

HALCYON AGRI CORPORATION LIMITED

Company Registration No. 200504595D
(Incorporated in the Republic of Singapore)

- (A) PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF ANSON COMPANY (PRIVATE) LIMITED UNDER CHAPTER 10 OF THE LISTING MANUAL SECTION B: RULES OF CATALIST (THE “CATALIST RULES”) OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) (THE “PROPOSED ACQUISITION”)
- (B) ESTABLISHMENT OF A JOINT INVESTMENT AS AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE CATALIST RULES (THE “PROPOSED JOINT INVESTMENT”)
-

(A) PROPOSED ACQUISITION

1. INTRODUCTION

- 1.1 Further to the announcements dated 19 June 2014 and 20 June 2014, the Board of Directors (the “**Board**”) of Halcyon Agri Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the wholly owned subsidiary of the Company, Halcyon Rubber Company Pte. Ltd. (the “**Purchaser**” or “**HRC**”) has on 11 July 2014, entered into a sale and purchase agreement (the “**SPA**”) with Lee Latex (Pte) Limited (“**Lee Latex**”), Selat (Pte) Limited (“**Selat**”) and Singapore Investments (Pte) Limited (“**SIPL**”) (collectively the “**Vendors**”) for the acquisition of 26,000 ordinary shares (the “**Sale Shares**”) representing the entire issued and paid up share capital of Anson Company (Private) Limited (“**Anson**”). Anson has four subsidiaries incorporated in Indonesia, namely, PT. Hok Tong, PT. Hadji Djamaloedin and Hadji Shamsoedin Rubber Remilling (“**PT. Remco**”), PT. Sunan Rubber and PT. Rubber Hock Lie (each a “**Subsidiary**”, and together with Anson, the “**Anson Group**”).

2. INFORMATION RELATING TO THE ANSON GROUP

- 2.1 Anson is a Singapore-incorporated investment holding company, whose shareholders are Lee Latex, Selat and SIPL holding 36.89%, 28.96% and 34.15% shareholding interest in Anson, respectively. The Anson Group is in the business of producing Standard Indonesian Rubber and is part of the Lee Rubber group of companies.
- 2.2 The shareholding interest of Anson in each of its Subsidiaries is set out below:

Name of Subsidiary	% shareholding held by Anson (directly and indirectly)
PT. Hok Tong	99.99
PT. Remco	75.00
PT. Rubber Hock Lie	77.78
PT. Sunan Rubber	53.75

2.3 The assets and properties of the Anson Group include nine (9) crumb rubber factories together with all associated lands, buildings, machinery and equipment (the “**Key Assets**”) located in Indonesia. Of these, four (4) are located in Palembang, and two (2) are located in Jambi. These six (6) factories are in the immediate vicinity of the Group's existing factories, are of virtually identical configuration, and constitute circa 80% of the asset and income base of the Anson Group. The other three (3) factories are located in Pontianak, Medan and Rantau Prapat. In aggregate, the Anson Group factories have a licensed export capacity of 408,000 metric tonnes per annum.

2.4 Based on the latest audited consolidated financial statements of the Anson Group for the financial year ended 31 December 2013 (“**FY2013**”), the net assets value (“**NAV**”) and the net tangible assets (“**NTA**”) of the Anson Group was S\$193.83 million. The Anson Group recorded a profit before taxation of S\$37.96 million for FY2013.

2.5 In connection with the Proposed Acquisition, the Company had on 1 April 2014, commissioned an independent firm of professional valuers, KJPP Hendra Gunawan dan Rekan (the “**Independent Valuers**”), to conduct a valuation of the Key Assets. The aggregate value of the Key Assets as stated in the independent valuation report dated 15 June 2014 (the “**Independent Valuation Report**”) amount to IDR1,106,659,000,000 (equivalent to approximately S\$120,436,425 based on the exchange rate of S\$1.00 to IDR9,188.74 as at 2 May 2014) as at the date of valuation of 2 May 2014. As stated in the Independent Valuation Report, the valuation was based on market approach and cost approach.

(a) Market approach

This is a valuation process in which market value is derived by analysing similar properties that have recently sold, are listed for sale or are under contract to sell.

(b) Cost approach

Land – the valuation technique utilises the sales comparison method to arrive at the market value of the land. Briefly, this method takes into account the current market value of the land based on its existing use, which is assessed by reference to sales and listings of comparable sites.

Buildings and site improvements – added to the current market value of the land is the current depreciated replacement cost of the buildings inclusive of professional fees and other expenses, and site improvements. The cost of replacement of buildings and site improvements have been determined by considering the prevailing cost of materials, labor, manufactured equipment, and contractor's overhead and profit. Accrued depreciation, in the form of physical deterioration, functional obsolescence and economic obsolescence, is then deducted from the replacement cost new to arrive at an indicative depreciated value.

Machinery and equipment – the valuation was performed on the assumption that the machinery and equipment assets as a whole, in place and as part of the business, considered as a going concern will continue its present existing use. Valuation was carried out by estimating the cost as new at the date of valuation, less an allowance for wear and tear, age and obsolescence.

3. PRINCIPAL TERMS OF THE SPA

3.1 Sale Shares

The Proposed Acquisition involves the acquisition of the Sale Shares, free from all encumbrances and together with all rights, benefits and entitlements attaching thereto at an aggregate purchase consideration of S\$450,000,000 (the “**Purchase Consideration**”).

