**CIRCULAR DATED 18 JULY 2014**

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

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

If you have sold or transferred all your shares in the capital of Halcyon Agri Corporation Limited (the "**Company**") represented by physical share certificate(s), please forward this Circular together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form, immediately to the purchaser or transferee or to the bank, stockbroker, or to the 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, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this Circular.

This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes 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 Mark Liew, Managing Director, Corporate Finance at 20 Cecil Street, #21-02 Equity Plaza, Singapore 049705, telephone: (65) 6229 8088.

HALCYON AGRI

# HALCYON AGRI CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200504595D)

## CIRCULAR TO SHAREHOLDERS

in relation to the

**(1) 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 OF THE SGX-ST (THE "CATALIST RULES") (THE "PROPOSED ACQUISITION");**

**(2) ESTABLISHMENT OF A JOINT INVESTMENT AS AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE CATALIST RULES (THE "PROPOSED JOINT INVESTMENT"); AND**

**(3) PROPOSED CHANGE OF AUDITORS.**

Independent Financial Adviser to the Non-Interested Directors in respect of the Proposed Acquisition
Independent Financial Adviser to the Audit Committee and Non-Interested Directors in respect of the Proposed Joint Investment

ASIASONS WFG
亚 昇 威 豪 金 融

## ASIASONS WFG CAPITAL PTE LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200002789M)

**IMPORTANT DATES AND TIMES:**

| | | |
|---|---|---|
| Last date and time for lodgement of Proxy Form | : | 2 August 2014 at 10.00 a.m. |
| Date and time of Extraordinary General Meeting | : | 4 August 2014 at 10.00 a.m. |
| Place of Extraordinary General Meeting | : | RELC International Hotel<br>30 Orange Grove Road (Off Orchard Road)<br>Singapore 258352 |

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

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| "**1Q2014**" | : | The financial period ended 31 March 2014 |
| "**Acquisition IFA Letter**" | : | The letter dated 18 July 2014 from the IFA to the Non-Interested Directors, in relation to the Proposed Acquisition, a copy of which is reproduced in Appendix A of this Circular |
| "**Angsana**" or "**Investor**" | : | Angsana Capital Ltd., a company incorporated in the British Virgin Islands with company registration number 1810862 |
| "**Anson**" | : | Anson Company (Private) Limited, a private company limited by shares incorporated in the Republic of Singapore with company registration number 195700150E |
| "**Anson Group**" | : | Anson and its subsidiaries |
| "**Anson Shares**" | : | 26,000 ordinary shares in the share capital of Anson, representing the entire issued and paid-up capital of Anson |
| "**Anti-Stake Dilution Exchange Price Adjustments**" | : | Has the meaning as ascribed to it in Paragraph 3.4.2 of this Circular, under the section entitled "Anti-Stake Dilution Exchange Price Adjustments" |
| "**Audit Committee**" | : | The audit committee of the Company as at the date of this Circular, being Mr Alan Rupert Nisbet, Mr Randolph Khoo Boo Teck, Mr Jason Lewis Barakat-Brown and Mr Pascal Guy Chung Wei Demierre |
| "**Auditors**" | : | The auditors of the Company as appointed from time to time |
| "**Board**" | : | The board of Directors of the Company as at the date of this Circular, being Mr Robert Gunther Meyer, Mr Pascal Guy Chung Wei Demierre, Mr Alan Rupert Nisbet, Mr Randolph Khoo Boo Teck and Mr Jason Lewis Barakat-Brown |
| "**Business Day**" | : | A day (other than a Saturday, a Sunday or a gazetted public holiday in Singapore) when banks in Singapore are open for business and "**Business Days**" shall be construed accordingly |
| "**Catalist**" | : | The sponsor-supervised listing platform of the SGX-ST |
| "**Catalist Rules**" | : | The Listing Manual Section B: Rules of Catalist of the SGX-ST, as amended or modified from time to time |
| "**CDP**" | : | The Central Depository (Pte) Limited |
| "**CEO**" | : | Chief Executive Officer |
| "**Circular**" | : | This circular dated 18 July 2014 issued by the Company to the Shareholders |
| "**Company**" or "**HAC**" | : | Halcyon Agri Corporation Limited |
| "**Companies Act**" | : | The Companies Act, Chapter 50 of Singapore |

