabilities	16,402	15,325	11,550	8,525
Current liabilities	35,916	38,675	32,440	27,097
Total equity	47,898	46,377	40,023	31,589
Net working capital	(14,445)	(18,686)	(8,804)	(9,477)

HY2013 vs. FY2012

Assets

The Group's total assets decreased by approximately RM0.2 million or 0.2% from approximately RM100.4 million as at 31 December 2012 to approximately RM100.2 million as at 30 June 2013. Non-current assets declined by approximately RM1.7 million or 2.1% from approximately RM80.4 million as at 31 December 2012 to approximately RM78.7 million as at 30 June 2013, while the current assets rose by approximately RM1.5 million or 7.5% from approximately RM20.0 million to approximately RM21.5 million.

The decline in non-current assets was due to a decrease in property and equipment of approximately RM1.4 million (as a result of depreciation charges partially offset by the acquisition of equipment in HY2013) and a decrease in intangible assets of S$0.3 million (due to amortisation of franchise fees in HY2013). Leasehold building improvements mainly relates to construction, renovation, and refurbishment of outlets and restaurants.

The increase in current assets was due to the increase in other assets of approximately RM2.2 million (from approximately RM5.1 million as at 31 December 2012 to approximately RM7.3 million as at 30 June 2013 mainly due to booking fees and prepayment for identified sites) and offset by decrease in trade and other receivables of RM0.9 million (from approximately RM3.3 million as at 31 December 2012 to approximately RM2.4 million as at 30 June 2013 due to timing differences). We note that other assets relate to (i) deposits placed with the lessors for the leases of the Group's outlets which are due within one year, (ii) prepayments and booking fees for the identified sites.

Liabilities

The Group's total liabilities decreased by approximately RM1.7 million or 3.1% from approximately RM54.0 million as at 31 December 2012 to approximately RM52.3 million as at 30 June 2013 mainly due to the drop in total current liabilities of approximately RM2.8 million, partially offset by the increased in total non-current liabilities of approximately RM1.1 million.

The decline in current liabilities was mainly due to the decreases in trade and other payables of approximately RM3.3 million (from approximately RM29.0 million as at 31 December 2012 to approximately RM25.7 million as at 30 June 2013 mainly due to settlement of amounts owing to contractors by term loans), provision for taxation of approximately RM0.5 million (from approximately RM1.6 million as at 31 December 2012 to RM1.1 million as at 30 June 2013) which is partially offset by an increase in other current financial liabilities of approximately RM1.0 million (from approximately RM8.1 million as at 31 December 2012 to approximately RM9.1 million as at 30 June 2013 due to additional banking facilities obtained for working capital purposes and drawdown of term loans to finance the acquisition of equipment for new outlets).

The rise in non-current liabilities was due to the increase in other non-current financial liabilities of approximately RM1.1 million (mainly due to increase in bank borrowings from RM12.4 million as at 31 December 2012 to RM13.5 million as at 30 June 2013 as a result of term loans drawdown to finance acquisition of equipment for new outlets).

We wish to highlight that the Group had a negative net working capital of approximately RM14.4 million as at 30 June 2013 as compared to a negative net working capital of approximately RM18.7 million as at 31 December 2012. The slight improvement in the Group's negative net working capital position was mainly due to increase in other current assets (*inter alia*, booking fees and prepayment to suppliers for identified sites) and decrease in current liabilities (*inter alia*, trade and other payables). The Group's total borrowings (mainly consisting of terms loans, bills payables, bank overdraft facilities granted by financial institutes and hire purchase payables) increased by approximately RM2.1 million from approximately RM20.5 million as at 31 December 2012 to approximately RM22.6 million as at 30 June 2013. As a results of the higher total borrowings, the Group's total borrowings to shareholders' equity ratio rose from approximately 0.4 times as at 31 December 2012 to approximately 0.5 times as at 30 June 2013.

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter and the unaudited financial statements for the Group for HY2013, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

FY2012 vs. FY2011

Assets

The Group's total assets increased by approximately RM16.4 million or 19.5% from approximately RM84.0 million as at 31 December 2011 to approximately RM100.4 million as at 31 December 2012. Non-current assets rose by approximately RM20.0 million or 33.1% from approximately RM60.4 million as at 31 December 2011 to approximately RM80.4 million as at 31 December 2012, while the current assets declined by approximately RM3.6 million or 15.2% from approximately RM23.6 million as at 31 December 2011 to approximately RM20.0 million as at 31 December 2012.

The rise in non-current assets was mainly due to an increase in property and equipment of approximately RM17.1 million (from approximately RM46.7 million as at 31 December 2011 to RM63.8 million as at 31 December 2012 due to acquisition of property and equipment for new outlets), an increase in intangible assets of approximately RM2.5 million (from approximately RM8.6 million as at 31 December 2011 to approximately RM11.1 million as at 31 December 2012 due to the franchise fees paid for new outlets which was offset partially by the amortisation of the franchise fees), and an increase in other non-current assets (consisting of long term security deposits for restaurant leases) of approximately RM0.4 million (due to increase in security deposits).

The decline in the current assets was mainly due to a decrease in trade and other receivables of approximately RM0.6 million (from approximately RM3.9 million as at 31 December 2011 to approximately RM3.3 million as at 31 December 2012 due to timing differences), a decrease in other assets of approximately RM0.6 million (from approximately RM5.7 million as at 31 December 2011 to RM5.1 million as at 31 December 2012 mainly due to a reduction in prepayments and booking fees for the identified sites) and an decrease in cash and cash equivalents of approximately RM2.5 million (from approximately RM11.2 million as at 31 December 2011 to approximately RM8.7 million as at 31 December 2012 . We note that other assets relate to (i) deposits placed with the lessors for the leases of the Group's outlets which are due within one year, (ii) prepayments and booking fees for the identified sites.

Liabilities

The Group's total liabilities increased by approximately RM10.0 million or 22.7% from approximately RM44.0 million as at 31 December 2011 to approximately RM54.0 million as at 31 December 2012 due to increases in both current and non-current liabilities of approximately RM6.2 million and RM3.8 million respectively.

The increase in current liabilities was mainly due to an increase in trade and other payables of approximately RM9.3 million from approximately RM19.7 million as at 31 December 2011 to approximately RM29.0 million as at 31 December 2012 (due to increases in trade payable of RM1.7 million as a result of more purchases in line with revenue growth, and other payable of approximately RM7.6 million which is mainly attributable to initial setup costs owing to contractors for new outlets) and an increase in provision for taxation of approximately RM0.2 million from approximately RM1.4 million as at 31 December 2011 to approximately RM1.6 million as at 31 December 2012. This was partially offset by the decrease in the current other financial liabilities of approximately RM3.3 million (which was mainly attributed to repayment of term loans due to closure of certain outlets.

The increase in non-current liabilities was due to an increase in non-current other financial liabilities of approximately RM3.4 million (which was mainly attributable to increased bank borrowings in FY2012 as a result of term loans obtained to finance the purchase of equipment for new outlets) and an increase in deferred tax liabilities of approximately RM0.3 million (from approximately RM2.6 million as at 31 December 2011 to approximately RM2.9 million as at 31 December 2012 mainly due to increase in deferred tax liabilities as results of excess of net book value of equipment over tax values).

We wish to highlight that the Group had a negative net working capital of approximately RM18.7 million as at 31 December 2012 as compared to a negative net working capital of approximately RM8.8 million as at 31 December 2011. The deterioration of the Group's negative net working capital position was mainly due to a decline in cash and bank balances and increase in current liabilities as a result of the Group's expansion plans executed in FY2012. The Group's total borrowings increased slightly from approximately RM20.3 million as at 31 December 2011 to approximately RM20.5 million as at 31 December 2012. Notwithstanding the higher total borrowings, the Group's total borrowings to shareholders' equity ratio improved from approximately 0.5 times as at 31 December 2011 to approximately 0.4 times as at 31 December 2012 due to the increase in the shareholders' equity (resulting from the issuance of Shares in relation to the RTO exercise and issuance of the compliance Shares).

FY2011 vs FY2010

Assets

The Group's total assets increased by approximately RM16.8 million or 25.0% from approximately RM67.2 million as at 31 December 2010 to approximately RM84.0 million as at 31 December 2011, due to an increase in non-current assets of approximately RM10.8 million (from approximately RM49.6 million as at 31 December 2010 to approximately RM60.4 million as at 31 December 2011) and an increase in current assets of approximately RM6.0 million (from approximately RM17.6 million as at 31 December 2010 to approximately RM23.6 million as at 31 December 2011).

The rise in non-current assets was mainly due to an increase in property and equipment of approximately RM9.0 million (from approximately RM37.7 million as at 31 December 2010 to approximately RM46.7 million as at 31 December 2011 which was attributable to increases in both leasehold improvements of approximately RM5.0 million and equipment of approximately RM4.1 million in FY2011), an increase in intangible assets of approximately RM0.5 million (from approximately RM8.0 million as at 31 December 2010 mainly to approximately RM8.6 million as at 31 December 2011 due to increase in franchise fees), and an increase in non-current other assets of approximately RM1.2 million (from approximately RM3.9 million as at 31 December 2010 to approximately RM5.1 million as at 31 December 2011 due to increase in long term security deposit).

The rise in current assets was mainly to increases in cash and cash equivalent of approximately RM4.3 million (from approximately RM7.0 million as at 31 December 2010 to approximately RM11.3 million as at 31 December 2011), inventories of approximately RM1.2 million (from approximately RM1.6 million as at 31 December 2010 to approximately RM2.8 million as at 31 December 2011 due to increase in food and beverage inventories) and current other assets of approximately RM1.6 million (from approximately RM4.1 million as at 31 December 2010 to approximately RM5.7 million as at 31 December 2011, which was attributable to increase in both prepayments and deposits to secure potential sites). This was partially offset by the decline in trade and other receivables of approximately RM1.1 million from approximately RM5.0 million as at 31 December 2010 to approximately RM3.9 million as at 31 December 2011 (mainly attributable to a decrease in an amount owing from a third party of approximately RM3.6 million for the sale of business).

Liabilities

The Group's total liabilities increased by approximately RM8.4 million or 23.6% from approximately RM35.6 million as at 31 December 2010 to approximately RM44.0 million as at 31 December 2011, due to increases in both current and non-current liabilities of approximately RM5.4 million and RM3.0 million respectively.

The rise in non-current liabilities was mainly due to increases in deferred tax liabilities of approximately RM0.5 million (mainly due to increase in excess of net book value of equipment over tax rates approximately RM0.8 million and partially offset by decrease in unabsorbed capital allowances of approximately RM0.3 million and non-current other financial liabilities of approximately RM2.6 million (mainly due to increase in bank borrowings).

The rise in current liabilities was due to increases in trade and other payables of approximately RM2.7 million (mainly attributable to increases in trade payable of RM0.7 million as a result of more purchases in line with revenue growth, and other payable of approximately RM2.0 million which is mainly attributable to initial setup costs owing to contractors for new outlets) and in current other financial liabilities of RM3.3 million (mainly attributable to additional banking facilities obtained for working capital purposes and drawdown of term loans to finance the acquisition of equipment for new outlets). This was partially offset by reduction in provision for taxation of approximately RM0.6 million.

We wish to highlight that the Group had a negative net working capital of approximately RM8.8 million as at 31 December 2011 as compared to a negative net working capital of approximately RM9.5 million as at 31 December 2010. The slight improvement in the Group's negative net working capital position was mainly attributable to increases in inventories and cash and cash equivalent which is partially offset by increases in current other financial liabilities due to drawdowns of bank overdraft and term loans. The Group's total borrowings increased from approximately RM14.5 million as at 31 December 2010 to approximately RM20.3 million as at 31 December 2011. The Group's total borrowings to shareholders' equity ratio remained at approximately 0.5 as at 31 December 2011 and as at 31 December 2010.

5.3 NAV and NTA Analysis

NAV and NTA Analysis

The NAV based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests. The NAV based approach is meaningful as it shows the extent to which the value of each share is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NAV based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets including but not limited to land use rights, goodwill, trademarks and brand names) in an orderly manner or over a reasonable period of time and at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However the NAV approach does not take into account or consideration the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values at which assets may actually be realized or disposed.

The NTA based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities and intangible assets of the company. The NTA based approach is meaningful as it shows the extent to which the value of each share is backed by tangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NTA based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (other than intangible assets) in an orderly manner over a reasonable period of time at the aggregate value of the assets used in the computation of the NTA, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group, with the balance to be distributed to its shareholders. However the NTA based approach does not take into account or consideration the presence of any intangible assets including but not limited to land use rights, goodwill, trademarks and brand names nor does it take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values of which assets may actually be realized or disposed.