3.2 Purchase Consideration

3.2.1 Pursuant to the SPA and subject to the satisfaction (or waiver) of certain conditions precedent stipulated therein (the “**Conditions Precedent**”), the Purchase Consideration shall be fully satisfied in cash by the Purchaser in the following manner:

- (a) upon execution of the SPA, paying a deposit of S\$2,250,000, equivalent to 0.5% of the Purchase Consideration (the “**Deposit**”), which shall be applied towards satisfaction of the Purchase Consideration upon completion of the Proposed Acquisition (the “**Completion**”); and
- (b) the balance of the Purchase Consideration of S\$447,750,000 shall be paid to the Vendors on Completion.

As at the date hereof, the Deposit has been paid to the Vendors’ solicitor, who shall hold the Deposit pending the Completion.

3.2.2 The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after arm’s length negotiations and after taking into account the factors listed in paragraph 4 below, the intrinsic value of the Key Assets and potential synergistic benefits to the Group arising from the Proposed Acquisition.

3.2.3 The Purchase Consideration will be funded through a combination of internal resources, additional equity funds raised through the Proposed Joint Investment (as defined herein), together with (i) US\$320 million credit facilities for which the Company has secured financing commitments from Credit Suisse AG, Singapore Branch and DBS Bank Ltd; and/or (ii) the proceeds from the issuance of notes and senior or subordinated perpetual securities under the Multicurrency Medium Term Note Programme established by the Company on 25 April 2014.

3.3 Completion

3.3.1 Completion is conditional upon the satisfaction (or waiver) of the conditions precedent stipulated in the SPA, on or before the date falling two (2) months from the date of the SPA (or such later date as the Purchaser and the Vendors may mutually agree in writing) (the “**Long-Stop Date**”). Completion is to take place on the date falling five (5) business days after the date on which the last in time of the conditions precedent is satisfied or waived as aforesaid (the “**Completion Date**”).

3.4 Conditions Precedent to the Proposed Acquisition

3.4.1 The Proposed Acquisition is conditional upon the fulfilment and satisfaction (or waiver) of, *inter alia*, the following conditions:

- (a) warranties made by each of the Vendors remaining true and accurate in all material respects as at Completion, with reference to the facts and circumstances existing on the date of Completion;

- (b) the Company's circular to its Shareholders in relation to the Proposed Acquisition being issued by no later than 31 July 2014; and
- (c) the approval of the shareholders of the Company (the "**Shareholders**") being obtained by no later than the Long-Stop Date for the Proposed Acquisition on the terms and subject to the conditions of the SPA.

4. RATIONALE FOR THE PROPOSED ACQUISITION

4.1 The Board believes that the Proposed Acquisition is in the best interests of the Company and its Shareholders for the following reasons:

- (a) the Directors have assessed the business prospects of the Anson Group and believe that upon completion of the Proposed Acquisition, the Group would be able to derive significant synergistic benefits as the Anson Group's operations strategically and operationally complement the Group's existing operations in the areas of natural rubber processing. In addition, since the business of the Anson Group is largely similar to the Group's business, the Directors are of the view that integration of the operations would not be overly complicated;
- (b) with the additional nine (9) crumb rubber factories following the completion of the Proposed Acquisition, the Board expects to increase the scale and scope of its natural rubber processing capabilities and expand its earnings and asset base, and in turn boost shareholder value. Among the nine (9) factories that the Anson Group owns and operates in Indonesia, four (4) are located in Palembang with an aggregate licensed export capacity of 275,000 metric tonnes per annum. In combination with the Group's existing two (2) HMK factories in Palembang with a total licensed export capacity of 110,000 metric tonnes, the Proposed Acquisition propels the Group to be the largest crumb rubber producer and exporter in Palembang, which is Indonesia's largest export port for natural rubber. In total, the six (6) Palembang crumb rubber processing factories will have a combined annual export capacity of 385,000 metric tonnes, which translates into a market share of approximately 30% of all crumb rubber produced and exported from Palembang.

Furthermore, upon completion of the Proposed Acquisition, the consolidated licensed natural rubber export capacity is expected to increase from 340,000 tonnes per year to 748,000 tonnes per year. The combined processing activities of the enlarged entity will enable the Group to become one of the leading producers and merchandisers of natural rubber and one of the top five (5) Technically Specified Rubber producers globally;

- (c) the Group and the Anson Group collectively supply natural rubber to the top global tyre manufacturers on a well diversified basis, and sales are not significantly concentrated on any customers. Combining the operations of the Group and the Anson Group will allow the Group to substantially increase its customer base in terms of the amount supplied to each of these top tyre manufacturers;
- (d) the Proposed Acquisition is in line with the Company's strategy to continue growing the Group's business through selective acquisitions and investments; and

- (e) the opportunity to acquire the Anson Group is unique as such a significant basket of assets rarely becomes available for acquisition. The Anson Group has an exemplary operating history dating back to 1932, when the first PT. Hok Tong's rubber factory was opened in Palembang, Indonesia. The Directors believe that acquiring the Anson Group will enhance the Group's position as a major player in the natural rubber market.

5. MANAGEMENT OF ANSON GROUP POST COMPLETION

- 5.1 Pursuant to the terms of the Proposed Acquisition, the management teams of the operating subsidiaries of the Anson Group will become employees of the Group upon completion of the Proposed Acquisition. Such management teams will focus on the operations of the Anson Group's crumb rubber factories, and will not be responsible for the strategic direction, sales and marketing and merchandising of the Anson Group. The employment of Anson's management team will not be transferred to the Company.
- 5.2 The Board is confident that the Company's management team has the relevant experience and expertise required to integrate the Anson Group's assets into the Group's existing operations and manage the enlarged operations, especially as they are largely similar to the Company's existing assets.