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| "**Completion**" | : The completion of the Proposed Acquisition in accordance with the terms of the SPA |
| "**Completion Date**" | : The date falling five (5) Business Days after the date on which all of the conditions precedent set out in the SPA are satisfied or waived |
| "**Controlling Shareholder(s)**" | : A person who:<br>(a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company, unless otherwise determined by the SGX-ST; or<br>(b) in fact exercises control over the Company |
| "**Deloitte**" | : Deloitte & Touche LLP |
| "**Deposit**" | : Has the meaning as ascribed to it in Paragraph 2.4.2 of this Circular |
| "**Directors**" | : The directors of the Company as at the date of this Circular |
| "**EBITDA**" | : Earnings before interest, tax and depreciation |
| "**EGM**" | : Extraordinary general meeting |
| "**EPS**" | : Earnings per Share |
| "**Ernst & Young**" | : Ernst & Young LLP |
| "**Exchange Price**" | : Has the meaning as ascribed to it in Paragraph 3.4.2 of this Circular under the section entitled "Investor Exchange Right" |
| "**Exit Event Long-Stop Date**" | : Has the meaning as ascribed to it in Paragraph 3.4.2 of this Circular under the section entitled "Exit Event" |
| "**First Purchase Date**" | : Has the meaning as ascribed to it in Paragraph 3.4.2 of this Circular under the section entitled "Structure of the HRC Preference Shares" |
| "**FY**" | : The financial year ended, or as the case may be, ending 31 December |
| "**HAC Group**" | : The Company and its subsidiaries |
| "**HACL Shares**" | : New ordinary shares of the Company to be issued to the holder of HRC Preference Shares pursuant to the Purchase Offer, computed as the relevant Purchase Amount divided by the Exchange Price |
| "**HRC**" or "**Purchaser**" | : Halcyon Rubber Company Pte. Ltd., a wholly owned subsidiary of the Company |
| "**HRC Ordinary Shares**" | : The 109,999,999 ordinary shares to be issued by HRC to the Company pursuant to the Subscription and Shareholders' Agreement |

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| "**HRC Preference Shares**" | : | The 75,000,000 preference shares to be issued by HRC to Angsana pursuant to the Subscription and Shareholders' Agreement |
| "**Independent Financial Adviser**", "**IFA**" or "**Asiasons WFG**" | : | Asiasons WFG Capital Pte Ltd, the independent financial adviser to the Non-Interested Directors in respect of the Proposed Acquisition, and to the Audit Committee and Non-Interested Directors in respect of the Proposed Joint Investment |
| "**Independent Valuer**" | : | KJPP Hendra Gunawan dan Rekan, an independent firm of professional valuers |
| "**IDR**" | : | Indonesian Rupiah |
| "**Interested Person(s)**" | : | Means:<br><br>(a) a director, chief executive officer, or controlling shareholder of the Company; or<br><br>(b) an associate of any such director, chief executive officer or controlling shareholder. |
| "**Investment IFA Letter**" | : | The letter dated 18 July 2014 from the IFA to the Audit Committee and Non-Interested Directors, in relation to the Proposed Joint Investment, a copy of which is reproduced in Appendix B of this Circular |
| "**Investor Exchange Right**" | : | Has the meaning as ascribed to it in Paragraph 3.4.2 of this Circular under the section entitled "Investor Exchange Right" |
| "**IPT**" | : | Interested person transaction |
| "**IRR**" | : | Internal rate of return |
| "**Issued Amount**" | : | The issue amount of the HRC Preference Shares, being S$75,000,000 |
| "**Key Assets**" | : | The key assets and properties of the Anson Group which includes nine (9) crumb rubber factories in Indonesia together with all associated lands, buildings, machinery and equipment. Please refer to Paragraph 1.3 of the executive summary of the Valuation Report for details of the Key Assets |
| "**Keystone**" | : | Keystone Pacific Pte. Ltd., a private company limited by shares incorporated in the Republic of Singapore, which is wholly owned by RM |
| "**Latest Practicable Date**" | : | 11 July 2014, being the latest practicable date prior to the printing of this Circular |
| "**Long-Stop Date**" | : | 10 September 2014, being the date falling two (2) months from the date of the SPA or such other date as may be mutually agreed in writing between the Purchaser and the Vendors |
| "**Market Day**" | : | A day on which the SGX-ST is open for trading in securities |

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| "**Minimum Exchange Scenario**" | : | Has the meaning as ascribed to it in Paragraph 3.6.1 of this Circular |
| "**NAV**" | : | Net asset value, being total assets less total liabilities |
| "**Natural Rubber**" | : | An elastic hydrocarbon polymer that is derived from latex, which is the sap derived from the Hevea Brasiliensis tree. The sap is collected either in its liquid form to produce rubber latex or left to coagulate to produce a solid dry rubber |
| "**Net Gearing**" | : | The ratio of the HAC Group's total net bank borrowings (being total bank borrowings net of cash) to its total equity |
| "**NTA**" | : | Net tangible assets, being net assets less intangible assets |
| "**Notice of EGM**" | : | The notice of the EGM set out on page 88 of this Circular |
| "**Non-Interested Directors**" | : | Mr Pascal Guy Chung Wei Demierre, Mr Alan Rupert Nisbet, Mr Randolph Khoo Boo Teck and Mr Jason Lewis Barakat-Brown |
| "**Preference Dividend**" | : | Has the meaning as ascribed to it in Paragraph 3.4.2 of this Circular under the section entitled "Structure of HRC Preference Shares" |
| "**Prevailing VWAP**" | : | Has the meaning as ascribed to it in Paragraph 5.1(c) of this Circular |
| "**Prevailing VWAP Scenario**" | : | Has the meaning as ascribed to it in Paragraph 5.1(c) of this Circular |
| "**Proposed Acquisition**" | : | The proposed acquisition by the Purchaser of the Anson Shares |
| "**Proposed Change of Auditors**" | : | The proposed change of Auditors from Deloitte to Ernst & Young |
| "**Proposed Joint Investment**" | : | The proposed joint investment by the Company and Angsana in HRC, pursuant to which the Company will subscribe for HRC Ordinary Shares for S$109,999,999 and Angsana will subscribe for HRC Preference Shares for S$75,000,000 |
| "**PT. Remco**" | : | PT. Hadji Djamaloedin and Hadji Shamsoedin Rubber Remilling |
| "**Purchase Amount**" | : | Has the meaning as ascribed to it in Paragraph 3.4.2 of this Circular under the section entitled "Purchase Amount" |
| "**Purchase Consideration**" | : | The purchase consideration of S$450 million payable in cash by the Purchaser to the Vendors for the acquisition of the Anson Shares pursuant to the terms and conditions of the SPA as detailed in Paragraph 2.4.2 of this Circular |
| "**Purchase Offer**" | : | Has the meaning as ascribed to it in Paragraph 3.4.2 of this Circular under the section entitled "Structure of the HRC Preference Shares" |
| "**RM**" | : | Mr Robert Gunther Meyer, the Executive Chairman and CEO of the HAC Group |