NAV and NTA of the Group

In assessing the Exchange Price of S$0.30 for each Exchange Share, in relation to the NAV and NTA per Share of the Group as at 30 June 2013, we have reviewed the unaudited balance sheet of the Group as at 30 June 2013 to determine whether there are any assets that are of an intangible in nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the unaudited balance sheet of the Group as at 30 June 2013 and in the Circular, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such unaudited balance sheet as at 30 June 2013 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 30 June 2013, save as disclosed in the unaudited financial statement of the Group as at 30 June 2013 as well as the Circular. In addition, the Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted), and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the audited financial statements of the Group as at 30 June 2013 are true and fair. Lastly, the Directors confirmed that to the best of their knowledge or belief that such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete in any respect or misleading.

NTA Analysis

Consolidated Unaudited Balance Sheet as at 30 June 2013[(1)]	RM'000
Non-Current Assets	
Property, Plant and Equipment ("**PPE**")	62,395
Intangible Assets	10,814
Other Assets, Non-Current	5,536
	78,745
Current Assets	
Inventories	2,983
Trade and Other Receivables	2,430
Other Assets, Current	7,266
Cash and Cash Equivalents	8,792
	21,471
Non-Current Liabilities	
Deferred Tax Liabilities	2,920
Other Financial Liabilities	13,482
	16,402
Current Liabilities	
Provision for Taxation	1,121
Trade and Other Payables	25,711
Other Financial Liabilities	9,084
	35,916
Net assets value ("NAV") as at 30 June 2013	47,898
Less: Non-Controlling Interests	(153)
NAV attributable to shareholders of the Company	47,745
Less: Intangible assets	(10,814)
Net Tangible Assets ("NTA") as at 30 June 2013	36,931
NAV per Share [(2)] (RM)	0.210
NAV per Share [(2)] [(3)] (S$)	0.080
NTA per Share [(2)] (RM)	0.163
NTA per Share [(2)] [(3)] (S$)	0.062
Exchange Price (S$)	0.300
Premium of the Exchange Price over the Group's NAV per Share	273.3%
Premium of the Exchange Price over the Group's NTA per Share	382.7%
Cash and cash equivalents (RM'000)	8,792
Cash and cash equivalents per Share [(2)] (RM)	0.039
Cash and cash equivalents per Share [(2)] [(3)] (S$)	0.015
The Exchange Price less cash and cash equivalents per Share (S$)	0.285
NAV per Share less cash and cash equivalents per Share (S$)	0.066
NTA per Share less cash and cash equivalents per Share (S$)	0.047
Premium of the Exchange Price less cash and cash equivalents per Share over the Group's NAV per Share less cash and cash equivalents per Share	335.0%
Premium of the Exchange Price less cash and cash equivalents per Share over the Group's NTA per Share less cash and cash equivalents per Share	502.2%

Notes:

(1) *The figures above are based on the Group's unaudited financial statement for the half year ended 30 June 2013.*

(2) *The figures are computed based on the Company's issued Share capital of 226,817,819 Shares as at the Latest Practicable Date.*

(3) *S$:RM exchange rate 2.6196 as at Latest Practicable Date.*

For illustrative purposes only, the Exchange Price represents a premium of approximately 273.3% and 382.7% from the Group's NAV per Share as at 30 June 2013 and NTA per Share as at 30 June 2013 respectively. Correspondingly, if the cash and cash equivalents per Share is deducted from the Exchange Price and likewise from the Group's NAV per Share and NTA per Share, the Exchange Price less cash and cash equivalents per Share represents a premium of approximately 335.0% and 502.2% from the Group's NAV per Share and NTA per Share less cash and cash equivalents per Share respectively.

We also wish to highlight that PPE (for which no valuation has been conducted and the Directors have confirmed that as at the Latest Practicable Date, there is no intention to redeploy the fixed assets of the Group and to the best of their knowledge or belief, the values as recorded in the unaudited financial statements as at 30 June 2013 are true and factual) amounted to approximately RM62.4 million and made up approximately 62.3% of the Group's total assets as at 30 June 2013. In addition, the Directors have represented and confirmed that the PPE will be used for the current business and purpose. We also note that the PPE consists mainly of leasehold buildings, leasehold improvements and equipment and that the aggregate net book value of PPE as stated in unaudited consolidated financial statements as at 30 June 2013 is approximately RM62.4 million. The Management and the Directors have represented that approximately RM29.7 million (represents approximately 47.6% of total PPE) under the PPE relates to the Group's leasehold improvements in relation to refurbishment and renovation of the outlets and restaurants.

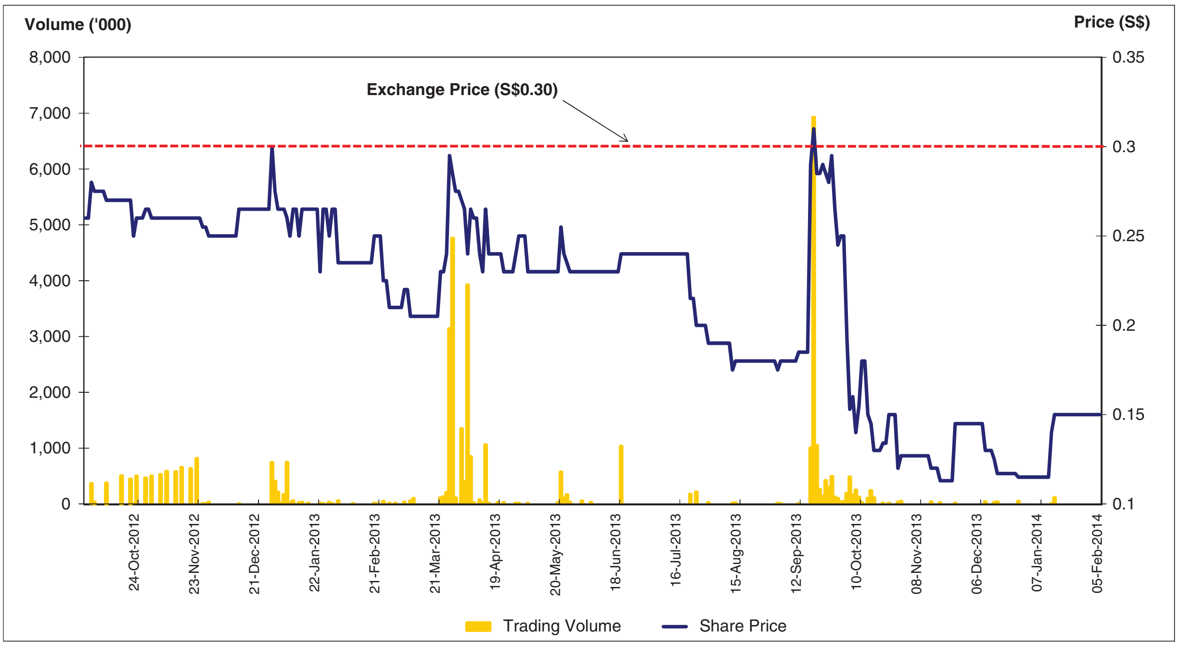
We have not made any independent evaluation or appraisal of the PPE and the intangible assets and we have not been furnished by the Company with any such appraisal and valuation report for the PPE and intangible assets. With respect to such evaluation or appraisal, we are not experts in the evaluation or appraisal of the PPE and intangible assets and have relied on the opinion of and confirmation from the Directors that, to their best knowledge and belief, as at the Latest Practicable Date, on aggregate basis, there are no material differences between the estimated market value of the PPE and intangible assets and their respective book values as at 30 June 2013 which would have a material impact on the revalued NAV or NTA of the Group.

The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Group is as stated above. It also does not imply that the assets or properties of the Group can be disposed of at the estimated value indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated for the respective types of NTA and is realisable or distributable to the shareholders of the Group or the Company.

It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable time frame and is only relevant in the event that the Group decides to change the nature of its business or to release or convert the uses of all its assets. The NTA basis of valuation, however, does not necessarily reflect the value of the Group as a going concern nor can it capture or illustrate any value for the Group's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realized or disposed.

5.4 Market Quotation and Trading Activities for the Shares

The historical price chart (based on the closing prices together with the number of Shares traded on a daily basis) for the Shares during the period commencing from 1 October 2012 (being the Market Day 12 months prior to the Term Sheet Announcement Date) and ending on the Latest Practicable Date is set out below:-



Source: *SGX-ST*

For the period commencing from 1 October 2012 and ending on 30 September 2013, being the Market Day prior to the Term Sheet Announcement Date (both dates inclusive), we note that the closing prices of the Shares were below the Exchange Price, save for two Trading Days where the closing prices were equal or higher than the Exchange Price (31 December 2012 and 19 September 2013). For the said period, the highest closing price for the Shares was S$0.31, which is above the Exchange Price, which occurred on 19 September 2013.

We observed that from 1 October 2013 (being the Term Sheet Announcement Date) till 5 February 2014 (being the Latest Practicable Date), the closing prices for the Shares were always below the Exchange Price. We further note that the Share price had declined from S$0.265 as at 30 September 2013 (being the last Trading Day immediately preceding the Term Sheet Announcement Date) to close at S$0.245 on the Term Sheet Announcement Date. For the period commencing from 1 October 2013 till the Latest Practicable Date, the closing price for the Shares have always been less than the Exchange Price and the Share price closed at S$0.15 as at the Latest Practicable Date.

As a general market comparison and observation, the FTSE Straits Times Catalist Index ("**FTSE ST Catalist**") rose by approximately 27.3% for the period commencing from 1 October 2012 and ending on 30 September 2013, being the Market Day prior to the Term Sheet Announcement Date, and subsequently declined by approximately 12.9% from 1 October 2013 to the Latest Practicable Date. For the same period commencing from 1 October 2012 and ending on 30 September 2013, being the Market Day immediately preceding the Term Sheet Announcement Date, the price for the Shares increased by approximately 1.9% and subsequently declined by approximately 43.4% from 1 October 2013 till the Latest Practicable Date. We observed that the Shares have underperformed the FTSE ST Catalist for the period commencing from 1 October 2012 and ending on 30 September 2012 as well as for the period commencing from the Term Sheet Announcement Date till the Latest Practicable Date.

The above chart and the analysis below is presented for illustrative purposes only, and they are by no means representative of the future trading performance or prices of the Shares.

The volume-weighted closing price ("**VWCP**"), the highest and lowest transacted prices and trading volume for the Shares from 1 October 2012 to the Latest Practicable Date are set out below:-

	VWCP(1) per Share (S$)	Premium/ (Discount) of the Exchange Price over/ from the VWCP per Share (%)	Lowest transacted price (S$)	Highest transacted price (S$)	Average daily trading volume(2)	Average daily trading volume as % of free-float(3)
For the period prior to the Term Sheet Announcement Date						
Last 12 months	0.275	9.0%	0.175	0.365	155,840	0.54%
Last 6 months	0.276	8.7%	0.175	0.365	164,898	0.57%
Last 3 months	0.298	0.7%	0.175	0.365	173,734	0.60%
Last 1 month	0.302	(0.5)%	0.175	0.365	509,190	1.77%
Last transacted price on 30 September 2013(4)	0.265	13.2%	0.265	0.270	118,000	0.41%
For the period commencing from the Term Sheet Announcement Date up to the Latest Practicable Date						
Till the Latest Practicable Date	0.157	91.7%	0.113	0.265	25,102	0.09%
The last Trading Day preceding the Latest Practicable Date(5)	0.150	100.0%	0.140	0.150	109,000	0.38%

Source: *SGX-ST*

Notes:

(1) *The VWCP had been weighted based on the last transacted prices of the Shares and traded volumes for the relevant trading days for each of the periods.*

(2) *The average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period divided by the number of Market Days during that period.*

(3) *Free float refers to the approximately 28,811,997 Shares or approximately 12.70% of the issued Shares held by Shareholders, other than the Substantial Shareholders and Directors as at the Latest Practicable Date and as enumerated in the Circular.*

(4) *This represents the last transacted price instead of VWCP for the Shares on 30 September 2013, being the Market Day immediately preceding to the Term Sheet Announcement Date*

(5) *This represents the last transacted price instead of VWCP and trading volume for the Shares on 14 January 2014, being the last Trading Day prior to the Latest Practicable Date. The Shares were not traded on the Latest Practicable Date.*

Based on a general observation of the chart above and after taking into account the summary of the transacted prices for the Shares, we note that the Exchange Price represents:

(i) a premium of approximately 13.2% over the last transacted price of S$0.265 per Share on the SGX-ST on 30 September 2013 (being the last Trading Day for the Shares prior to the Term Sheet Announcement Date);

(ii) a premium of approximately 9.0%, 8.7%, 0.7%, and discount of approximately 0.5% over/ from the VWCP for the 12-month, 6-month, 3-month and 1-month periods prior to the Term Sheet Announcement Date respectively;

(iii) a premium of approximately 91.7% from the VWCP for the Shares for the period commencing from the Term Sheet Announcement Date and ending on the Latest Practicable Date; and

(iv) a premium of approximately 100.0% from the last transacted price of S$0.15 per Share on the SGX-ST on 14 January 2014, being the last Trading Day prior to the Latest Practicable Date.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from 1 October 2012 and ending on the Latest Practicable Date, we note that :-

(i) from 1 October 2012 to 30 September 2013, being the Market Day prior to the Term Sheet Announcement Date (both dates inclusive), Shares were traded on 89 Market Days out of the total 250 Market Days during the period, with the total number of Shares traded being approximately 38.96 million and an average daily trading volume of approximately 155,840 Shares, which represents approximately 0.07% of the issued Share capital as at the Latest Practicable Date or approximately 0.54% of the issued Share capital held by Shareholders other than the Substantial Shareholders and the Directors as at the Latest Practicable Date; and

(ii) for the period commencing from the Term Sheet Announcement Date till the Latest Practicable Date (both dates inclusive), the Shares were traded on 25 Market Days out of the total 88 Market Days during the period, with the total number of Shares traded being approximately 2.2 million and an average daily trading volume of approximately 25,102 Shares, which represents approximately 0.01% of the issued Share capital as at the Latest Practicable Date or approximately 0.09% of the issued Share capital held by Shareholders other than the Substantial Shareholders and the Directors as at the Latest Practicable Date.