6. THE PROPOSED ACQUISITION AS A MAJOR TRANSACTION

6.1 Major Transaction

- 6.1.1 For the purposes of Chapter 10 of the Catalist Rules, the relative figures for the Proposed Acquisition computed using the applicable bases of comparison set out in Rule 1006 of the Catalist Rules based on the latest announced consolidated financial statements of the Group for the financial period ended 31 March 2014 ("1Q2014") are set out below:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable ⁽¹⁾
(b)	Net profits ⁽²⁾ attributable to the assets acquired, compared with the Group's net profits ⁽²⁾	2,167 ⁽³⁾
(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	124.6 ⁽⁴⁾
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁵⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable ⁽¹⁾

Notes:-

- (1) This basis is not applicable to the Proposed Acquisition.
- (2) Pursuant to Rule 1002(3)(b) of the Catalist Rules, “net profits” means profit before income tax, minority interests and extraordinary items.
- (3) The net profit attributable to the assets acquired is determined based on the pro-rated 3 months audited net profit of the Anson Group of approximately S\$38.0 million (equivalent to approximately US\$30.3 million based on the Group’s average exchange rate of US\$1.00: S\$1.2513) for FY2013, and net profit of the Group of approximately US\$0.4 million for 1Q2014.
- (4) The Company’s market capitalisation was approximately S\$361.1 million, determined by multiplying the 396,000,000 shares in issue as at the date of the announcement of the Proposed Acquisition being 11 July 2014, by the volume weighted average price (“**VWAP**”) of the Company’s shares of S\$0.9118 per share based on trades done on Catalist of the SGX-ST on 10 July 2014 (being the last full market day preceding the date of the SPA).
- (5) This basis is not applicable to the Proposed Acquisition as no equity securities are to be issued as part of the Purchase Consideration.

6.1.2 Based on the relative figures, the Proposed Acquisition constitutes a very substantial acquisition within the meaning of Rule 1015 of the Catalist Rules. However, the Company has sought and obtained a waiver of Rule 1015 of the Catalist Rules in relation to the Proposed Acquisition from the SGX-ST on 16 April 2014 (the “**Waiver**”). Pursuant to the Waiver, the Proposed Acquisition would be considered a “Major Transaction” pursuant to Rule 1014 of the Catalist Rules.

6.2 **Waiver from Rule 1015 of the Catalist Rules**

6.2.1 The Company made an application to the SGX-ST for a waiver from complying with Rule 1015 of the Catalist Rules in relation to the Proposed Acquisition (the “**Waiver Application**”).

6.2.2 The bases for the Waiver Application are as follows:

- (a) the Proposed Acquisition involves the acquisition of crumb rubber processing facilities. Therefore, it is an expansion of the Group’s existing core business and is in line with Group’s acquisition strategy;
- (b) the Proposed Acquisition is effectively a purchase of a portfolio of assets and the Company will not be bringing the existing management team of Anson into the Group’s existing operations;
- (c) the Proposed Acquisition will not result in a change in control of the Company as the Proposed Acquisition does not involve any issue of Company’s shares and the Vendors will not have any board or management representation as a condition of the Proposed Acquisition;

- (d) the Proposed Acquisition is made in the ordinary course of business and will not result in a material change to the nature of the Group's business. Notwithstanding that the Net Gearing may change in the short term, the Board believes the Proposed Acquisition will not have a significant adverse impact on the Group's earnings and working capital after the Completion as, *inter alia*, the Anson Group is relatively liquid (with cash and cash equivalents and inventories of approximately S\$188 million as at the end of FY2013). Accordingly, the Company is of the view that there is no change in its risk profile in the event that the Proposed Acquisition is successfully completed; and
- (e) the Company has procured written irrevocable undertakings (the "**Undertakings**") from shareholders of the Company (the "**Undertaking Shareholders**") holding, in aggregate, more than 50% of the eligible voting base of the Company, to (i) vote in favour of the Proposed Acquisition; and (ii) not to decrease their current shareholdings until after an extraordinary general meeting ("**EGM**") to seek the approval of the Shareholders for the Proposed Acquisition is convened.

6.2.3 As of the date hereof, the Company has obtained Undertakings from the Undertaking Shareholders collectively interested in shares representing 52.37% of the share capital of the Company, namely Dato' Lynette Nee Lord Le Mercier, Credence Capital Fund II (Cayman) Limited, Mr Michael Tay Wee Jin, Mr Pascal Guy Chung-Wei Demierre, Mr Andrew Trevatt, Mr Leonard Peter Silvio Beschizza and Mr Shaw Vee King.

6.2.4 On 16 April 2014, the Company received approval from the SGX-ST that it has no objection to the Company's Waiver Application, based on the Company's proposal to:-

- (a) appoint an independent valuer to value Anson; and
- (b) appoint an independent financial adviser to determine whether the Proposed Acquisition is fair and whether it is prejudicial to the interests of shareholders of the Company,

and, subject to the Company:-

- (a) complying with Rule 1014 of the Catalist Rules in respect of the Proposed Acquisition;
- (b) convening an EGM to seek Shareholders' ratification for the Proposed Acquisition within three (3) months from the date of the SPA;
- (c) procuring Undertakings from Shareholders holding more than 50% of the share capital (or such requisite shareholding level) before the SPA is entered into, to vote in favour of the Proposed Acquisition, such that the resolution would have duly passed even if a Shareholders' meeting is required for the purposes of approving the Proposed Acquisition. Such Shareholders also have to undertake to maintain their shareholding until after the EGM is convened; and

- (d) making an immediate announcement that the Waiver has been granted by the SGX-ST, disclosing the reasons for seeking the Waiver, the conditions for the Waiver, and that the Company and/or any of its Directors are not aware of any other material information (including but not limited to financial information) in respect of the Company which has not been formerly disclosed to the investors.