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| "**S$1.20 Exchange Scenario**" | : | Has the meaning as ascribed to it in Paragraph 5.1(b) of this Circular |
| "**Securities Accounts**" | : | Securities accounts maintained by a Depositor with CDP but does not include securities sub-accounts |
| "**SGXNET**" | : | The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies |
| "**SGX-ST**" | : | Singapore Exchange Securities Trading Limited |
| "**Shareholders**" | : | The registered holders of Shares in the register of members of the Company, where CDP is the registered holder, the term "**Shareholders**" shall, in relation to such Shares, mean the Depositors in the Depository Register and whose Securities Accounts maintained with CDP are credited with those Shares |
| "**Shares**" | : | Ordinary shares in the issued share capital of the Company |
| "**SIR**" | : | Standard Indonesian Rubber |
| "**SPA**" | : | The sale and purchase agreement dated 11 July 2014 entered into between the Vendors and the Purchaser in respect of the Proposed Acquisition |
| "**Subscription and Shareholders' Agreement**" | : | The Subscription and Shareholders' Agreement dated 11 July 2014 entered into between Angsana, HRC and the Company pursuant to which the Company will subscribe for HRC Ordinary Shares for S$109,999,999 and Angsana will subscribe for HRC Preference Shares for S$75,000,000 |
| "**S$**" and "**cents**" | : | Singapore dollars and cents respectively, being the lawful currency of Singapore |
| "**Undertaking Shareholders**" | : | Dato' Lynette 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 |
| "**Valuation Report**" | : | The valuation report issued by the Independent Valuer dated 15 June 2014 in relation to the Key Assets of Anson Group, in which a copy of its executive summary is set out in Appendix C of this Circular |
| "**Vendors**" | : | Selat (Pte) Limited, Singapore Investments (Pte) Limited and Lee Latex (Pte) Limited, collectively the "**Vendors**" and each a "**Vendor**" |
| "**VWAP**" | : | Volume weighted average price |
| "**Waiver**" | : | Has the meaning as ascribed to it in Paragraph 2.7 of this Circular |
| "**Waiver Application**" | : | Has the meaning as ascribed to it in Paragraph 2.8.1 of this Circular |
| "**US$**" | : | United States dollars |
| "**%**" or "**per cent.**" | : | Percentage or per centum |

The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The term “**associate**” shall has the meaning ascribed to it in the Catalist Rules.

The terms “**subsidiaries**”, “**Substantial Shareholders**” and “**related corporations**” shall have the meanings ascribed to them respectively in the Companies Act.

Except where specifically defined, the terms “**we**”, “**us**” and “**our**” in this Circular refer to the HAC Group.

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 and vice versa. References to persons shall, where applicable, include corporations.

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

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

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 the Catalist Rules 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 the Catalist Rules or any statutory modification thereof, as the case may be.

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

# HALCYON AGRI CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 200504595D)

**Directors:**

Robert Gunther Meyer, Executive Chairman and CEO
Pascal Guy Chung Wei Demierre, Executive Director
Alan Rupert Nisbet, Lead Independent Director
Randolph Khoo Boo Teck, Independent Director
Jason Lewis Barakat-Brown, Independent Director

**Registered Office:**

250 North Bridge Road
#12-01 Raffles City Tower
Singapore 179101

18 July 2014

To: The Shareholders of Halcyon Agri Corporation Limited

Dear Sir/Madam

**(1) PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF ANSON COMPANY (PRIVATE) LIMITED UNDER CHAPTER 10 OF THE CATALIST RULES;**

**(2) ESTABLISHMENT OF A JOINT INVESTMENT AS AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE CATALIST RULES; AND**

**(3) PROPOSED CHANGE OF AUDITORS.**

## 1. INTRODUCTION

1.1 The Company announced on 11 July 2014 that its wholly owned subsidiary, HRC, entered into the SPA dated 11 July 2014 with the Vendors for the acquisition of the entire issued and paid up share capital of Anson (including its subsidiaries) from the Vendors for an aggregate purchase consideration of S$450 million, on such terms and subject to the conditions of the SPA. The key terms of the SPA are set out in Paragraph 2.4 of this Circular.