We note that the trading for the Shares is erratic and that the number of Shares traded during the 1 year period analysed prior to the Term Sheet Announcement Date and the period commencing from the Term Sheet Announcement Date to the Latest Practicable Date are low as compared to the number of issued Share capital held by Shareholders other than the Substantial Shareholders and the Directors as at the Latest Practicable Date.

We also note that the number of Shares that were traded on a daily basis for the period commencing from the Term Sheet Announcement Date till the Latest Practicable Date is lower as compared to the number of Shares that were traded on a daily basis during the 1 year period prior to the Term Sheet Announcement Date. On 1 October 2013 (being the Term Sheet Announcement Date), the Share price decreased by S$0.02 or approximately 7.5%, and the closing prices for the Shares remain lower than the Exchange Price for the period commencing on the Term Sheet Announcement Date up to the Latest Practicable Date.

In addition, we observed that the Share price has declined by 43.4% from 1 October 2013 to close at S$0.15 on the Latest Practicable Date. As mentioned earlier, the prices for the Shares had, from the Term Sheet Announcement Date till the Latest Practicable Date, underperformed the FTSE ST Catalist for the said period. The underperformance of the Shares as compared to the FTSE ST Catalist and the lower average daily trading volume for the period commencing on the Term Sheet Announcement Date to the Latest Practicable Date as compared to the historical average daily trading volume prior to the Term Sheet Announcement Date, may *inter alia,* be a reflection of the adverse market perception of the Proposed Transactions and prospects or demand for the Shares after the Term Sheet Announcement Date.

The Audit Committee should also note that the past trading performance for the Shares may not be relied upon as an indication or promise of its future trading performance.

5.5 Relative Valuation Analysis

In assessing the Exchange Price and the Proposed Transactions, we have also considered the financial performance, financial positions and valuation statistics of selected companies that may, in our view, be broadly comparable to the core businesses of the Group, which are in the business of restaurants operations (the "**Selected Comparable Companies**").

The Selected Comparable Companies have been identified after a search was carried out on SGX-ST and Bursa Malaysia Securities Berhad (the "**Bursa Malaysia**") and evaluation of the companies operating in the same industry as the Group. We have had discussions with the Directors and Management of the Group about the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group prior to the transactions. Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. The Selected Comparable Companies may or may not have significant business operations or assets outside of Singapore and accounting policies with respect to the values for which the assets or the revenue and cost are recorded or the relevant financial period compared may differ from the Group. In addition, the liquidity for the shares of the Selected Comparable Companies may differ from that of the Shares and prices at which the Shares and shares of the Selected Companies trade at, may be caused by any actual, perceived or fundamentally determined risk premiums.

We advise Audit Committee to note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Company in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria. Audit Committee should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares. We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Selected Comparable Companies as the business of the selected companies, its capital structures, growth rates, operating and financial leverage, taxation and accounting policies as well as the liquidity of these shares and the demand/supply conditions for these shares and that of the Company may differ. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Company as at the Latest Practicable Date.

As the Group is a multi-concept operator in the restaurant industry with operations in Singapore, Malaysia, Indonesia and Thailand. Primary operations are in Malaysia with 46 outlets out of total 53 outlets in Malaysia, we have, in consultation with the management of the Group, referred to the range of valuation statistics of the following listed companies in the business of restaurant operations:

Selected Comparable Companies	**Market capitalisation (S$ million)**	**Principal activities**
Japan Foods Holding Ltd (“**Japan Foods**”) *Listed on SGX-ST*	104.1	The group operates Japanese restaurants in Singapore, Malaysia, and Indonesia. The group franchises some of its restaurants in Malaysia and Indonesia.
Sakae Holdings Ltd (“**Sakae**”) *Listed on SGX-ST*	69.7	The group owns and operates restaurants, cafes, and kiosks. The group also offers food and beverages catering services and franchises its food and beverages brands.
Soup Restaurant Group Ltd (“**Soup Restaurant**”) *Listed on SGX-ST*	69.4	The group operates a chain of restaurants in Singapore.
Select Group Ltd (“**Select Group**”) Listed on SGX-ST	55.5	The group is an integrated food catering and management services provider. Its divisions include institutional catering, food catering, and food retail.
Tung Lok Restaurants 2000 Ltd (“**Tung Lok**”) *Listed on SGX-ST*	46.1	The group owns and operates restaurants in Singapore.
Berjaya Food Berhad (“**Berjaya Food**”) *Listed on Bursa Malaysia*	152.4	The group is principally engaged in the development, setting-up, expansion and operation of Kenny Rogers Roasters restaurants in Malaysia and worldwide.
Oversea Enterprise Berhad (“**OEB**”) *Listed on Bursa Malaysia*	11.7	The group owns and operates restaurants. It also operates a bakery producing moon and wedding cakes, butter and chocolate cookies, egg rolls, fruit pies, and confectionery products.
Oldtown Berhad (“**Oldtown**”) *Listed on Bursa Malaysia*	340.7	The group is an operator of a chain of café outlets and produces and sells white coffee products to the households and food service industries.

Source: *Bloomberg, SGX-ST, Bursa Malaysia, and respective companies’ websites*

The salient ratios for comparative financial performance and position for the Selected Comparable Companies and the Group are presented in the table below.

Selected Comparable Companies	Financial Year End	ROE(1) (%)	Net profit margin(2) (%)	Asset turnover(3) (times)	Total liabilities(4)/ shareholder equity(5) (times)	Total borrowings(6)/ shareholder equity(5) (times)
Singapore						
Japan Foods	31-Mar-13	25.6%	10.5%	1.8	0.4	No borrowings
Sakae(7)	31-Dec-12	9.8%	3.9%	1.1	1.2	0.7
Soup Restaurant	31-Dec-12	22.3%	12.0%	1.4	0.3	No borrowings
Select Group	31-Dec-12	23.1%	3.6%	2.2	1.9	0.3
Tung Lok(8)	31-Mar-13	Negative	Negative	2.3	7.4	2.3
Malaysia						
Berjaya Food	30-Apr-13	13.0%	15.3%	0.7	0.2	No borrowings
OEB(9)	31-Mar-13	Negative	Negative	1.2	0.2	0.03
Oldtown	31-Mar-13	18.2%	13.2%	1.1	0.3	0.1
MAXIMUM		**25.6%**	**15.3%**	**2.3**	**7.4**	**2.3**
MINIMUM		**9.8%**	**3.6%**	**0.7**	**0.2**	**0.03**
MEDIAN		**20.3%**	**11.2%**	**1.3**	**0.3**	**0.1**
SIMPLE AVERAGE		**18.7%**	**9.7%**	**1.5**	**1.5**	**0.4**
The Group(10)	**31-Dec-12**	**Negative**	**Negative**	**1.5**	**1.2**	**0.4**

Source: *The latest annual reports or announced unaudited full year financial statements of respective companies. The ratios for Sakae, Soup Restaurant and Select Group are based on the audited financial statements for the financial year ended on 31 December 2012. For Japan Foods, Tung Lok, OEB, Oldtown the ratios are computed based on the audited financial statements for the financial year ended on 31 March 2013. For Berjaya Food the ratios are computed based on the audited financial statements for the financial year ended on 30 April 2013. For the Group the ratios are computed based on the audited financial statements for the financial year ended 31 December 2012.*

Notes:

*(1) The return on equity ("**ROE**") is based on the ratio of the consolidated net profits after tax attributable to the shareholders to the consolidated shareholders equity excluding minority interest of the respective companies.*

(2) Net profit margin is the ratio of the consolidated net profits after tax attributable to shareholders to the total consolidated revenue of the respective companies.

(3) Asset turnover is the ratio of the total consolidated revenue to the total consolidated assets of the respective companies.

(4) Total liabilities include all the liabilities of the respective companies but exclude any contingent liabilities.

(5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies as at the respective financial year end of the Selected Comparable Companies, the Group and the Target Group.

(6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts.

(7) Based on Sakae's annual report for FY2012, the Group incurred a loss after tax attributable to the equity holders of approximately S$6.8 million for FY2012. However, we adjusted the earning for a non-recurring impairment loss on investments in associate amount to approximately S$10.5 million. After the adjustment, the adjusted earning of Sakae holdings for FY2012 was approximately S$3.7 million.

(8) Tung Lok incurred a loss after tax attributable to the equity holders of approximately S$3.2 million for FY2012. Hence Tung Lok's ROE and net profit margin ratios are negative and not meaningful.

(9) OEB incurred a loss after tax attributable to the equity holders of approximately RM4.4 million for FY2013. Hence OEB's ROE and net profit margin ratios are negative and not meaningful.

(10) Based on the Group's audited financial statements for FY2012, the Group incurred a loss after tax attributable to the owners of the Company of approximately RM11.7 million for FY2012. We understand from the Management that the losses in FY2012 was attributable to, inter alia, the expenses related to the RTO of approximately RM1.8 million and the goodwill written-off arising from the RTO exercise of approximately RM7.8 million, which are non-recurring and non-trade in nature. For illustrative purpose only, in the event that the aggregate amount of the said expenses related to the RTO and the goodwill written-off arising from the RTO exercise of approximately RM9.6 million were excluded, the Group would still be in the loss making position, but would have recorded a smaller loss after tax of approximately RM2.3 million. Hence the Group's ROE and net profit margin ratios are negative and not meaningful.

For illustrative purposes only, we note the following:-

(i) The Group incurred a loss after tax attributable to the owners of the Company of approximately RM11.7 million for FY2012. We understand from the Management that the losses in FY2012 was attributable to, *inter alia*, the expenses related to the RTO of approximately RM1.8 million and the goodwill written-off arising from the RTO exercise of approximately RM7.8 million, which are non-recurring and non-trade in nature. For illustrative purpose only, in the event that the aggregate amount of the said expenses related to the RTO and the goodwill written-off arising from the RTO exercise of approximately RM9.6 million were excluded, the Group would still be in the loss making position, but would have recorded a smaller loss after tax of approximately RM2.3 million. Hence, the Group's ROE and net profit margin ratios are negative. In comparison, save for Tung Lok and OEB, all the Selected Comparable Companies were profitable for the period reviewed with positive ROEs and net profit margins. For illustrative purpose, the ROE for the Selected Comparable Companies ranges from 9.8% to 25.6% and net profit margins ranges from 3.6% to 15.3%.

(ii) The Group's asset turnover ratio is within the range, higher than the median, and in line with the simple average for the Selected Comparable Companies.

(iii) The Group's financial position in terms of total liabilities to shareholders' equity ratio is within the range, lower than the simple average, but significantly higher than the median. The Group's financial position in terms of total borrowings to shareholders' equity ratio is within the range and is in line with the simple average for the Selected Comparable Companies. We note that Tung Lok's financial leverage ratios are substantially higher than the remaining Selected Comparable Companies and in the event that Tung Lok is excluded from the computation, the simple average for the Selected Comparable Companies (excluding Tung Lok) for the total liabilities to shareholders' equity and total borrowing to shareholders' equity would be 0.6 times and 0.2 times respectively. Accordingly, the Group's total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios of 1.2 times and 0.4 times are higher and less favourable than the simple average for the Selected Comparable Companies (excluding Tung Lok).

In summary, the historical financial performance of the Group as reflected by its ROE and net profit margin appear to be weaker than the Selected Comparable Companies after adjusted for non-recurring items. In terms of asset turnover, the Group's performance was in line with the simple average for the Selected Comparable Companies. In addition, the Group's financial position in terms of financial leverage as reflected by the ratios of total liabilities to shareholders' equity and total borrowings to shareholders' equity are higher and less favourable than the simple average for the Selected Comparable Companies (excluding Tung Lok).