Following the Company's receipt of the Waiver, the SGX-ST has consented to the deferment of the announcement of the Waiver until the SPA is entered into.

- 6.2.5 As of the date hereof, the Company and/or any of its Directors are not aware of any other material information (including but not limited to financial information) in respect of the Company which has not been formerly disclosed to the investors.
- 6.2.6 The Company intends to seek the approval of the Shareholders for the Proposed Acquisition at an EGM to be convened before the Completion.

7. DIRECTORS' SERVICE CONTRACTS

- 7.1 No person is proposed to be appointed as a Director of the Company in connection with the Proposed Acquisition. Accordingly no service contract is proposed to be entered into between the Company and any such person.

(B) PROPOSED JOINT INVESTMENT

1. SUBSCRIPTION AND SHAREHOLDERS' AGREEMENT

- 1.1 For the purpose of and as part of the funding requirements for the Proposed Acquisition, the Company had on 11 July 2014, entered into a subscription and shareholders' agreement (the "**Subscription and Shareholders' Agreement**") with Angsana Capital Ltd. ("**Angsana**") pursuant to which the Company will subscribe for 109,999,999 ordinary shares ("**HRC Ordinary Shares**") for S\$109,999,999 and Angsana will subscribe for 75,000,000 preference shares ("**HRC Preference Shares**") for S\$75,000,000, in the issued and paid up share capital of HRC, subject to the terms and conditions of the Subscription and Shareholders' Agreement.
- 1.2 Angsana is a company wholly owned by Keystone Pacific Pte. Ltd. ("**Keystone**"), a substantial shareholder of the Company. Keystone is a Singapore incorporated company wholly owned by Mr Robert Meyer ("**RM**"), the executive chairman and chief executive officer of the Company. Accordingly:-
 - (a) RM and his associates, Keystone and Angsana are interested persons;
 - (b) the Company and HRC are entities at risk; and
 - (c) the Proposed Joint Investment constitutes an interested person transaction ("**IPT**"),

within the meaning of Chapter 9 of the Catalist Rules.

- 1.3 The value of the IPT is approximately S\$110 million, and based on the Group NTA of US\$70.27 million as at 31 December 2013 (equivalent to approximately S\$88.71 million), the value of the IPT is approximately 124% of the Group NTA. Accordingly, the Proposed Joint Investment requires Shareholders' approval.

- 1.4 Save as disclosed above and as envisaged as part of the Proposed Acquisition, the Company has not entered into any other transaction with RM and his associates or any transaction with interested persons since the beginning of this financial year ending 31 December 2014.
- 1.5 The Audit Committee of the Company will be obtaining an opinion from an independent financial adviser in relation to the Proposed Joint Investment which will be set out in the circular to shareholders to be despatched in due course.
- 1.6 The Company intends to seek Shareholders' approval for the Company to undertake the Proposed Joint Investment as an IPT, at an EGM to be convened before Completion.

2. INFORMATION ON HRC

- 2.1 HRC is a private limited company incorporated in Singapore on 21 November 2013 with initial issued and paid-up share capital of S\$1.00 comprising 1 ordinary share held by the Company. The principal activity of HRC is that of an investment holding company.
- 2.2 HRC has entered into the SPA and part of the Purchase Consideration shall be funded by the proceeds from its issuance of shares to the Company and Angsana pursuant to the Subscription and Shareholders' Agreement.

3. SHAREHOLDING STRUCTURE

- 3.1 Pursuant to the Subscription and Shareholders' Agreement, the Company and Angsana will subscribe for HRC Ordinary Shares and HRC Preference Shares in the ratio of 59.46% and 40.54% of HRC's issued share capital respectively. The share capital structure of HRC upon completion of the Proposed Joint Investment will be as follows:

Name of shareholder	Number of HRC Shares	Percentage of issued share capital (%)	Subscription monies (S\$)
Halcyon Agri Corporation Limited	110,000,000 ordinary shares	59.46	110,000,000
Angsana Capital Ltd	75,000,000 preference shares	40.54	75,000,000

Based on the above, HRC continues to be a subsidiary of the Company.

- 3.2 Upon completion of the Proposed Joint Investment, the total issued and paid up share capital of HRC will be S\$185 million (equivalent to approximately US\$149.0 million based on the exchange rate of S\$1.00:US\$1.2413 as at 10 July 2014).

4. PRINCIPAL TERMS OF THE SUBSCRIPTION AND SHAREHOLDERS' AGREEMENT

4.1 Terms of the HRC Ordinary Shares

The Company, HRC and Angsana have agreed that the HRC Ordinary Shares shall have, *inter alia*, the following salient terms:-

Issue Amount	S\$109,999,999 or S\$1 per HRC Ordinary Shares.
Use of Proceeds	The proceeds of the HRC Ordinary Shares shall be applied by HRC to partially finance the Proposed Acquisition along with a minimum capital of S\$75 million from Angsana.
Features of the HRC Ordinary Shares	(a) <u>Voting Right</u> The Company, as the HRC ordinary shareholder has the rights to vote in general meeting of HRC. Each HRC Ordinary Share carries the right to one vote. (b) <u>Dividend</u> The Company is entitled to a share of the profits in the form of dividends. The Company shall have rights to participate on a 59.46% proportionate basis on all dividends and distributions made on HRC Ordinary Shares. The dividend on the HRC Ordinary Shares shall be paid after all accrued dividends (including any unpaid dividend interest) for HRC Preference Shares are paid.