Further details on the Proposed Acquisition are set out in Paragraph 2 of this Circular.

1.2 For the purpose of the Proposed Acquisition, the Company has entered into the Subscription and Shareholders' Agreement dated 11 July 2014 with Angsana and HRC, pursuant to which the Company will subscribe for HRC Ordinary Shares for S$109,999,999 and Angsana will subscribe for HRC Preference Shares for S$75,000,000. The Proposed Joint Investment requires Shareholders' approval due to the following reasons:

(a) Angsana is a company wholly owned by Keystone, which is a company wholly owned by RM, the Executive Chairman and CEO of the Company. Therefore, Angsana is an associate of RM and an Interested Person falling within the meaning of Chapter 9 of the Catalist Rules and the Proposed Joint Investment constitutes an IPT under Chapter 9 of the Catalist Rules; and

(b) under the Subscription and Shareholders' Agreement and subject to a Purchase Offer with HACL Shares being made, all issued HRC Preference Shares may be purchased by the Company, in whole but not in part, with such number of HACL Shares in accordance with the Investor Exchange Right. In the event that the Company makes a Purchase Offer with 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 with 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 shareholder of Angsana and Keystone, being the single largest Shareholder of the Company.

Accordingly, the issuance of HACL Shares pursuant to the Purchase Offer with HACL Shares is tantamount to a transfer of controlling interest of the Company from Dato' Lynette Le Mercier to RM, and therefore is subject to the approval of Shareholders under Rule 803 of the Catalist Rules.

Further details of the Proposed Joint Investment and potential transfer of controlling interest are set out in Paragraph 3 of this Circular.

1.3 Both the completion of the Proposed Acquisition and the Proposed Joint Investment are conditional upon the approval of the Shareholders. The Proposed Acquisition and the Proposed Joint Investment are conditional upon each other due to the following reasons:

(a) the establishment of the Proposed Joint Investment is for the purpose of the Proposed Acquisition; and

(b) the Proposed Acquisition requires the funds raised from the completion of the Proposed Joint Investment to satisfy part of the Purchase Consideration.

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*.

Each of the Undertaking Shareholders has provided an irrevocable undertaking to the Company, to vote in favour of Ordinary Resolution 1 relating to the Proposed Acquisition and Ordinary Resolution 2 relating to the Proposed Joint Investment as an IPT as set out in the Notice of EGM. Additional details on the undertakings are set out in Paragraph 13 below.

1.4 On 16 July 2014, the Board announced that the Company is proposing to change the Auditors from Deloitte to Ernst & Young.

Further details on the Proposed Change of Auditors are set out in Paragraph 6 of this Circular.

1.5 The purpose of this Circular is to provide Shareholders with relevant information and to seek Shareholders' approval for the:

(a) Proposed Acquisition;

(b) Proposed Joint Investment as an IPT; and

(c) Proposed Change of Auditors,

at the EGM, notice of which is set out on page 88 of this Circular.

## 2. DETAILS OF THE PROPOSED ACQUISITION

### 2.1 Information on the Vendors

2.1.1 Selat (Pte) Limited

Selat (Pte) Limited is a company incorporated in Singapore which holds 7,530 Anson Shares (approximately 28.96% of the total issued share capital of Anson). Its principal activities are to carry out business as a property and oil palm estate owner as well as that of investment holding.

2.1.2 Singapore Investments (Pte) Limited

Singapore Investments (Pte) Limited is a company incorporated in Singapore which holds 8,880 Anson Shares (approximately 34.15% of the total issued share capital of Anson). It is an investment holding company which also holds and manages properties for rental income.

2.1.3 Lee Latex (Pte) Limited

Lee Latex (Pte) Limited is a company incorporated in Singapore which holds 9,590 Anson Shares (approximately 36.89% of the total issued share capital of Anson). Its principal activities are to carry out latex processing and exporting business. It is also an investment holding company.

2.2 **Information on the Anson Group**

2.2.1 Anson is an investment holding company incorporated in Singapore which also provides management services to its Indonesian subsidiaries, PT. Hok Tong, PT. Remco, PT. Rubber Hock Lie and PT. Sunan Rubber. The Anson Group is in the business of producing SIR and is part of the Lee Rubber group of companies.

2.2.2 Anson Group owns and operates nine (9) crumb rubber factories together with all associated lands, buildings, machinery and equipment in Indonesia, which are capable of producing numerous grades of SIR including SIR20, SIR10, SIR20VK and compound.