The following valuation statistics for the Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date, while those for the Group is based on the prices as implied by the Exchange Price and the last transacted price as at the Latest Practicable Date. All the valuation statistics are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements from their annual reports or result announcements.

The following table shows the comparative valuation statistics for the Selected Comparable Companies and the Group and should be evaluated in the context of their relative financial performance:-

Selected Comparable Companies	Market capitalisation (S$ m)	EV/EBITDA (x)	PER[(1)] (x)	P/NAV[(2)] (x)	P/NTA[(3)] (x)	Premium/ (discount) over/from NTA
SGX-ST listed						
Japan Foods	104.1	7.3	16.2	4.2	4.2	323.7%
Sakae	69.7	7.6	18.8	1.8	1.9	88.7%
Soup Restaurant	69.4	7.4	16.4	3.7	3.7	265.9%
Select Group	55.5	4.8	13.3	3.1	4.8	375.7%
Tung Lok[(4)]	46.1	204.5	Negative	11.0	11.0	1,002.1%
Bursa Malaysia listed						
Berjaya Food	152.4	13.4	21.4	2.8	3.1	215.0%
OEB[(5)]	11.7	Negative	Negative	0.6	0.6	(36.4%)
Oldtown	340.7	8.7	16.1	2.9	3.4	240.6%
MAXIMUM	**340.7**	**204.5**	**21.4**	**11.0**	**11.0**	**1,002.1%**
MINIMUM	**11.7**	**4.8**	**13.3**	**0.6**	**0.6**	**(36.4%)**
MEDIAN	**69.6**	**7.6**	**16.3**	**3.0**	**3.5**	**253.3%**
SIMPLE AVERAGE	**106.2**	**36.2**	**17.0**	**3.8**	**4.1**	**309.4%**
MEDIAN (excluding Tung Lok)[(6)]	**69.7**	**7.5**	**16.3**	**2.9**	**3.4**	**240.6%**
SIMPLE AVERAGE (excluding Tung Lok)[(6)]	**114.8**	**8.2**	**17.0**	**2.7**	**3.1**	**210.4%**
The Group[(7)]						
Last Transacted Price as at the Latest Practicable Date	**34.0**	**12.7**	**negative**	**1.9**	**2.5**	**153.3%**
Exchange Price	**68.1**	**24.0**	**negative**	**3.9**	**5.1**	**406.6%**

Notes:

(1) The PERs for the Selected Comparable Companies are based on the earnings per share as reflected in their latest announced unaudited full year financial statements or audited financial statements from their annual reports as at the respective financial year end.

(2) The P/NAV ratios for the Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced unaudited full year financial statements or audited financial statements from their annual reports.

(3) The P/NTA ratios for the Selected Comparable Companies are based on their respective NTA values as set out in their latest available announced unaudited full year financial statements or audited financial statements from their annual reports.

(4) Tung Lok reported a loss after tax attributable to the equity holders of approximately S$3.2 million in FY2012, hence Eucon's PER ratio is negative and not meaningful

(5) OEB reported a loss after tax attributable to the equity holders of approximately RM4.4 million and EBITDA was negative of approximately RM0.6 million in FY2013, hence OEB's PER and EV/EBITDA ratios are negative and not meaningful.

(6) Tung Lok has been excluded as it is deemed as an "outlier" in view of its low EBITDA, NAV and NTA.

(7) For the Group, the computations for PER, EV/EBITDA, P/NTA and P/NAV ratios are based on the market capitalization based on the last transacted price for the Share as at the Latest Practicable Date, and the Exchange Price, the Group's NAV and NTA as at 31 December 2012.

For illustrative purpose only, we note the following: -

(i) The market capitalisations of the Group as implied by both the last transacted price as at Latest Practicable Date and the Exchange Price are within the range, but lower than the median and simple average for the Selected Comparable Companies. It is generally accepted that the trading statistics for companies with higher market capitalisation may be different than those with lower market capitalisation and this may be attributable to the relative liquidity in terms of number or value of shares traded as well as interest in the shares of companies with larger market capitalisations.

(ii) The Group incurred a loss after tax attributable to the owners of the Company of approximately RM11.7 million for FY2012. We understand from the Management that the losses in FY2012 was attributable to, inter alia, the expenses related to the RTO of approximately RM1.8 million and the goodwill written-off arising from the RTO exercise of approximately RM7.8 million, which are non-recurring and non-trade in nature. For illustrative purpose only, in the event that the aggregate amount of the said expenses related to the RTO and the goodwill written-off arising from the RTO exercise of approximately RM9.6 million were excluded, the Group would still be in the loss making position, but would have recorded a smaller loss after tax of approximately RM2.3 million. Thus, the Group's PER ratio is not meaningful.

(iii) The Group's EV/EBITDA (after adjusting for the goodwill written off of approximately RM7.8 million and RTO relative expenses of approximately RM1.8 million) ratios as implied by the last transacted price as at Latest Practicable Date and the Exchange Price are 12.7 times and 24.0 times respectively. The valuation in terms of EV/EBITDA ratio as implied by the Exchange Price is higher than any of the Selected Comparable Companies (excluding Tung Lok).

(iv) The valuation of the Group in terms of P/NAV and P/NTA as implied by the Exchange Price are higher than the median and simple average for the Selected Comparable Companies (excluding Tung Lok).

(v) As highlighted in Section 5.3 of this Letter, the Exchange Price represents a premium of approximately 382.7% over the Group's NTA per Share as at 30 June 2013 and this premium is higher than the simple average for the Selected Comparable Companies (excluding Tung Lok) whose shares are traded, on average, at a premium of approximately 210.4%.

In summary, the valuation of the Group as implied by the Exchange Price, in terms of PER is not meaningful due to the loss incurred by the Group in FY2012. However valuation as implied by the Exchange Price in terms of EV/EBITDA, P/NAV, and P/NTA are higher and more favourable than the simple average and median for the Selected Comparable Companies (excluding Tung Lok).

The Independent Shareholders should note that the valuation statistics of the Company as implied by the Exchange Price should be assessed in conjunction with the Group's relative financial performance and position as compared to the Selected Comparable Companies.

We also wish to highlight that the NAV and NTA based approach of valuing a company is dependent on factors that may differ for each Selected Comparable Company including, *inter alia*, factors such as depreciation policies. As such, the comparison of the NAV and NTA of the Group with those of the Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premiums or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of its activities or the relative contributions in terms of assets, financial performance may differ.

Audit Committee should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares.

5.6 Analysis of Comparable Transactions

In assessing the Proposed Transactions as Interested Person Transactions, we have selected convertible or exchangeable loans or bonds issued or proposed recently by companies listed on the SGX-ST ("**Selected Convertible/Exchangeable Loans**"). For the Selected Convertible/ Exchangeable Loans, we have excluded convertible or exchangeable loans or bonds with issue size of more than S$50 million and equity link notes (due to its unique characteristics including, *inter alia,* its conversion mechanism).

In making the comparison herein, we wish to highlight that the figures used in our assessment have been extracted where available and/or applicable from the relevant announcements, circulars and other publicly available sources. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information.

The Independent Shareholders should note that certain circumstances and terms relating to the Selected Convertible/Exchangeable Loans are unique and might not be identical to the Exchangeable Bonds, and are dependent on various factors such as the financial performance and profile of the companies, the volatility and trading liquidity of the shares of the companies, and the market sentiments prevailing at the time of such Selected Convertible/Exchangeable Loans.

The selected companies which are included in the Selected Convertible/Exchangeable Loans might be different from the Company in terms of business activities, scale of operations, types of products and/or services, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria. As such, any comparison made with respect to the Selected Convertible/Exchangeable Loans is necessarily limited and intended to serve for illustrative purpose only.

For the purpose of our assessment and for illustration, we have summarized the key terms of these Selected Convertible/Exchangeable Loans including, *inter alia*, the principal size, the interest rate, the conversion price, premium/(discount) to market price prior to the announcement, and conversation price to NTA ratio.

Comparison with the Selected Convertible/Exchangeable Loans

Selected Convertible/ Exchangeable Loans	Date of announcement	Principal amount (S$ m)	Coupon/ interest per annum (%)	Conversion price (S$)	Premium/(Discount) of conversion price over/ to market price prior to announcement[1] (%)	Conversion price/ NTA[2] (x)	Latest Full Year Results
Stratech Systems Ltd	21-Dec-12	0.3	10.0%	0.0230	9.52%	n.m.	Loss
Stratech Systems Ltd	14-Feb-13	0.5	10.0%	0.0230	4.54%	n.m.	Loss
Natural Cool Holdings Limited	22-Jan-13	3.8	5.0%	0.1500	8.69%	1.0	Loss
Sunmoon Food Company Limited	18-Mar-13	18.0	6.67%[3]	0.0010	(60.1)%	n.m.	Loss
Cacola Furniture International Ltd	4-Jun-13	1.1	20.0%	0.0317[4]	(10.00)%	0.5	Loss
Mirach Energy Limited	26-Jun-13	36.0	7.0%	0.1242	(10.00)%	4.5	Loss
CNMC Goldmine Holdings Limited	15-Jul-13	1.5	6.5%	0.4400	62.96%	11.9	Profit
CCM Group	6-Aug-13	5.0	18.0%	0.1000	19.05%	3.9	Loss
Kori Holdings	20-Aug-13	5.0	5.0%	0.4200	(9.77)%	1.2	Profit
Asiasons Capital Limited	30-Oct-13	25.0	6.0%	0.2500	58.23%	1.4	Profit
Maximum		36.0	20.0%	0.4400	62.96%	11.9	
Minimum		0.3	5.0%	0.0010	(60.08)%	0.5	
Median		4.4	6.8%	0.1121	6.62%	1.4	
Average		9.6	9.4%	0.1563	7.31%	3.5	
The Company	1-Oct-13	3.0	5.0%-10.0%[5]	0.30	12.10%[6]	5.1	Full Year Loss/ Half Year Profit

Source: *Relevant announcements and circulars*

Notes:

(1) The premium/(discount) to market price prior to announcement are based on the respective companies announcements.

(2) Price to NTA ratio are computed based on the latest audited full year annual report for the respective companies.

(3) For Sunmoon Food Company Limited, the interest rate of 6.67% per annum is the average interest rate of 5.33% per annum for the first year and 8% per annum for the second year.

(4) For Cacola Furniture International Ltd, the conversion price is the lower of (i) S$0.0317 (being 90% of the weighted average price of S$0.0352 for trades done on SGX-ST on 30 May 2013) and (ii) 90% of the weighted average price for trades done on the close of the trading of the shares on repayment date or the request repayment date

(5) For the Exchangeable Bonds, the cash component of the coupon rate is 5.0% per annum, the remaining 5.0% will be rolled over as principal and will be waived in the event the Investor exercise its exchangeable right. Since the comparison is drawn against convertible instrument, 5.0% interest rate is used for comparison.

(6) It is computed based on the Exchange Price and the volume weighted average price for the Shares of approximately S$0.2676 on 30 September 2013, being the full Market Day on which the Term Sheet was signed.

For illustrative purpose only:-

(i) We note the issue size of the Exchangeable Bonds is within the range but below the median and simple average of the Selected Convertible/Exchangeable Loans. It is generally accepted that loans with higher issue size may command lower interest rates or coupon rate.

(ii) The Coupon Rate of 5.0% per annum (the remaining 5.0% will be rolled over as principal and will be waived in the event that the Investor exercises its Exchangeable Right) for the Exchangeable Bonds is within the range and lower than the simple average and median for the Selected Convertible/Exchangeable Loans.

(iii) We also note the Coupon Rate of 10% per annum (in the event that the Investor elects not to exercise it Exchangeable Rights) is relatively in line with the simple average for the Selected Exchangeable/Convertible Loans, but higher than the median for the Selected Exchangeable/Convertible Loans. Independent Shareholders should also note that the Exchange Price represents a premium of approximately 100.0% from the last transacted price of S$0.15 per Share on the SGX-ST on 14 January 2014, being the last Trading Day prior to the Latest Practicable Date. The Shares were not traded on the Latest Practicable Date.

(iv) The Exchange Price represents a 12.1% premium over the volume weighted average price of approximately S$0.2676 on 30 September 2013, being the Market Day preceding the Term Sheet Announcement Date, which is higher and more favourable than the median and simple average for the Selected Convertible/Exchangeable Loans.

(v) The Exchange Price is approximately 5.1 times of the Group's audited NTA per Share as at 31 December 2012. This is within the range, higher than the median and simple average for the Selected Convertible Loans.