4.2 Terms of the HRC Preference Shares

Pursuant to the Subscription and Shareholders' Agreement, the Company, HRC and Angsana have agreed that the issuance of the HRC Preference Shares shall be on, *inter alia*, the following terms:

Issue Amount	S\$75,000,000 or S\$1 per HRC Preference Shares (the " Issued Amount ")
Use of Proceeds	The proceeds of the HRC Preference Shares shall be applied by HRC to partially finance the Proposed Acquisition along with a minimum equity contribution of S\$109,999,999 from the Company.
Maturity	The HRC Preference Shares are perpetual securities with no maturity date, and are not redeemable at the option of the holder
Structure of the HRC Preference Shares	(a) <u>Cumulative and Preference Dividend</u> Subject to the HRC's board of directors' ultimate discretion (a director shall not be entitled to vote at any such meeting on any resolution in respect of any matter in which he is interested or where he has, or may have, a personal conflict of interest), HRC Preference Shareholders shall be entitled, in respect of each financial year of the Company, to a fixed, cumulative, preferential dividend on each Preference Share at the rate of 5% per annum on the Issue Amount (the " Preference Dividend "). Any unpaid Preference Dividend shall be carried forward and paid in priority to the Preference Dividend payable on any

later date, and shall be increased by an amount representing interest on the unpaid amount at a rate of 15% per annum which shall accrue until the unpaid Preference Dividend is fully paid. In addition, Angsana shall have rights to participate on a 40.54% proportionate basis on all dividends and distributions made on HRC Ordinary Shares.

(b) Parent Purchase Offer

Subject to the acceptance of Angsana, all issued HRC Preference Shares may be purchased in whole but not in part by the Company (the "**Parent Purchase Offer**"), on the date falling six (6) months from the Issuance Date (such date being the "**First Purchase Date**") at the Purchase Amount below for either:

- (i) Cash; or
- (ii) Such number of newly issued ordinary shares of the Company (the "**HACL Shares**") in accordance with the Investor Exchange Right below.

(c) Conversion Right (the "**Conversion Right**")

On or/and after the occurrence of an Exit Event below, Angsana will have the right to convert all of the HRC Preference Shares into 40.54% of the fully diluted ordinary share capital of HRC and, if applicable, participate in the Exit Event.

On or/and after the occurrence of an Event of Default below, Angsana will have the right to convert all of the outstanding HRC Preference Shares into 40.54% of the fully diluted ordinary share capital of HRC.

(d) Liquidation Preference

If an Event of Default has occurred that has not been remedied within 30 days, Angsana shall have the right to liquidate HRC, in which case Angsana is entitled to receive the higher of: (i) the outstanding Issue Amount plus an amount which would result in a 15% internal rate of return ("**IRR**") per annum on the Issue Amount (taking into account the receipt of any Preference Dividends) plus an amount equal to any deferred Preference Dividends and accrued interest on such deferred Preference Dividends; or (ii) the value of Angsana's stake in the Company, as if the Investor Exchange Right were exercised, in priority to any payment to holders of HRC Ordinary Shares.

Purchase Amount

The aggregate of the Issued Amount and the amount which would result in a 15% IRR per annum on the Issued Amount (taking into account the receipt of any Preference Dividends)

Investor Exchange Right
(into new HACL Shares)

Subject to the Parent Purchase Offer, the HRC Preference Shares are exchangeable at any time from the First Purchase Date into newly issued ordinary shares of the Company, computed as the relevant Purchase Amount divided by the exchange price (the "**Exchange Price**"), where the Exchange Price shall be the lower of:

- (a) S\$1.20 per HACL Share on a fully diluted basis; and
- (b) Volume weighted average price ("**VWAP**") of HACL Shares over the five (5) trading days immediately prior

to the Parent Purchase Offer,

each as adjusted downwards according to the Anti-Stake Dilution Exchange Price Adjustments stated below.

If for any legal or regulatory reason Angsana determines that it is not able to exchange the HRC Preference Shares for new HACL Shares within 30 calendar days from the acceptance of a Parent Purchase Offer, Angsana will have the right to demand that the Company offer a cash settlement alternative within a reasonable timeframe to be mutually agreed, but in any event not exceeding 90 days from such date of determination.

Anti-Stake Dilution
Exchange Price
Adjustments

The number of new HACL Shares issued to Angsana under the Parent Purchase Offer and pursuant to any exercise of the Investor Exchange Right shall be subject to further proportionate adjustment (if applicable), to ensure that Angsana's pro-forma fully diluted interest in the Company (on the basis of a 100% exercise and proportionately adjusted for any partial exchange and/or purchase by the Company) does not fall below 14.48%.

Exit Event

An Exit Event is the occurrence of:

- (a) a Qualifying IPO, which means an underwritten public offering of HRC or Anson's shares on an internationally recognised exchange to be mutually agreed between HRC and Angsana. (Minimum offering proceeds, pre-money market capitalisation and free float to be mutually agreed); or
- (b) a Qualifying Sale, which means the sale of all of HRC or Anson's shares, or a substantial disposal of the assets of HRC or Anson to a third party in an arm's length transaction, whether through a single transaction or a series of related transactions.