2.2.2 The details of Anson's subsidiaries are set out below:

| Name of Subsidiary | % shareholding held by Anson (directly and indirectly) | Assets | Licensed export capacity per annum[1] (metric tonnes) |
|---|---|---|---|
| PT. Hok Tong | 99.99[2] | Four (4) crumb rubber factories located in the regions of South Sumatra, Jambi and West Kalimantan | 218,000 |
| PT. Remco | 75.00[3] | Two (2) crumb rubber factories located in the regions of South Sumatra and Jambi | 86,000 |
| PT. Rubber Hock Lie | 77.78[4] | Two (2) crumb rubber factories located in the regions of North Sumatra | 44,000 |
| PT. Sunan Rubber | 53.75[5] | One (1) crumb rubber factory located in the region of South Sumatra | 60,000 |
| | | **Total** | **408,000** |

**Notes:**

(1) Based upon data from Gabungan Perusahaan Karet Indonesia (GAPKINDO) or the Rubber Association of Indonesia, an association of Indonesian enterprises dealing in rubber.

(2) The remaining equity interests of 0.01% in PT. Hok Tong is held by South Thai Co.

(3) The remaining equity interests of 25.00% in PT. Remco are held by three individuals who are not related to the HAC Group with the two largest minority shareholders holding 9.4% equity interest each in PT. Remco.

(4) The remaining equity interests of 22.22% in PT. Rubber Hock Lie are held by five individuals who are not related to the HAC Group with the single largest minority shareholder holding 10.59% equity interest in PT. Rubber Hock Lie.

(5) The remaining equity interest of 46.25% in PT. Sunan Rubber are held by 10 individuals who are not related to the HAC Group. The two largest minority shareholders holds 12.73% equity interest each in PT. Sunan Rubber.

Of the above nine (9) factories, four (4) are located in Palembang, Indonesia, and two (2) are located in Jambi, Indonesia. These six (6) factories are in the immediate vicinity of the HAC 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, Indonesia. In aggregate, the Anson Group factories have a licensed export capacity of 408,000 metric tonnes per annum.

2.2.3 Based on the latest audited consolidated financial statements of the Anson Group for FY2013, the NAV and NTA of the Anson Group were S$193.83 million. The Anson Group recorded a profit before taxation of S$37.96 million for FY2013.

2.3 **Valuation of the Key Assets**

In connection with the Proposed Acquisition, the Company had on 1 April 2014, commissioned the Independent Valuer to conduct a valuation on the Key Assets. The aggregate value of the Key Assets was determined to be 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 Valuation Report, the valuation was based on market approach and cost approach.

2.3.1 <u>Market Approach</u>

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.

2.3.2 <u>Cost Approach</u>

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, labour, 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.

Details of the Key Assets are set out in the executive summary of the Valuation Report, a copy of which is reproduced in Appendix C of this Circular. Shareholders are advised to read the executive summary of the Valuation Report carefully in its entirety.

2.4 **Principal Terms of the SPA**

2.4.1 Anson Shares

The Proposed Acquisition involves the acquisition of the Anson Shares, free from all encumbrances and together with all rights, benefits and entitlements attaching thereto.

2.4.2 Purchase Consideration

The Purchase Consideration for the sale and purchase of the Anson Shares is S$450 million. 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 2.6 below, the intrinsic value of the Key Assets and the potential synergistic benefits to the HAC Group arising from the Proposed Acquisition.

The Purchase Consideration will be funded through a combination of internal resources, additional equity funds raised through the Proposed Joint Investment, together with (i) 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.

Upon execution of the SPA, a cash deposit of S$2,250,000, equivalent to 0.5% of the Purchase Consideration (the "**Deposit**") was paid to the Vendors' solicitor, who shall hold the Deposit pending Completion. The Deposit shall be applied towards satisfaction of the Purchase Consideration upon Completion. The remaining Purchase Consideration of S$447,750,000 shall be fully satisfied in cash by the Purchaser on Completion.

2.4.3 Completion

Completion is conditional upon the satisfaction (or waiver) of the conditions precedent stipulated in the SPA, on or before the Long-Stop Date. Completion is to take place on the date falling five (5) business days after the date on which all of the conditions precedent are satisfied or waived.

2.4.4 Conditions Precedent to the Proposed Acquisition

The Completion of the Proposed Acquisition is conditional upon the fulfilment (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 Completion Date;

(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 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.

2.5 **Management of Anson Group post-Completion**

Pursuant to the terms of the Proposed Acquisition, the management teams of the operating subsidiaries of the Anson Group will become employees of the HAC 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.

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 HAC Group's existing operations and to manage the enlarged operations, especially as they are largely similar to the Company's existing assets.