In summary, the Exchangeable Bonds appears to be more favourable than the Selected Convertible/Exchangeable Loans in terms of the Exchange Price to NTA ratio, the premium implied by the Exchange Price to market price prior to the Term Sheet Announcement Date and the Coupon Rate (in the event that the Investor exercises its Exchangeable Right). However, the Audit Committee should note in the event that the Investor decides not to exercise its Exchangeable Right, the nominal Coupon Rate would be 10.0% per annum which is within the range and relatively in line with the simple average for the Selected Exchangeable/Convertible Loans, but higher than the median for the Selected Exchangeable/Convertible Loans.

Comparison with proposed convertible loans by ACL

On 30 October 2013, ACL, being the interested person for the Proposed Transactions, announced that it had on 29 October 2013 entered into a legally-binding term sheet with Deepvale Capital Ltd ("**Deepvale**") in relation to the proposed grant by Deepvale to ACL of a convertible loan facility of principal amount up to S$25 million which is convertible into up to 100 million fully-paid new ordinary shares in the capital of ACL at the conversion price of S$0.25 per conversion share (the "**ACL Proposed Convertible Loan**"). We note from the announcement that Deepvale is wholly-owned by Mr Ng Teck Wah and Datuk Jared Lim Chih Li, both of whom are directors and controlling shareholders of ACL. Accordingly, Deepvale is an associate of a director and also interested person for purposes of Chapters 8 and 9 respectively of the Listing Manual of the SGX-ST.

For illustrative purpose only, we have extracted and compared the salient terms of the ACL Proposed Convertible Loan and the Proposed Bonds Issue.

	ACL Proposed Convertible Loan	Exchangeable Bonds
Announcement Date	30 October 2013	1 October 2013
Facility Size	Up to S$25 million	S$3 million
Loan Tenure	4 years	3 years
Conversion	Deepvale has the option to subscribe and convert at conversion price during the 6 month period commencing from the expiry of the 12 month period commencing from the commencement of the loan term of 4 years commencing from the satisfaction of the conditions precedent (to the extent not waived).	Exchangeable at any time at the option of the Investor on or prior to the Maturity Date, by giving at least seven business days' notice in writing to Chaswood Capital.
Interest/Coupon Rate	6.0% per annum	10% per annum based on a simple interest rate of which 5% shall be payable in cash and the remaining 5% rolled over as principal which shall be payable in cash upon redemption or waived in the event the Investor exercise its Exchangeable Right.
Conversion/Exchange Price	S$0.25	S$0.30
Conversion/Exchange Price/NTA(1)	1.4x	4.8x
Premium of Conversion/ Exchange Price over the last transacted price before announcement	58.2%	13.2%

Notes:

(1) S$:RM exchange rate 2.6196 as at Latest Practicable Date.

(2) We note based on ACL announcement on 30 October 2013, one of the principal terms of the proposed convertible loan facility involves repayment conversion shares which depends on repayment event which has not been determined. The repayment conversion shares have a conversion price that is based on the volume weighted average price as at the date of the repayment event or if such date does not fall on a market day on which the SGX-ST is open for trading the immediately preceding such date. As at the Latest Practicable Date, there are no further details were made publicly available on the repayment event and repayment conversion.

For illustrative purpose only we note:

(i) Issue size for the ACL Proposed Convertible Loan is up to S$25 million whereas for the issue size for the Exchangeable Bonds is S$3 million.

(ii) Interest payments for the ACL Proposed Convertible Loan is fixed at a nominal 6.0% per annum accruing on a daily basis and will be paid in cash. Meanwhile for the Exchangeable Bonds, the Coupon Rate of 10% per annum based on a simple interest rate of which 5% shall be payable in cash and the remaining 5% rolled over as principal which shall be payable in cash upon redemption or waived in the event the Investor exercise its Exchangeable Right.

(iii) The Exchange Price to NTA ratio for the Exchangeable Bonds is approximately 4.8 times, which is higher than the conversion price to NTA ratio for the ACL Proposed Convertible Loan of approximately 1.4 times.

(iv) For the Exchangeable Bonds, the Exchange Price represents a premium of approximately 13.2% over the last transacted price prior to the Term Sheet Announcement Date and this premium is lower as compared to the premium of approximately 58.2% for the ACL Proposed Convertible Loan.

(v) We note that based on the latest annual report of ACL, the existing term loan facilities of ACL incurred interest rate ranging from approximately 2.4% to 7.6% per annum. The interest rate of the ACL Proposed Convertible Loan is 6% per annum, which is within the range of its existing term loan facilities. We note that the Company's existing term loan facilities as disclosed in the Annual Report 2012 incurred interest rate between 4.7% to 8.4% per annum, which is lower than the Coupon Rate of the Proposed Exchangeable Bonds is 10% per annum (in the event that the Investor decides not to exercise its Exchangeable Rights), and this should be assessed in conjunction with the following:

I. ACL was profitable during the financial year ended 31 December 2012 whereas the Company was loss making.

II. The Exchange Price of the Exchangeable Bonds implies a higher valuation in terms of P/NTA ratio as compared to the ACL Proposed Convertible Loan

III. The premium implied by the conversion/Exchange Price over the last transacted price for the ACL Proposed Convertible Loan is higher than the Exchangeable Bonds.

IV. The intended use of proceed of the ACA Proposed Convertible Loan is for private equity investment and working capital based on ACL announcement dated 30 October 2013, which are very different in intent and nature as compared to the use of proceeds intended for the Exchangeable Bonds. The ACL Proposed Convertible Loan are intended to be used in the normal course of business whereas the Exchangeable Bonds is used for contemplated business expansion into a new geographical location where the Company has no track record (China for instance) or limited track record (as evidenced by having only 3 outlets in the Indonesia market since its foray in 2012); hence these factors may perceive to carry higher risks.

We wish to highlight to the Independent Shareholders that the ACL Proposed Convertible Loan is still subject a definitive convertible loan agreement to be executed by ACL and Deepvale. Thus any comparison made herein is necessarily limited and serve only for illustrative purpose.

In addition, we understand from the Directors that based on the information available to them, the ACL Proposed Convertible Loan is not related, in any respect to the Proposed Exchangeable Bonds. Also, based on the available information to the Directors, the Directors have confirmed that ACL will not utilise the proceeds from the ACL Proposed Convertible Loan for subscription to the Exchangeable Bonds.

5.7 Proforma Financial Effects of the Proposed Transactions

The proforma financial effects of the Proposed Transactions as well as the underlying assumptions are set out in Section 4 of the Circular. We recommend that the Audit Committee advise the Independent Shareholders to read those pages of the Circular carefully.

The following is an extract from the Circular and is set out in italics below. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

“4. FINANCIAL EFFECTS

For the purposes of this section, the following assumptions apply:

(i) the financial effects of the Exchangeable Bonds on the loss per Share and the NTA per Share of the Group are set out below and are prepared purely for illustration only and do not reflect the actual future financial situation of the Company. The financial effects have been computed based on the audited consolidated financial statements of the Group for FY2012;

(ii) the Group issued an aggregate principal amount of S$3,000,000 Exchangeable Bonds, which are then exchanged into 10,000,000 Exchange Shares; and

(iii) the financial effects of the Exchangeable Bonds have been translated using the exchange rate of S$1 to RM2.50.

*4.1 **Share Capital***

The effects of the Proposed Exchange and Issuance of Exchange Shares on the share capital of the Company as at the Latest Practicable Date are as follows:

	Number of Shares	S$'000
Issued share capital as at the Latest Practicable Date	226,817,819	64,238
Add: Exchange Shares	10,000,000	3,000
Issued share capital after the issuance of Exchange Shares	236,817,819	67,238

*4.2 **NTA***

For the purposes of illustration, assuming that the Exchangeable Bonds had been issued on 31 December 2012 and Exchangeable Bonds exchanged into Exchange Shares on 31 December 2012, the effect on the consolidated NTA per Share as at 31 December 2012 is as follows:

	Before the issuance of Exchangeable Bonds	After the issuance of the Exchangeable Bonds	
		Before exchange of Exchangeable Bonds into Exchange Shares(1)	After exchange of Exchangeable Bonds into Exchange Shares(2)
NTA (RM'000)	35,188	34,763	42,263
Number of Shares ('000)	226,818	226,818	236,818
NTA per share (RM sen)	15.5	15.3	17.8

Notes:

(1) Assuming professional fees and the processing fee payable to the Investor of RM425,000 for FY2012.

(2) Assuming professional fees and the processing fee payable to the Investor of RM425,000 and the issuance of 10,000,000 Exchange Shares and an increase in share capital of RM7.5 million.

4.3 ***Loss per Share***

For the purposes of illustration, assuming that the Exchangeable Bonds had been issued on 1 January 2012 and Exchangeable Bonds exchanged into Exchange Shares on 31 December 2012, the effect on the consolidated loss per Share for FY2012 are as follows:

	Before the issuance of Exchangeable Bonds	***After the issuance of the Exchangeable Bonds***	
		Before exchange of Exchangeable Bonds into Exchange Shares(1)	***After exchange of Exchangeable Bonds into Exchange Shares(2)***
Loss attributable to the Shareholders (RM'000)	*(11,711)*	*(12,886)*	*(12,511)*
Weighted average number of of Shares ('000)	*222,277*	*222,277*	*232,277*
Loss per Share (RM sen)	*(5.3)*	*(5.8)*	*(5.4)*

Notes:

(1) Assuming interest expenses of RM750,000 arising from cost of coupon at 10% per annum and professional fees and the processing fee payable to the Investor of RM425,000 for FY2012.

(2) Assuming interest expenses of RM375,000 arising from cost of coupon at 5% per annum and professional fees and the processing fee payable to the Investor of RM425,000 and the issuance of 10,000,000 Exchange Shares."

For illustrative purposes only, the NTA per Share of the Group, would be expected to increase from 15.5 RM sen to 17.8 RM sen in the event that the Investor decides to exercise its Exchangeable Right. However, we note that the Proposed Transactions would increase the loss per Share ("**LPS**") from 5.3 RM sen to 5.8 RM sen in the event the Investor decides not to exercise its Exchangeable Right due to the interest expenses of approximately RM750.0 thousand arising from cost of coupon at 10% per annum and professional fees of approximately RM425 thousand. In the event that the Investor exercises its Exchangeable Right, the Proposed Transactions would increase the LPS from 5.3 RM sen to 5.4 RM sen taking into account the interest expenses of approximately RM375.0 thousand arising from cost of coupon at 5% per annum, professional fees and processing fees of approximately RM425 thousand as well as the issuance of 10 million Exchange Shares. We understand from the Management that the above computation for the financial effect on the LPS have not taken into account the expected return from the deployment of the proceeds from the Proposed Bonds Issue. The approval of the Proposed Transactions will allow the Company to raise net proceeds of up to approximately RM7.075 million (after deducting estimated expenses of approximately RM425 thousand) with favourable financial effects on the NTA per Share (in the event that the Investor exercises its Exchangeable Right), but less favourable impact on the LPS for the Group as outlined in the Circular and reproduced above for ease of reference.

We understand based on the representations and confirmations from the Directors that taking into account the Group's internal resources, operating cash flow and the potential return from the outlets expansion in China and/ or Indonesia, the Directors are in the opinion that, as at the Latest Practicable Date, barring unforeseen circumstances, the Group is able service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date in the event that the Investor opts not to exercise its Exchangeable Right. The Directors have further confirmed that the Company shall not proceed with the outlets expansion in China and/or Indonesia in the event the expected return from such expansion is not adequate to service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date in the event that the Investor opts not to exercise its Exchangeable Right.