If there has been no Exit Event and Angsana has not accepted any Parent Purchase Offer on the date two (2) years after the Issuance Date (the "**Exit Event Long Stop Date**") and by serving four (4) month prior written notice (provided that no prior notice to the Company is required if an Event of Default has occurred and is continuing) to the Company, Angsana may require HRC and/or Anson (and the Company agrees to fully cooperate) to use all commercially reasonable endeavors to undertake an Exit Event which would enable Angsana to sell its HRC Ordinary Shares received in connection with the Conversion Right (as if exercised).

The right of Angsana to trigger an Exit Event at the Exit Event Long Stop Date will not apply (save for when an Event of Default has occurred and is continuing) if the Company has made at least four (4) Parent Purchase Offers since the First Purchase Date with at least one (1) Parent Purchase Offer within one (1) month of the Exit Event Long Stop Date and such Purchase Offer gave Angsana the option to select either a cash settlement or HACL Shares.

Events of Default:

The customary Events of Defaults relating to HRC, Anson and the Company including, *inter alia*:

- (i) failure to pay when due any amount owing under the HRC Preference Shares (for avoidance of doubt, deferral of the Preference Dividend in accordance with the terms of the HRC Preference Shares shall not

- constitute an Event of Default);
- (ii) cross default to any debt financing of either HRC, the Company or any material subsidiary;
- (iii) failure of the Company or HRC to exchange or convert HRC Preference Shares when required;
- (iv) breach of any representation and warranty (includes Angsana);
- (v) liquidation, dissolution, winding up, assignment to creditors of HRC, the Company or any material subsidiary;
- (vi) the agreement(s) ancillary to the Proposed Joint Investment and the Proposed Acquisition is, or become, unenforceable in any material respect;
- (vii) delisting of the Company; and
- (viii) The Company failing to retain at least 59.46% shareholding of HRC and/or the Company failing to retain management control of the Anson Group.

Transferability Subject to applicable law and *inter alia*, regulations and the listing rules of the SGX-ST (including but not limited to Rule 812(1) of the Catalist Rules), the HRC Preference Shareholder shall have the right to transfer or assign any of its rights under the HRC Preference Shares (a) any time after the first anniversary of the issuance of HRC Preference Shares; and (b) provided such transferees are not direct competitors of the Company. However, conditions (a) and (b) above shall not apply if an Event of Default has occurred.

4.3 Conditions Precedent to the Subscription and Shareholders' Agreement

The Completion of the Proposed Joint Investment is conditional upon the fulfilment (or waiver) of, *inter alia*, the following conditions:-

- (a) evidence satisfactory to the Investor that the issued share capital of HRC comprises S\$110,000,000 divided into 110,000,000 HRC Ordinary Shares held by the Company and the Company is the sole member of HRC;HRC
- (b) the warranties made by each of the Company, HRC and Angsana being true, complete and accurate in all respects as of the date of completion of the Proposed Joint Investment;
- (c) the necessary governmental or regulatory approvals having been made or obtained in connection with (i) the Subscription and Shareholders' Agreement and the transactions contemplated herein; and (ii) the Proposed Acquisition, and such approvals being in full force and effect as at date completion of the Proposed Joint Investment; and
- (d) there having been no material adverse change.

4.4 Use of Proceeds from the Proposed Joint Investment

The entire proceeds from the issuance of HRC Ordinary Shares and HRC Preference Shares shall be used solely to satisfy part of the Purchase Consideration, directly or indirectly.

5. RATIONALE FOR THE PROPOSED JOINT INVESTMENT

- 5.1 The Proposed Joint Investment is made in conjunction with the Proposed Acquisition. The Proposed Joint Investment will provide HRC with funds to undertake the Proposed Acquisition (over which the Board is of the view that it is in the best interests of the Company and its shareholders). The Board considers the Proposed Joint Investment a manner by which the Company can carry out the Proposed Acquisition without relying entirely on borrowings from financial institutions.

The Proposed Joint Investment will reduce the financing burden of the Company by S\$75 million which would have been incurred by the Group pursuant to the Proposed Acquisition. This will result in the Group's gearing ratio being at a reasonable level.

6. POTENTIAL TRANSFER OF CONTROLLING INTEREST

Rule 803 of the Catalist Rules provides that an issuer must not issue securities to transfer a controlling interest without the prior approval of shareholders in general meeting.

As at the date of this announcement, Angsana and its associates, Keystone and RM have aggregate interest in 36,315,611 shares, representing 9.17% of the issued share capital of the Company. In the event that the Company makes a Purchase Offer for HACL Shares, the aggregate shareholding interest of Angsana and its associates, Keystone and RM in the enlarged issued share capital of the Company may exceed 15% and hence, RM may be deemed a controlling shareholder of the Company within the meaning of the Catalist Rules. Furthermore, the Purchase Offer for HACL Shares may result in (i) a dilution of Dato' Lynette Le Mercier's (the current controlling shareholder of the Company) interest to below 15% or in any case, to below RM's aggregate interest; and (ii) RM, the sole beneficial owner of Angsana and Keystone, being the single largest shareholder of the Company. Accordingly, the issuance of HACL Shares pursuant to the Purchase Offer for HACL Shares is tantamount to a transfer of controlling interest of the Company from Dato' Lynette Le Mercier to RM.