2.6 **Rationale for the Proposed Acquisition**

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 HAC Group would be able to derive significant synergistic benefits as the Anson Group's operations strategically and operationally complement the HAC 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 HAC Group's business, the Directors are of the view that integration of the operations would not be overly complicated;

(b) with the nine (9) additional crumb rubber factories following the completion of the Proposed Acquisition, the Directors expect to increase the scale and scope of the HAC Group's Natural Rubber processing capabilities. This will expand the HAC Group's 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 HAC Group's existing two (2) HMK factories in Palembang with a total licensed export capacity of 110,000 metric tonnes per annum, the Proposed Acquisition propels the HAC 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 per annum, 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 metric tonnes per year to 748,000 metric tonnes per year. The combined processing activities of the enlarged entity will enable the HAC 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 HAC 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 HAC Group and the Anson Group will allow the HAC 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 HAC 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 rubber factory opened in Palembang, Indonesia. The Directors believe that acquiring the Anson Group will enhance the HAC Group's position as a major player in the Natural Rubber market.

For reference, Anson's key consolidated financial figures for FY2011, FY2012 and FY2013 are as follows:

| | FY2011 | FY2012 | FY2013 |
|---|---|---|---|
| Revenue (S$) | 1,924,362,867 | 1,239,326,010 | 963,226,800 |
| Profit before income tax (S$) | 97,306,399 | 38,393,440 | 37,961,772 |
| Profit for the year (S$) | 74,012,957 | 29,857,265 | 29,057,677 |

2.7 **Relative Figures under Rule 1006 of the Catalist Rules**

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 unaudited consolidated financial statements of the HAC Group for the 1Q2014 are set out below:

| Rule 1006 | Bases | Relative Figures (%) |
|---|---|---|
| (a) | Net asset value of the assets to be disposed of, compared with the HAC Group's net asset value | Not applicable (1) |
| (b) | Net profits(2) attributable to the assets acquired, compared with the HAC 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 HAC 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 HAC Group's average exchange rate of US$1.00: S$1.2513) for FY2013, and net profit of the HAC 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 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.

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**"). Additional details on the Waiver are set out in Paragraph 2.8 below. Pursuant to the Waiver, the Proposed Acquisition would be considered a "Major Transaction" pursuant to Rule 1014 of the Catalist Rules.

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

2.8.1 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**").

2.8.2 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 HAC Group's existing core business and is in line with the HAC 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 HAC 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 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 HAC 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 HAC 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 from 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 the EGM.

As at the Latest Practicable Date, the Company has obtained undertakings from the Undertaking Shareholders. Additional details on the undertakings are set out in Paragraph 13 of this Circular.

2.8.3 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 written 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.

2.8.4 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. The Board announced the Waiver on 11 July 2014.

2.8.5 As at the Latest Practicable Date, save for the approval of Shareholders for the Proposed Acquisition, all the above conditions set out in Paragraph 2.8.3 of this Circular have been satisfied. The Company is seeking the approval of Shareholders for the Proposed Acquisition at the EGM before the Completion.

2.9 **Directors' Service Contracts**

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.

## 3. DETAILS OF THE PROPOSED JOINT INVESTMENT

### 3.1 The Subscription and Shareholders' Agreement

For the purpose of and as part of the funding requirements for the Proposed Acquisition, the Company had on 11 July 2014, entered into the Subscription and Shareholders' Agreement with Angsana, pursuant to which the Company will subscribe for HRC Ordinary Shares for S$109,999,999 and Angsana will subscribe for HRC Preference Shares for S$75,000,000, subject to the terms and conditions of the Subscription and Shareholders' Agreement.

Angsana is a company wholly owned by Keystone, a Substantial Shareholder of the Company and wholly owned by RM, the Executive Chairman and CEO of the Company as at the Latest Practicable Date. 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 IPT,

within the meaning of Chapter 9 of the Catalist Rules.

The value of the IPT is approximately S$110 million, and based on the HAC Group's 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 HAC Group's NTA. Accordingly, the Proposed Joint Investment requires Shareholders' approval pursuant to Rule 906 of Catalist Rules.

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 FY2014.

3.2 **Information on HRC**

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.

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.

3.3 **Capital Structure**

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 total 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 comprising both ordinary and preference shares (%) | 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.

On 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).

3.4 **Principal terms of the Subscription and Shareholders' Agreement**

3.4.1 Terms of the HRC Ordinary Shares

The HRC Ordinary Shares have, *inter alia*, the following salient terms:

| | |
|---|---|
| Issue Amount | S$109,999,999 or S$1 per HRC Ordinary Share. |
| 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$75,000,000 from Angsana. |

Features of the HRC Ordinary Shares

(a) Voting Right

The Company, as the HRC ordinary shareholder has the right to vote in general meetings of HRC. Each HRC Ordinary Share carries the right to one vote.

(b) Dividend

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 HRC Ordinary Shares shall be paid after all accrued dividends (including any unpaid dividend interest) for HRC Preference Shares are paid.

3.4.2 Terms of the HRC Preference Shares

Pursuant to the Subscription and Shareholders' Agreement, the Company 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 Share.

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) Cumulative and Preference Dividend

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) 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 "**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 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% 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 Issue Amount and the amount which would result in a 15% IRR per annum on the Issue Amount (taking into account the receipt of any Preference Dividends).