6. OTHER CONSIDERATIONS IN RELATION TO THE PROPOSED TRANSACTIONS

6.1 Dilution Impact

It is important to note that pursuant to the Proposed Transactions, the shareholdings of the Independent Shareholders will be affected. In evaluating the dilution impact of the Proposed Transactions on the Independent Shareholders, we have considered the following:-

	As at the Latest Practicable Date				Under Maximum Exchange Scenario (10)			
	Number of Shares				Number of Shares			
	Direct Interest	Deemed Interest	Total Interest	%	Direct Interest	Deemed Interest	Total Interest	%
Directors								
Dato' Mohammed Azlan Bin Hashim(7)	–	145,951,367	145,951,367	64.35%	–	155,951,367	155,951,367	65.85%
Andrew Roach Reddy	52,054,455	–	52,054,455	22.95%	52,054,455	–	52,054,455	21.98%
Datuk Jared Lim Chih Li(8)	–	145,951,367	145,951,367	64.35%	–	155,951,367	155,951,367	65.85%
Ng Teck Wah(8)	–	145,951,367	145,951,367	64.35%	–	155,951,367	155,951,367	65.85%
Ng Teck Sim Colin	–	–	–	0.00%	–	–	–	0.00%
Christopher John McAuliffe	–	–	–	0.00%	–	–	–	0.00%
Substantial Shareholders								
G1 Investments Pte. Ltd.(3)	13,340,000	–	13,340,000	5.88%	13,340,000	–	13,340,000	5.63%
Blumont Group Ltd.(3)	–	13,340,000	13,340,000	5.88%	–	13,340,000	13,340,000	5.63%
Posh Corridor Sdn Bhd(4),(5)	–	141,463,367	141,463,367	62.37%	–	141,463,367	141,463,367	59.74%
Asiasons Investment Ltd. (5),(6)	–	145,951,367	145,951,367	64.35%	–	145,951,367	145,951,367	61.63%
Dragonrider Opportunity Fund L.P. (5)	–	141,463,367	141,463,367	62.37%	–	141,463,367	141,463,367	59.74%
Asiasons Private Equity Inc. (5)	–	141,463,367	141,463,367	62.37%	–	141,463,367	141,463,367	59.74%
Asiasons Capital Limited (5),(8)	–	145,951,367	145,951,367	64.35%	–	155,951,367	155,951,367	65.85%
Other Shareholders								
Asiasons Venture Fund Pte. Ltd. (9)	–	–	–	0.00%	10,000,000	–	10,000,000	4.22%
Asiasons Private Equity Pte. Ltd. (9)	–	–	–	0.00%	–	10,000,000	10,000,000	4.22%
Public Shareholders			28,811,997	12.70%			28,811,997	12.17%
Independent Shareholders			80,866,452	35.65%			80,866,452	34.15%
Total issued shares			226,817,819	100.00%			236,817,819	100.00%

<u>**Notes:**</u>

(1) As a percentage of the issued Share capital of the Company comprising 226,817,819 Shares as at the Latest Practicable Date.

(2) As a percentage of the issued Share capital of the Company comprising 236,817,819 Shares under the Maximum Exchange Scenario.

(3) G1 Investments Pte. Ltd. is a wholly owned subsidiary of Blumont Group Ltd.. By virtue of Section 7 of the Companies Act, Blumont Group Ltd. is deemed to be interested in all the Shares held by G1 Investments Pte. Ltd..

(4) Posh Corridor is deemed interested in 128,123,367 Shares held by DMG & Partners Securities Pte. Ltd. as nominee and 13,340,000 Shares held by G1 Investments Pte. Ltd. due to an assignment of shares arrangement.

(5) Posh Corridor is owned by DOF (78.4%) and AIL (21.6%). DOF is a fund managed by Asiasons Private Equity Inc. which is in turn wholly owned by ACL. AIL is a wholly owned subsidiary of ACL. By virtue of Section 7 of the Companies Act, DOF, Asiasons Private Equity Inc., AIL and ACL are deemed to be interested in all the Shares held by Posh Corridor.

(6) AIL is deemed interested in 141,463,367 Shares held by Posh Corridor and 4,488,000 Shares held by DMG & Partners Securities Pte. Ltd. as nominee. By virtue of Section 7 of the Companies Act, ACL is deemed to be interested in all the Shares held by AIL.

(7) Dato' Mohammed Azlan Bin Hashim has a deemed interest of 53.07% in ACL. By virtue of Section 7 of the Companies Act, he is deemed to be interested in all the Shares held by Posh Corridor, AIL and the Investor .

(8) Each of Datuk Jared Lim Chih Li and Ng Teck Wah has a deemed interest of 49.30% in ACL. By virtue of Section 7 of the Companies Act, each of them is deemed to be interested in all the Shares held by Posh Corridor, AIL and the Investor.

(9) The Investor is a private equity investment company managed by APE on a full discretionary basis, APE is in turn wholly owned by ACL. By virtue of Section 7 of the Companies Act, APE and ACL are deemed to be interested in all the Shares held by the Investor.

(10) The Maximum Exchange Scenario assumes that the Investor exercises its right to exchange the entire Exchangeable Bonds into Exchange Shares at any time commencing on the date of issuance of the Exchangeable Bonds and expiring on the Maturity Date by giving at least seven (7) Business Days' notice in writing to the Company, in which case all of the six (6) Exchangeable Bonds shall be exchanged into 10,000,000 Exchange Shares.

Based on the above illustration, we note that assuming Maximum Exchange Scenario occurs all S$3 million Exchangeable Bonds will be exchanged into 10,000,000 Exchange Shares of the Company. The 10,000,000 Exchange Shares represents approximately 4.22% of the enlarged issued Share capital. Upon completion of the Proposed Exchange and Issuance of Exchange Shares under the Maximum Exchange Scenario, the shareholdings of the Independent Shareholders (including Andrew Roach Reddy and Public Shareholders) will decrease by approximately 1.51% from approximately 35.65% to approximately 34.15%.

We wish to highlight that the Independent Shareholders' ability to influence the outcome of resolutions will not be substantially reduced and the Independent Shareholders will still retain the ability to veto any transaction on special resolution upon completion of the Proposed Exchange and Issuance of Exchange Shares under the Maximum Exchange Scenario. Likewise, the shareholding of the controlling Shareholder of the Company, ACL, will increase only by 1.51% from approximately 64.35% to approximately 65.85%. Independent Shareholders should note that as at the Latest Practicable Date, ACL has already had a statutory control of the Company (but not super-majority control) and that following the completion of the Proposed Bond Issue and the Proposed Exchange and Issuance of Exchange Shares under the Maximum Exchange Scenario, there will be no significant change to ACL's controlling position.

6.2 Comparison with the RTO

We note that the RTO exercise, which was completed in March 2012, involved the acquisition of Chaswood Resources Sdn. Bhd. ("**Acquisition**") by Asia Silk Holdings Limited from Posh Corridor and Andrew Roach Reddy for a purchase consideration of approximately RM150 million (or approximately S$60.8 million) ("**Acquisition Consideration**") which were satisfied by issuance of approximately new Shares at an issue price of S$0.30 per consideration Share (after adjusted with the consolidation of ten into one consolidated Share, the "**RTO Issue Price**").

The Acquisition Consideration represents a premium of approximately 444.6% over Chaswood Resources Sdn. Bhd.'s NTA as at 30 June 2011. Independent Shareholders should note that the RTO Issue Price is equal to the Exchange Price and that the premium of approximately 444.6% as implied by the Acquisition Consideration over Chaswood Resources Sdn. Bhd.'s NTA as at 30 June 2011 is higher than the premium of approximately 382.7% as implied by the Exchange Price over the Group's NTA as at 30 June 2013. The relatively less favourable valuation of the Group as implied by the Exchange Price should be assessed in the context of the Group's deteriorating financial performance and position with the losses incurred in FY2012 and the current net liabilities position of approximately RM14.4 million as at 30 June 2013. It is also noted that the Acquisition involved an acquisition of 100% equity interest in Chaswood Resources Sdn. Bhd. (with control) as compared to the Proposed Transactions which does not involve transfer of controlling interest.

We note that subsequent to the completion of the Acquisition, the Company conducted a compliance placement of 21 million new Shares at an issue price of S$0.30 per Share, which is equal to the Exchange Price.

The Audit Committee should note that the nature of transaction outlined above may not be identical to the Proposed Transactions and the circumstances for each of the transaction is unique. Hence, the analysis set out above is necessarily limited and serves as an illustrative guide only.

6.3 Coupon Rate

As set out in Section 2 of the Circular, pursuant to the Exchangeable Bonds Agreement, the Coupon Rate for the Exchangeable Bonds is 10% per annum based on a simple interest rate of which 5% shall be payable in cash and the remaining 5% rolled over as principal which shall be payable in cash upon redemption or waived in the event the Investor exercise its Exchangeable Right. This feature allows the Company to enjoy a lower interest rate in the event that Investor exercises its Exchangeable Right.

The following table sets out a comparison between the Group's existing credit facilities and the Exchangeable Bonds:

Type of credit facilities	Interest rate	Security/collateral
Term loans	4.7% to 8.4% per annum	Secured by: (i) Fixed and floating charges over all the present and future assets of certain subsidiaries; and (ii) Pledge of the fixed deposits with licensed banks of the Group. Certain term loans are also covered by: (i) Joint and several guarantee of a director of the Company; (ii) Joint and several guarantees of two former directors of Chaswood Resources Sdn. Bhd.; (iii) Corporate guarantees of the Company, and Chaswood Resources Sdn. Bhd.; (iv) 80% of a banking facility is covered by a guarantee of an agency of the Government of Malaysia; and (v) A legal charge over the buildings of the Group.
Finance lease payables	4.7% to 7.8% per annum	Secured by the lessor's charge over the leased assets.
Bank overdrafts	7.6% to 7.9% per annum	Secured by: (i) Fixed and floating charges over all the present and future assets of certain subsidiaries; (ii) Pledge of the fixed deposits with licensed banks; (iii) Joint and several guarantee of a director of the Company; and (iv) Corporate guarantee of the Company.
Bills payable	4.8% per annum	Secured by: (i) Fixed and floating charges over all the present and future assets of certain subsidiaries; (ii) Pledge of the fixed deposits with licensed banks; and (iii) Corporate guarantee of the Company.
Exchangeable Bonds	10% per annum based on a simple interest rate of which 5% shall be payable in cash and the remaining 5% rolled over as principal which shall be payable in cash upon redemption or waived in the event the Investor exercise its Exchangeable Right.	Secured by the corporate guarantee from the Company in favour of the Investor.

Source: *The Company's annual report for FY2012 ("**AR2012**") and the Circular.*

We understand from the discussion with the Directors that as at the Latest Practicable Date, there has been no material change to the terms of the Group's existing credit facilities. For illustrative purpose only, we note from the above table that the Group's existing credit facilities carry interests ranging from 4.7% to 8.4% per annum which is lower than the Coupon Rate for the Exchangeable Bonds of 10.0% per annum. Independent Shareholders should note that the existing credit facilities' interest charges are all payable in cash while for the Exchangeable Bonds, 5% shall be payable in cash and the remaining 5% rolled over as principal which shall be payable in cash upon redemption or waived in the event the Investor exercise its Exchangeable Right. In addition, the higher nominal Coupon Rate for the Exchangeable Bonds as compared to the interest rates payable for the Group's existing credit facilities should be assessed in the context of the fact that the Exchangeable Bonds will only be secured by the corporate guarantee by the Company in favour of the Investor while the securities for the Group's existing credit facilities include fixed and floating charges over the Group's assets, pledge of fixed deposit as well as various guarantees from directors and/ or the Company.

	Malaysia Interbank Rate 3-month	**Indonesia Interbank Rate 3-month**	**China Interbank Rate 3-month**
As at the Latest Practicable Date	3.27%	7.99%	5.60%
Chaswood Effective Interests Rate (HY2013)	6.56%		
Chaswood estimated Risk Premium	3.29%		
Estimated Commercial Lending Rate for the Company in Indonesia and China		**11.28%**	**8.89%**

Source: *Chaswood FY2012 audited financial statement and HY2013 unaudited financial statements, Bank Negara Malaysia, Bank Sentral Republik Indonesia, and Shanghai Interbank Offered Rate.*

For illustrative purpose only, we understand from the Management that the effective interest rate for the Group for HY2013 is approximately 6.56%. As at the Latest Practicable Date, Malaysia Ringgit 3-month interbank borrowing rate is approximately 3.27%, based on the Ringgit interbank borrowing rate we note the Company's apparent risk premium appears to be approximately 3.29%. Hence, it is reasonable to estimate based on the Company's apparent risk premium, it will be able to obtain commercial secured lending at approximately 11.28% and 8.89% in Indonesia and China on a secured lending basis (without taking into account cost for hedging exchange risk). This indicates an average of approximately 10.08% borrowing rate (without taking into account cost for hedging exchange risks) if the Company's intended use of the proceed is for expansion into Indonesia and/or China. As such, it appears that the 10% Coupon Rate of the Proposed Bonds Issuance is generally in line with the estimated average commercial loan rate (on a secured lending basis) without taking into account cost for hedging exchange risks that may be available for the Company in Indonesia and/or China. Likewise as there will be no further drawn of the Exchangeable Bonds in the event there are more favourable financing (terms and timing) from financial institutions, the Exchangeable Bonds are akin to a "committed" line of financing, which usually requires payment of commitment fees irrespective of use.

We wish to highlight to the Audit Committee that estimation of company specific risk premium involves assumptions on, *inter alia*, risk free rate, country specific credit policy, prevailing credit availability in the specific market(s), company's specific credit history, availability of unencumbered collateral, operating and financial performance and/or the general market condition etc. Thus, we make no representation or warrants expressed or implied, as to the accuracy of the estimated risk premium of Chaswood.

6.4 Alternative Source of Funding

The Directors note that the Company's existing financial performance and position (in particular, the losses incurred in FY2012) and the net current liabilities position of approximately RM14.4 million as at 30 June 2013) makes it difficult to seek any meaningful amount of external borrowing from financial institutions or funds from rights issue or placement without a significant discount to the Share price.