As such, the Company will be seeking the approval of Shareholders at an EGM to be convened for the issuance of HACL Shares pursuant to the Purchase Offer which may result in the transfer of controlling interest to RM.

(C) FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION AND THE PROPOSED JOINT INVESTMENT

1. The financial effects of the Proposed Acquisition and the Proposed Joint Investment on the Group as set out below are for illustrative purposes only and do not reflect the actual financial performance or position of the Group after the Proposed Acquisition and/or Proposed Joint Investment. The financial effects set out below have been prepared based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2013 (“FY2013”), the audited consolidated financial statements of the Anson Group for FY2013 and on the following key assumptions:

- (a) the effect of the transaction on the earnings per share (“EPS”) and the earnings before interest, tax and depreciation (“EBITDA”) per share of the Group shown in paragraph 2 below is based on the assumptions that (i) the Proposed Acquisition had been effected at the beginning of FY2013, and (ii) the Parent Purchase Offer pursuant to the Proposed Joint Investment had been effected at the end of FY2013;
- (b) the effect of the transaction on the NTA per share and NAV per share of the Group shown in paragraph 3 below is based on the assumption that the Proposed Acquisition and the Parent Purchase Offer pursuant to the Proposed Joint Investment had been effected at the end of FY2013;
- (c) the effect of the transaction on the net gearing (“Net Gearing”) of the Group shown in paragraph 4 below is based on the assumption that the Proposed Acquisition and the Parent Purchase Offer pursuant to the Proposed Joint Investment had been effected at the end of FY2013; and
- (d) the HRC Preference Shares are purchased by the Company in accordance with the Parent Purchase Offer on the date falling twelve (12) months from the date of its issuance, with the Purchase Amount of S\$86.25 million (being the sum of the issue amount of HRC Preference Shares and the 15% IRR per annum, and assuming no Preference Dividend was paid during that period).

2. **EPS and EBITDA per share**

EPS	As at 31 December 2013	(I)	After (I) and the completion of the Parent Purchase Offer for		
		After the completion of the Proposed Acquisition	Cash	HACL Shares at the exchange price of S\$1.20 per HACL Share	HACL Shares at the exchange price of S\$0.9127 ⁽¹⁾ per HACL Share
Earnings (US\$'000)	9,093 ⁽²⁾	8,736 ⁽³⁾	11,888	11,888	11,888
Number of issued shares ('000)	396,000 ⁽⁴⁾	396,000 ⁽⁴⁾	396,000 ⁽⁴⁾	467,875 ⁽⁴⁾	490,500 ⁽⁴⁾
Adjusted EPS (US cents)	2.30	2.21	3.00	2.54	2.42
Adjusted EPS (S\$ cents) ⁽⁵⁾	2.87	2.76	3.76	3.18	3.03

EBITDA	As at 31 December 2013	(I)	After (I) and the completion of the Parent Purchase Offer for		
		After the completion of the Proposed Acquisition	Cash	HACL Shares at the exchange price of S\$1.20 per HACL Share	HACL Shares at the exchange price of S\$0.9127 ⁽¹⁾ per HACL Share
EBITDA (US\$'000)	11,547 ⁽⁶⁾	40,299 ⁽⁷⁾	40,299	40,299	40,299
Number of issued shares ('000)	396,000 ⁽⁴⁾	396,000 ⁽⁴⁾	396,000 ⁽⁴⁾	467,875 ⁽⁴⁾	490,500 ⁽⁴⁾
Adjusted EBITDA per share (US cents)	2.92	10.18	10.18	8.61	8.22
Adjusted EBITDA per share (S\$ cents) ⁽⁵⁾	3.65	12.73	12.73	10.78	10.28

Notes:-

- (1) VWAP of the Company's shares based on trades done on Catalist of the SGX-ST on the last 5 full market days preceding the date of the Subscription and Shareholders' Agreement.
- (2) The earnings is based on the consolidated profit attributable to the owners of the Company for FY2013.
- (3) Includes the earnings as set out in note (2), the Anson Group's audited net profit attributable to the owners of S\$23.9 million for FY2013, translated at the average exchange rate of US\$1.00:S\$1.2513 (being the Group's average exchange rate for FY2013) and interest costs of approximately US\$16.3 million for the loans to be undertaken for the Proposed Acquisition. However, this excludes any additional income arising from marketing and merchandising activities.
- (4) For comparative purpose, the number of ordinary shares in issue as at 30 June 2014 of 396,000,000 has been used.
- (5) Translated at the average exchange rate of US\$1.00:S\$1.2513 (being the Group's average exchange rate for FY2013).
- (6) The EBITDA is based on the consolidated EBITDA attributable to the owners of the Company for FY2013.
- (7) Includes the EBITDA as set out in note (6), the Anson Group's audited EBITDA of S\$43.1 million for FY2013, translated at the average exchange rate of US\$1.00:S\$1.2513 (being the Group's average exchange rate for FY2013).