Investor Exchange Right — Subject to the Purchase Offer, the HRC Preference Shares are exchangeable at any time from the First Purchase Date into HACL Shares 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) VWAP of HACL Shares over the five (5) trading days immediately prior to the 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 HACL Shares within 30 calendar days from the acceptance of a 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 HACL Shares to be issued to Angsana under the 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:<br><br>(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<br><br>(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.<br><br>If there has been no Exit Event and Angsana has not accepted any Purchase Offer on the date two (2) years after the Issuance Date (the "**Exit Event Long-Stop Date**") and by serving four (4) months 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).<br><br>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) 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*:<br><br>(a) 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); |

| | |
|---|---|
| | (b) cross default to any debt financing of either HRC, the Company or any material subsidiary;<br><br>(c) failure of the Company or HRC to exchange or convert HRC Preference Shares when required;<br><br>(d) breach of any representation and warranty by HRC or the Company;<br><br>(e) liquidation, dissolution, winding up, assignment to creditors of HRC, the Company or any material subsidiary;<br><br>(f) the agreement(s) ancillary to the Proposed Joint Investment and the Proposed Acquisition is, or becomes, unenforceable in any material respect;<br><br>(g) delisting of the Company; and<br><br>(h) the Company failing to retain at least 59.46% shareholding of HRC. |
| 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. |
| Status of HACL Shares | The HACL Shares, when allotted and issued upon the acceptance of the Purchase Offer for HACL Shares, shall be credited as fully paid and free from all encumbrances and shall rank *pari passu* in all respects with the Shares then in issue, save that they shall not rank for any right to receive dividends and other distributions, the record date of which is prior to the date of conversion. |

3.4.3 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 Angsana 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;

(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 therein and (ii) the Proposed Acquisition, and such approvals being in full force and effect as at the date of completion of the Proposed Joint Investment; and

(d) there having been no material adverse change.

3.4.4 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.

3.5 **Rationale for the Proposed Joint Investment**

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$75,000,000 which would have been incurred by the HAC Group pursuant to the Proposed Acquisition. This will result in the HAC Group's gearing ratio being maintained at a level which is acceptable to the Directors.

3.6 **Potential transfer of Controlling Interest**

**The HRC Preference Shares may be purchased in whole but not in part by the Company for either cash or HACL Shares. In the event that the Company makes a Purchase Offer with HACL Shares, there may be a potential transfer of controlling interest which is further explained below.**

3.6.1 Minimum Exchange Scenario

Pursuant to the Subscription and Shareholders' Agreement and subject to a Purchase Offer with HACL Shares being made, all HRC Preference Shares may be purchased by the Company, in whole but not in part, with such number of HACL Shares computed as:

$$\text{HACL Shares} = \frac{\text{Purchase Amount}}{\text{Exchange Price}}$$

The number of new HACL shares to be issued to the holder of HRC Preference Shares will increase when the Exchange Price is lower and *vice versa*.

For illustration purposes, the minimum number of new HACL Shares to be issued to Angsana, computed using the minimum Purchase Amount of S$80,474,748 (being the Purchase Amount of HRC Preference Shares on the First Purchase Date, assuming that no Preference Dividend was paid) divided by the maximum Exchange Price of S$1.20, amounts to 67,062,290 Shares, which represents 14.48% of the Company's issued and paid-up Shares of 463,062,290 upon the completion of the Purchase Offer with HACL Shares under the aforementioned scenario.

3.6.2 Anti-Stake Dilution Exchange Price Adjustments

The Subscription and Shareholders' Agreement provides that in the event the Company undertakes any corporate action which will result in a dilution of the Shareholders' shareholdings interest in the Company, the Exchange Price shall be adjusted to ensure that the interest of the holder of HRC Preference Shares in the Company shall be as if such dilution event has not occurred and/or does not fall below 14.48% of the enlarged share capital of the Company.

3.6.3 According to the Anti-Stake Dilution Exchange Price Adjustments and based on the Minimum Exchange Scenario, the holder of HRC Preference Shares will acquire a minimum of 14.48% shareholding interest on a fully diluted basis in the Company upon completion of the Purchase Offer with HACL Shares.

3.6.4 As at the Latest Practicable Date, 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 the Company makes a Purchase Offer with HACL Shares and based on the Minimum Exchange Scenario and Anti-Stake Dilution Exchange Price Adjustments, 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 with HACL Shares may result in:

(a) 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

(b) RM, the sole shareholder of Angsana and Keystone, being the single largest Shareholder of the Company.

Accordingly, the issuance of HACL Shares pursuant to the Purchase Offer with HACL Shares is tantamount to a transfer of controlling interest of the Company from Dato' Lynette Le Mercier to RM.

3.6.5 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 such, the Company is seeking approval of Shareholders at the EGM for the issuance of HACL Shares pursuant to the Purchase Offer. Shareholders should note that approving the Proposed Joint Investment will approve the performances by the Company in accordance to the Subscription and Shareholders' Agreement, including the potential issuance of HACL Shares to Angsana and/or its associates pursuant to the Purchase Offer, which may result in a transfer of controlling interest from Dato' Lynette Le Mercier to RM.