The Directors have represented to us that the Company had considered placements but this could be dilutive to current shareholders as such issuance will be at a discount of the share price. In addition, we note from the discussions with the Directors that they decided to rule out rights issue as an alternative funding due to uncertainty in the amount of funds that can be raised from rights issue exercise as well as due to the fact that there is uncertainties in the timing and amount that the funds will eventually be utilised for the said purpose. Whereas the Proposed Bonds Issue provides the Company with a line of ready facility and also flexibility in terms of timing for drawing down as and when the potential investment opportunity arises.

The Directors have also represented that whilst the Group may be able to secure debt financing for its expansion plan in Malaysia, its ability to secure debt financing and/or timing of debt financing for its proposed first and subsequent outlets in China and additional outlets in Indonesia may be uncertain as the Company currently does not have any operating experience in China and has a limited track record in Indonesia. The Company is of the view that debt financing may not be optimal due to the nature of the Company's business (being the food and beverage business), where potential sites have to be selected and constructed within a short time frame in China and/or Indonesia. We note from the discussions with the Directors that the Company is also concurrently exploring debt financing for its first and subsequent outlets in China, however the discussions are still in their preliminary stages and the ability and timing to secure debt financing is still uncertain.

The Directors and the Management represented that the purpose of the Proposed Bonds Issue is mainly to provide the Company with an alternative source of funding (as a backup line) for outlet expansion into China and/or Indonesia and in the event that the Company is able to secure external debt financing with more favourable terms and conditions than those of the Exchangeable Bonds (including, *inter alia,* lower interest rate as compared to the Coupon Rate) and such external debt financing can be obtained and made available for outlet expansion on a timely basis, the Company will not proceed with further drawdown on the Exchangeable Bonds or the amounts drawn will be refinanced.

The Directors are of the view that the Proposed Bonds Issue allows the Company to have a timely access to funding as well as flexibility to fund and execute its expansion plan in China and in other countries overseas. In addition, we note from Section 2.5 of the Circular that raising long term funds through the Exchangeable Bonds would help the Company to diversify its funding sources since its capital structure would have a mix of equity, exchangeable bonds and term loans.

6.5 No Alternative Offers

As at the Latest Practicable Date, the Directors have confirmed that they are not aware of any alternative offers for funding from other parties, which is comparable in nature, size and scope to the Proposed Transactions to fund its capital expenditure and working capital for outlets expansion in China and/or Indonesia.

7. OUR OPINION

In arriving at our recommendation, we have reviewed and examined the following factors summarized below as well as others elaborated elsewhere in our Letter which we have considered to be pertinent in our assessment of the Proposed Transactions as Interested Person Transactions, including the views of and representations by the Directors. Our recommendation or opinion is by no means an indication of the merits of the prospects, financial performance and position of the Company or the Group. The following should be read in conjunction with, and in the context of, the full text of this Letter.

(a) The rationale of the Proposed Bonds Issue wherein we note from Section 2.5 of the Circular that, *inter alia*, the Company believes that the Proposed Bonds Issue would be beneficial to the Company as the proposed structure and terms of the Proposed Bonds Issue offers a line of ready facility with timely access as well as flexibility on the funding requirements. In addition, raising long term funds through the Exchangeable Bonds would help the Company to diversify its funding sources since its capital structure would have a mix of equity, exchangeable bonds and term loans. The Directors and the Management represented that the purpose of the Proposed Bonds Issue is mainly to provide the Company with an alternative source of funding (as a backup line) for the purpose of outlet expansion in China and/or Indonesia and in the event that the Company is able to secure external debt financing with more favourable terms and conditions than that of the Exchangeable Bonds (including, *inter alia,* lower interest rate as compared to the Coupon Rate) and such external debt financing can be obtained and made available for outlet expansion in China and/or Indonesia on a timely basis, the Company will not proceed with further drawdown on the Exchangeable Bonds.

(b) The recent historical financial performance and position of the Group for FY2012, FY2011, FY2010, HY2013 and HY2012 as well as the Directors' representation that there may be limitation for the Company to obtain external debt financing from the financial institutions in view of that as at the Latest Practicable Date, the Group has a net current liabilities position of approximately RM14.4 million as at 30 June 2013. In addition, we understand from the Directors and the Management that for the Company to obtain additional bank borrowings, it will require consent from one of its lenders. The Management has represented that no prior written consent is required from the said lender for the Exchangeable Bonds.

(c) The evaluation of the Exchange Price (as set out in Section 5 of this Letter) after taking into account, *inter alia,* the following factors:

(i) The Exchange Price represents a premium of approximately 273.3% and 382.7% from the NAV and NTA of the Group respectively. Likewise, we note that the Selected Comparable Companies (excluding Tung Lok) are traded at an average premium of approximately 210.4% above their respective NTA (based on the respective last transacted prices as at the Latest Practicable Date and NTA as at latest full financial year).

(ii) The Exchange Price represents a premium of approximately 13.2% over the last transacted price of S$0.265 per Share on the SGX-ST on 30 September 2013 (being the last Trading Day for the Shares prior to the Offer Announcement Date).

(iii) The Exchange Price represents a premium of approximately 9.0%, 8.7%, 0.7%, and discount of approximately 0.5% over/from the VWCP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Term Sheet Announcement Date respectively.

(iv) The Exchange Price represents a premium of approximately 91.7% from the VWCP for the Shares for the period commencing from the Term Sheet Announcement Date and ending on the Latest Practicable Date.

(v) The Exchange Price represents a premium of approximately 100.0% from the last transacted price of S$0.15 per Share on the SGX-ST on 14 January 2014, being the last Trading Day prior to the Latest Practicable Date.

(vi) The Group's valuation as implied by the Exchange Price in terms of EV/EBITDA, P/NAV, and P/NTA are higher and more favourable than the simple average and median for the Selected Comparable Companies (excluding Tung Lok) which we have assessed in conjunction with the Group's weaker financial performance and position as compared to the Selected Comparable Companies.

(vii) The Exchange Price represents a 12.1% premium over the volume weighted average price of approximately S$0.2676 on 30 September 2013, being the Market Day preceding the Term Sheet Announcement Date, which is higher and more favourable than the median and simple average for the Selected Convertible/Exchangeable Loans.

(viii) The Exchange Price implies a price to NTA ratios of approximately 5.1 times for the Group, which is within the range, and higher than the median and the simple average for the Selected Convertible/Exchangeable Loans.

(d) The evaluation of the Coupon Rate (as set out in Section 5 and 6 of this Letter) after taking into account, *inter alia,* the following factors:

(i) The Coupon Rate of 5.0% per annum (the remaining 5.0% will be rolled over as principal and will be waived in the event that the Investor exercises its Exchangeable Rights) for the Exchangeable Bonds is within the range and lower than the simple average and median for the Selected Convertible/Exchangeable Loans. We also note the Coupon Rate of 10% per annum (in the event that the Investor elects not to exercise it Exchangeable Rights) is relatively in line with the simple average for the Selected Exchangeable/Convertible Loans, but higher than the median for the Selected Exchangeable/Convertible Loans. Independent Shareholders should also note that the Exchange Price represents a premium of approximately 100.0% from the last transacted price of S$0.15 per Share on the SGX-ST on 14 January 2014, being the last Trading Day prior to the Latest Practicable Date.

(ii) The Group's existing credit facilities carry interests ranging from 4.7% to 8.4% per annum which is lower than the Coupon Rate for the Exchangeable Bonds of 10.0% per annum. Independent Shareholders should note that the existing credit facilities' interest charges are all payable in cash while for the Exchangeable Bonds, 5% shall be payable in cash and the remaining 5% rolled over as principal which shall be payable in cash upon redemption or waived in the event the Investor exercise its Exchange Rights. In addition, the higher nominal coupon rate for the Exchangeable Bonds as compared to the interest rates payable for the Group's existing credit facilities should be assessed in the context of the fact that the Exchangeable Bonds will only be secured by the corporate guarantee by the Company in favour of the Investor while the securities for the Group's existing credit facilities include fixed and floating charges over the Group's assets, pledge of fixed deposit as well as various guarantees from directors and/ or the Company. In addition, we understand that for the Company to obtain additional bank borrowings, it will require consent from one of its lenders. The Management has represented that no prior written consent is required from the said lender for the Exchangeable Bonds.

(iii) The effective interest rate for the Group is approximately 6.56% for HY2013 and is lower than the Coupon Rate of 10% per annum (in the event that the Investor decides not to exercise its Exchangeable Rights).

(iv) As set out in Section 6.3 of this Letter, it appears that the Coupon Rate for the Proposed Bonds Issuance is generally in line with the estimated average commercial loan rate (on secured lending basis) without taking into account cost for hedging exchange risks of approximately 10.08% that may be available for the Company in Indonesia and/or China. In addition, as there will be no further drawn of the Exchangeable Bonds in the event there are more favourable financing (terms and timing) from financial institutions, the Exchangeable Bonds are akin to a "committed" line of financing, which usually requires payment of commitment fees irrespective of use.

(e) The minimum dilution impact on the existing Independent Shareholders' interest and the minimum reduction in the voting interest of the existing Independent Shareholders pursuant to the Proposed Transactions as set out in Section 6.1 of this Letter.

(f) The Proposed Transactions (in terms of financial effects) would lead to an increase in the Group's NTA per Share from 15.5 RM sen to 17.8 RM sen in the event that the Investor decides to exercise its Exchange Right. However, the Proposed Transactions would increase the LPS from 5.3 RM sen to 5.8 RM sen in the event the Investor decides not to exercise its Exchangeable Right due to the interest expenses of approximately RM750 thousand arising from cost of coupon at 10% per annum and professional fees of approximately RM425 thousand. In the event that the Investor exercises its Exchangeable Right, the Proposed Transactions would increase the LPS from 5.3 RM sen to 5.4 RM sen taking into account the interest expenses of approximately RM375.0 thousand arising from cost of coupon at 5% per annum, professional fees and processing fees of approximately RM425 thousand as well as the issuance of 10 million Exchange Shares. The approval of the Proposed Transactions will allow the Company to raise net proceeds of up to approximately RM7.075 million (after deducting estimated expenses of approximately RM425 thousand) with favourable financial effects on the NTA per Share (in the event that the Investor exercises its Exchangeable Right), but less favourable impact on the LPS for the Group. Independent Shareholders should note that the financial effect on the LPS have not taken into account the expected return from the deployment of the proceeds from the Proposed Bonds Issue.

(g) The Directors' confirmation and representation that taking into account the Group's internal resources, operating cash flow and the potential return from the outlets expansion in China and/ or Indonesia, the Directors are of the opinion that, as at the Latest Practicable Date, barring unforeseen circumstances, the Group is able service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date in the event that the Investor opts not to exercise its Exchangeable Right. The Directors have further confirmed that the Company shall not proceed with the outlets expansion in China and/or Indonesia in the event the expected return from such expansion is not adequate to service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date in the event that the Investor opts not to exercise its Exchangeable Right.

(h) As at the Latest Practicable Date, the Directors have confirmed that they are not aware of any alternative offers for funding from other parties, which is comparable in nature, size and scope to the Proposed Transactions and with injection of cash proceeds into the Group which would allow the Group to fund its capital expenditure and working capital for outlets expansion in China and/or Indonesia.

(i) Other relevant consideration as set out in Section 6 of this Letter.

In summary, our opinion takes into account our analysis and the consideration in this Letter and is subject to the qualifications and assumptions set out in this Letter including but not limited to the uncertainties of occurrence of the Proposed Exchange and Issuance of the Exchange Shares, the fact that the Coupon Rate (in the event that the Investors exercises its Exchangeable Rights) is within the range of the interest rate for the Group's existing credit facilities and lower than the simple average and median for the Selected Convertible/Exchangeable Loans, which we have viewed collectively with the premium of the Exchange Price over the Group's NTA per Share and NAV per Share as at 30 June 2013 of approximately 273.3% and 382.7% respectively, the Group's net current liabilities position of approximately RM14.4 million as at 30 June 2013, the premium of the Exchange Price over the historical market prices (save for the period 1 month prior to the Term Sheet Announcement Date) as well as the last closing price for the Shares on the last Trading Day prior to the Latest Practicable Date (represent a significant premium of approximately 100.0%), the favourable valuation of the Group as implied by the Exchange Price in terms of EV/EBITDA, P/NAV and P/NTA as compared to the simple average and median for the Selected Comparable Companies (excluding Tung Lok) which we have assessed in conjunction with the Group's weaker financial performance and position as compared to the Selected Comparable Companies, the favourable comparison of the Proposed Bonds Issue against the Selected Convertible/Exchangeable Loans (in terms of the Exchange Price/NTA and the premium as implied by the Exchange Price over the market price prior to the Term Sheet Announcement Date), and the confirmation and representation from the Directors that (a) there are no alternative offers for funding as at the Latest Practicable which is comparable in nature, size and scope to the Proposed Transactions, and (b) taking into account the Group's internal resources, operating cash flow and the potential return from the outlets expansion in China and/or Indonesia, the Directors are of the opinion that, as at the Latest Practicable Date, barring unforeseen circumstances, the Group is able service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date in the event that the Investor opts not to exercise its Exchangeable Rights.