3. NTA and NAV

NTA/(Net tangible liabilities) ("NTL")	As at 31 December 2013	(I)	After (I) and the completion of the Parent Purchase Offer for		
		After the completion of the Proposed Acquisition	Cash	HACL Shares at the exchange price of S\$1.20 per HACL Share	HACL Shares at the exchange price of S\$0.9127 ⁽¹⁾ per HACL Share
Consolidated NTA/(NTL) (US\$'000)	70,272 ⁽²⁾	(15,860) ⁽³⁾	(75,135) ⁽³⁾	(15,860) ⁽³⁾	(15,860) ⁽³⁾
Number of issued shares ('000)	396,000 ⁽⁴⁾	396,000 ⁽⁴⁾	396,000 ⁽⁴⁾	458,500 ⁽⁴⁾	478,174 ⁽⁴⁾
Adjusted NTA/(NTL) per share (US cents)	17.75	(4.01)	(18.97)	(3.46)	(3.32)
Adjusted NTA/(NTL) per share (S\$ cents) ⁽⁴⁾	22.45	(5.07)	(24.01)	(4.38)	(4.20)

NAV	As at 31 December 2013	(I)	After (I) and the completion of the Parent Purchase Offer for		
		After the completion of the Proposed Acquisition	Cash	HACL Shares at the exchange price of S\$1.20 per HACL Share	HACL Shares at the exchange price of S\$0.9127 ⁽¹⁾ per HACL Share
Consolidated net assets (US\$'000)	80,272 ⁽⁶⁾	162,216 ⁽⁷⁾	102,941 ⁽⁷⁾	162,216 ⁽⁷⁾	162,216 ⁽⁷⁾
Number of issued shares ('000)	396,000 ⁽⁴⁾	396,000 ⁽⁴⁾	396,000 ⁽⁴⁾	458,500 ⁽⁴⁾	478,174 ⁽⁴⁾
Adjusted net assets per share (US cents)	20.27	40.96	26.00	35.38	33.92
Adjusted net assets per share (S\$ cents) ⁽⁵⁾	25.65	51.83	32.89	44.77	42.92

Notes:-

- (1) VWAP of the Company's shares based on trades done on Catalist of the SGX-ST on the last 5 full market days preceding the date of the Subscription and Shareholders' Agreement.
- (2) Based on the Group's consolidated NTA as at 31 December 2013.
- (3) Includes the NTA as set out in note (2), the Anson Group's audited NTA of S\$193.8 million as at 31 December 2013, translated at the Group's exchange rate of US\$1.00: S\$1.2653 as at 31 December 2013, and purchase price adjustments for the Proposed Acquisition.
- (4) For comparative purpose, the number of ordinary shares in issue as at 30 June 2014 of 396,000,000 has been used.
- (5) Translated at the Group's exchange rate of US\$1.00: S\$1.2653 as at 31 December 2013.

- (6) Based on the Group's consolidated NAV as at 31 December 2013.
- (7) Includes the NAV as set out in note (6), the Anson Group's audited net assets of S\$193.8 million as at 31 December 2013, translated at the Group's exchange rate of US\$1.00: S\$1.2653 as at 31 December 2013, and purchase price adjustments for the Proposed Acquisition.

4. Net Gearing

	As at 31 December 2013	(I)	After (I) and the completion of the Parent Purchase Offer for		
		After the completion of the Proposed Acquisition	Cash	HACL Shares at the exchange price of S\$1.20 per HACL Share	HACL Shares at the exchange price of S\$0.9127 ⁽¹⁾ per HACL Share
Net Debt (US\$'000)	(31,545) ⁽²⁾	229,349 ⁽³⁾	288,624	229,349	229,349
Total Equity (US\$'000)	80,272	162,216	102,941	162,216	162,216
Net Gearing (%)	(39.3)	141.4	280.4	141.4	141.4

Notes:-

- (1) VWAP of the Company's shares based on trades done on Catalist of the SGX-ST on the last 5 full market days preceding the date of the Subscription and Shareholders' Agreement.
- (2) Based on the Group's net cash position as at 31 December 2013.
- (3) Includes the net debt set out in note (2), the Anson Group's audited net debt position as at 31 December 2013, translated at the Group's exchange rate of US\$1.00: S\$1.2653 as at 31 December 2013, and the loans undertaken for the Proposed Acquisition.

(D) INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the date hereof, save for RM and Keystone, none of the Directors and to the best of the Directors' knowledge, none of the substantial shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Acquisition and/or the Proposed Joint Investment, other than that arising from their respective shareholdings and/or directorships, as the case may be, in the Company.

(E) CIRCULAR

The Company will be seeking specific approval of Shareholders at an EGM to be convened for the Proposed Acquisition and the Proposed Joint Investment. The Proposed Acquisition and the Proposed Joint Investment are conditional upon each other. Shareholders should note that if the Proposed Joint Investment is not approved by Shareholders, the Company will not be able to complete the Proposed Acquisition, and vice versa.

RM will abstain from voting, and undertakes to ensure that his associates will abstain from voting on the ordinary resolution relating to the Proposed Acquisition and the ordinary resolution relating to the Proposed Joint Investment in the EGM.

A circular containing, *inter alia*, the notice of EGM and the details of the aforementioned transactions will be despatched to the Shareholders in due course.

(F) RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition and Proposed Joint Investment, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement 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 announcement in its proper form and context.

(G) DOCUMENT FOR INSPECTION

Copies of the SPA, the Subscription and Shareholders' Agreement and the Independent Valuation Report are available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the registered office of the Company at 250 North Bridge Road, #12-01 Raffles City Tower, Singapore 179101 for a period of three (3) months commencing from the date of this announcement.

(H) CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the shares of the Company, and where in doubt as to the action they should take, they should consult their financial, tax or other advisors.

By Order of the Board

Robert Meyer
Executive Chairman and CEO
11 July 2014

The Company was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 1 February 2013. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.

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

The contact person for the Sponsor is Mr Mark Liew, Managing Director, Corporate Finance, at 20 Cecil Street, #21-02 Equity Plaza, Singapore 049705, telephone (65) 6229 8088.