However, in the event that the Exchange does not occur, the Coupon Rate is higher than the simple average and median for the Selected Convertible/Exchangeable Loans and the interest rates for the Group's existing credit facilities. The higher nominal Coupon Rate for the Exchangeable Bonds as compared to the interest rates payable for the Group's existing credit facilities and the Selected Convertible/Exchangeable Loan should be assessed in the context of the fact that the Exchangeable Bonds will only be secured by the corporate guarantee by the Company in favour of the Investor while the securities for the Group's existing credit facilities include fixed and floating charges over the Group's assets, pledge of fixed deposit as well as various guarantees from directors and/ or the Company and the Directors' confirmation that there will be no further drawdowns for the Exchangeable Bonds or the amounts drawn will be refinanced in the event that the Group is able to secure more favourable financing terms (timing and rates) as compared to the Exchangeable Bonds ("**Directors Confirmation**"), the Coupon Rate is relatively in line with the estimated average commercial loan rate (on secured lending basis) and without taking into account cost for hedging exchange risk and the need for payment of "commitment fees" in view of the committed nature of the Exchangeable Bonds as well as the need for the prior written consent of its existing lender for additional borrowings from banks (while for the Exchangeable Bonds, no prior written consent from the said lender is required), of approximately 10.08% that may be available for the Company in Indonesia and/or China as well as representation from the Directors that as at the Latest Practicable Date, there are no alternative offers for funding which is comparable in nature, size and scope to the Proposed Transactions despite the fact that the management are in discussions with local banks in China and Indonesia since August 2013, we are of the opinion that albeit that the coupon rates payable in the event that there is no Exchange is on the high side, the Proposed Transactions, subject to there being no other financing proposal on more favourable terms as compared to the Exchangeable Bonds, is **on normal commercial terms**.

Lastly, having regard to the potential financial effect of the Proposed Transactions which whilst showing deterioration in LPS and NTA per Share in the event the Exchange does not occur (not taking into account the expected return from the deployment of the proceeds) but will lead to higher NTA per Share in the event the Exchange does occur, the minimum dilution impact of the Proposed Transactions on the existing Independent Shareholders, which we have reviewed together with the representation and confirmation from the Directors that (a) the Proposed Transactions are in the interest and beneficial to the Group as it, *inter alia,* provides alternative source of funding (as a back-up line) for its outlets expansion in China and/or Indonesia, (b) in the event that the Company is able to secure external debt financing with more favourable terms and conditions than that of the Exchangeable Bonds (including, *inter alia,* lower interest rate as compared to the Coupon Rate) and such external debt financing can be obtained and made available for outlet expansion in China and/or Indonesia on a timely basis, the Company will not proceed with further drawdown on the Exchangeable Bonds, (c) taking into account the Group's internal resources, operating cash flow and the potential return from the outlets expansion in China and/ or Indonesia, the Directors are of the opinion that, as at the Latest Practicable Date, barring unforeseen circumstances, the Group is able service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the Maturity Date in the event that the Investor opts not to exercise its Exchangeable Rights, and (d) the Company shall not proceed with the outlets expansion in China and/or Indonesia in the event the expected return from such expansion is not adequate to service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date in the event that the Investor opts not to exercise its Exchangeable Right, we are of the view that based on the information available to us as at the Latest Practicable Date, the Proposed Transactions are **not prejudicial** to the interest of the Independent Shareholders and the Company.

Recommendation

Accordingly, we advise the Audit Committee to recommend that Independent Shareholders vote **in favour of** resolutions for the Proposed Transactions to be proposed at the EGM, and to highlight to Independent Shareholders the matters as stated in our Letter and to exercise caution in their decision in relation to the resolutions for the Proposed Transactions.

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Group or the plans to hedge the exchange risk. The opinion set forth herein is based solely on publicly available information and information provided by the Directors and the Management and therefore does not reflect any projections or future financial performance of the Company or the Group after the completion of the Proposed Transaction(s) and as well as the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the financial terms of the Proposed Transactions as Interested Person Transactions.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of the Independent Shareholders:

1. We have not made any independent evaluation or appraisal of the PPE and intangible assets and we have not been furnished by the Company with any such appraisal and valuation report for the PPE and intangible assets. With respect to such evaluation or appraisal, we are not experts in the evaluation or appraisal of the PPE and intangible assets and have relied on the opinion of and confirmation from the Directors that, to their best knowledge and belief, as at the Latest Practicable Date, on aggregate basis, there are no material differences between the estimated market value of the PPE and intangible assets and their respective book values as at 30 June 2013 which would have a material impact on the revalued NAV or NTA of the Group.

2. Independent Shareholders should note in the event that the Investor decides not to exercise its Exchangeable Rights; the nominal Coupon Rate would be 10.0% per annum. In addition, it is noted that the Exchange Price represents a premium of approximately 100.0% from the last transacted price of S$0.15 per Share on the SGX-ST on 14 January 2014, being the last Trading Day prior to the Latest Practicable Date. Likewise the features of the Exchangeable Bonds provides for half of the Coupon Rate to be accrued with payment at maturity and only in the event that is not exercised.

3. The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group or the viability of the Group's plan for outlets expansion in China and/or Indonesia or the ability of Chaswood Capital or the Company or the Group to service the coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date or the possibility of the Proposed Exchange and Issuance of Exchange Shares to occur.

   The Directors confirmed that taking into account the Group's internal resources, operating cash flow and the potential return from the outlets expansion in China and/ or Indonesia, the Directors are in the opinion that, as at the Latest Practicable Date, barring unforeseen circumstances, the Group is able service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date in the event that the Investor opts not to exercise its Exchangeable Rights.

   The Directors also represented and confirmed that the Company shall not proceed with the outlets expansion in China and/or Indonesia in the event the expected return from such expansion is not adequate to service the Coupon for the Exchangeable Bonds when falls due and to redeem the outstanding Exchangeable Bonds on the maturity date in the event that the Investor opts not to exercise its Exchangeable Right.

4. Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after HY2013 for the Company and its subsidiaries.

Specific Objectives

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular or individual needs and constraints of any individual Independent Shareholder. As each Independent Shareholder or group of Independent Shareholders would have different investment objectives and profiles, we would advise the Audit Committee to advise any individual Shareholder or group of Shareholders who may require specific advice in the context of investments in unlisted shares or his or their specific investment objectives or portfolio should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

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 will find a Proxy Form attached to this Circular which they should 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 not less than 48 hours before the time fixed 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 in place of his proxy if he finds that he is able 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 Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears in the Depository Register, as certified by CDP as at 48 hours before the EGM.

In addition, Independent Shareholders are advised to read Section 11 of the Circular and Notice of the EGM which has been enclosed with the Circular carefully so that the appropriate election on voting for or voting against can be made.

This Letter is addressed to the Audit Committee in connection with and for the sole purpose of their evaluation of the Proposed Transactions as Interested Person Transactions and is not meant or intended to be an evaluation of the other resolutions to be proposed. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor any other party, may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except at the forthcoming EGM and for the sole purpose of the Proposed Acquisition. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters and the scope of our appointment stated herein and does not apply by implication to any other matter. Save as stated above, nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act Chapter 53B and any re-enactment thereof shall not apply.

The recommendations made by the Directors and the Audit Committee to the Independent Shareholders in relation to the Proposed Transactions as well as other resolutions referred to in the Circular (where applicable) and the issue of the Circular shall remain the sole responsibility of the Directors and the Audit Committee respectively.

Yours faithfully,
For and on behalf of
ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

CHASWOOD RESOURCES HOLDINGS LTD.

(Company Registration Number 200401894D)
(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of **CHASWOOD RESOURCES HOLDINGS LTD**. (the "**Company**") will be held at 22 Cross Street #03-54/61 China Square Central Singapore 048421 on 28 February 2014 at 2 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolutions as set out below:

AS ORDINARY RESOLUTIONS

ORDINARY RESOLUTION 1: THE PROPOSED BONDS ISSUE

That, subject to and contingent upon the passing of Ordinary Resolution 2:

(a) approval be and is hereby given to the directors of Chaswood Capital Pte. Ltd. or any of them to create and issue an aggregate principal amount of S$3,000,000 exchangeable bonds (the "**Exchangeable Bonds**") to Asiasons Venture Fund Pte. Ltd. (the "**Investor**"), subject to the provisions of the exchangeable bonds agreement dated 29 November 2013 entered into between the Company, Chaswood Capital Pte. Ltd. and the Investor, as varied by a supplemental agreement dated 12 December 2013 (the "**Exchangeable Bonds Agreement**"), such Exchangeable Bonds to be exchangeable, at the option of the Investor on or prior to the maturity date, into new ordinary shares in the share capital of the Company (the "**Exchange Shares**") at an exchange price of S$0.30 per Exchange Share (the "**Exchange Price**"), and subject to such adjustments as the terms and conditions of the Exchangeable Bonds shall stipulate (the "**Proposed Bonds Issue**");

(b) the directors of the Company (the "**Directors**") or any of them be authorised to take such steps, make such amendments to the terms and conditions of the Exchangeable Bonds (provided that the amendments are not material) and exercise such discretion as they or he may from time to time deem fit, advisable, desirable, expedient or necessary in connection with all or any of the above matters;

(c) pursuant to Chapter 9 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST"**) Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), approval be and is hereby given for the Proposed Bonds Issue being an interested person transaction; and

(d) the Directors or any of them be authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to this Ordinary Resolution as they or he may think fit.

ORDINARY RESOLUTION 2: THE PROPOSED EXCHANGE AND ISSUANCE OF EXCHANGE SHARES

That, subject to and contingent upon the passing of Ordinary Resolution 1:

(a) approval be and is hereby given to the Company to acquire the relevant Exchangeable Bonds from the Investor upon the exercise of the option by the Investor to exchange any of the Exchangeable Bonds, subject to the provisions of the Exchangeable Bonds Agreement (the "**Exchange**");

(b) approval be and is hereby given to the Directors or any of them to issue to the Investor, in accordance with the terms and conditions of the Exchangeable Bonds Agreement:

(i) such number of Exchange Shares as may be required or permitted to be allotted and issued on the exchange of the Exchangeable Bonds, to the Investor at the time of Exchange on the exchange thereof, subject to and otherwise in accordance with the terms and conditions of the Exchangeable Bonds, whereby such Exchange Shares when issued shall rank *pari passu* in all respects with the then existing shares of the Company, save as may be provided in the terms and conditions of the Exchangeable Bonds;

(ii) on the same basis as paragraph (b)(i) above, such further Exchange Shares as may be required to be allotted and issued on the exchange of any of the Exchangeable Bonds upon the adjustment of the Exchange Price in accordance with the terms and conditions of the Exchangeable Bonds; and

(iii) such number of Exchange Shares referred to in paragraphs (b)(i) and (b)(ii) above to the Investor at the time of Exchange;

(c) pursuant to Chapter 8 and Chapter 9 of the Catalist Rules, approval be and is hereby given for the Exchange and issuance and allotment of Exchange Shares upon the Exchange taking place to the Investor, being a restricted person under Rule 812(1) of the Catalist Rules and an interested person; and

(d) the Directors or any of them be authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to this Ordinary Resolution as they or he may think fit.

By Order of the Board
CHASWOOD RESOURCES HOLDINGS LTD.

ANDREW ROACH REDDY
Managing Director
13 February 2014

Notes:

(1) A shareholder of the Company entitled to attend and vote at the Extraordinary General Meeting of the Company (**"EGM"**) 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 80 Robinson Road #02-00 Singapore 068898 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.

PROXY FORM

CHASWOOD RESOURCES HOLDINGS LTD.

(Company Registration Number: 200401894D)
(Incorporated in the Republic of Singapore)

Important:

1. For investors who have used their CPF monies to buy shares in the capital of Chaswood Resources 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 number* ______________ of

____ (Address) being a

shareholder/shareholders* of Chaswood Resources 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/her, 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 22 Cross Street #03-54/61 China Square Central Singapore 048421 on 28 February 2014 at 2 p.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 each of the ordinary resolutions 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)

No.	**Ordinary Resolutions**	**To be used on a show of hands**		**To be used in the event of a poll**	
		For	Against	Number of Votes For**	Number of Votes Against**
1	To approve the Proposed Bonds Issue				
2	To approve the Proposed Exchange and Issuance of Exchange Shares				

* 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

Total Number of Share Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

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, Chapter 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 80 Robinson Road #02-00 Singapore 068898 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, Chapter 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.

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