3.6.6 Shareholders should note that under the Subscription and Shareholders' Agreement, the Company would not be permitted to make a Purchase Offer with HACL Shares if Angsana and its associates, Keystone and RM, would be obliged to make a mandatory general offer in accordance with the Singapore Code of Take-overs and Mergers in connection with the acceptance of such HACL Shares.

For illustrative purpose, the shareholding effects of the Purchase Offer with HACL Shares on the Directors and Substantial Shareholders of the Company is set out in Paragraph 5.1 of this Circular.

3.7 If the Company makes a Purchase Offer with HACL Shares which is accepted by Angsana, and if required, the sponsor of the Company, PrimePartners Corporate Finance Pte. Ltd., will make an application on behalf of the Company to the SGX-ST for the listing of and quotation for the HACL Shares on the Catalist (the "**Listing Approval**").

The Company will make the necessary announcements once the Listing Approval has been obtained from the SGX-ST.

3.8 The Directors of the Company are of the opinion that, after taking into consideration the present bank facilities, the working capital available to the HAC Group is sufficient to meet its present requirements, and that the reason for the Proposed Joint Investment is to provide HRC with funds to undertake the Proposed Acquisition, as elaborated in Paragraph 3.5 of this Circular.

## 4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION AND THE PROPOSED JOINT INVESTMENT

4.1 The financial effects of the Proposed Acquisition and the Proposed Joint Investment on the HAC Group as set out below are for illustrative purposes only and do not reflect the actual financial performance or position of the HAC Group after the Proposed Acquisition and/or the Proposed Joint Investment. The financial effects set out below have been prepared based on the latest audited consolidated financial statements of the HAC Group for 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 EPS and the EBITDA per share of the HAC Group shown in Paragraph 4.2 below is based on the assumption that (i) the Proposed Acquisition had been effected at the beginning of FY2013, and (ii) the 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 HAC Group shown in Paragraph 4.3 below is based on the assumption that the Proposed Acquisition and the 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 of the HAC Group shown in Paragraph 4.4 below is based on the assumption that the Proposed Acquisition and the 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 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 and the 15% IRR per annum, assuming that no Preference Dividend was paid during that period).

### 4.2 EPS and EBITDA per share

| EPS | As at 31 December 2013 | (I) After the completion of the Proposed Acquisition | After (I) and the completion of the Purchase Offer with 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 the completion of the Proposed Acquisition | After (I) and the completion of the Purchase Offer with 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 the Catalist of the SGX-ST on the last five (5) full Market Days preceding the date of the Subscription and Shareholders' Agreement.

(2) The earnings are 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 HAC 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 purposes, 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 HAC 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 HAC Group's average exchange rate for FY2013).

4.3 **NTA and NAV**

| NTA/(Net tangible liabilities) ("NTL") | As at 31 December 2013 | (I) After the completion of the Proposed Acquisition | After (I) and the completion of the Purchase Offer with 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) [(5)] | 22.45 | (5.07) | (24.01) | (4.38) | (4.20) |

| NAV | As at 31 December 2013 | (I) After the completion of the Proposed Acquisition | After (I) and the completion of the Purchase Offer with 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 the Catalist of the SGX-ST on the last five (5) full Market Days preceding the date of the Subscription and Shareholders' Agreement.

(2) Based on the HAC 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 HAC Group's exchange rate of US$1.00: S$1.2653 as at 31 December 2013, and purchase price adjustments for the Proposed Acquisition. Please note that the purchase price adjustments are for illustration purposes and the final amount and purchase price allocation will be subject to determination upon completion of the transactions.

(4) For comparative purposes, the number of ordinary shares in issue as at 30 June 2014 of 396,000,000 has been used.

(5) Translated at the HAC Group's exchange rate of US$1.00: S$1.2653 as at 31 December 2013.

(6) Based on the HAC 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 HAC Group's exchange rate of US$1.00: S$1.2653 as at 31 December 2013, and purchase price adjustments for the Proposed Acquisition. Please note that the purchase price adjustments are for illustration purposes and the final amount and purchase price allocation will be subject to determination upon completion of the transactions.

4.4 **Net Gearing**

| | As at 31 December 2013 | (I) After the completion of the Proposed Acquisition | After (I) and the completion of the Parent Purchase Offer for 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 the Catalist of the SGX-ST on the last five (5) full Market Days preceding the date of the Subscription and Shareholders' Agreement.

(2) Based on the HAC 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 HAC Group's exchange rate of US$1.00: S$1.2653 as at 31 December 2013, and the loans undertaken for the Proposed Acquisition.

## 5. CHANGE IN INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 5.1 Shareholding Effects of the Purchase Offer with HACL Shares

The shareholding effects of the Proposed Joint Investment as set out below are for illustrative purposes only and do not reflect the actual position of the shareholdings after the completion of the issuance of HACL Shares, if any, under the Purchase Offer, as the number of HACL Shares to be issued is dependent on the actual Purchase Amount and the Exchange Price when the Purchase Offer is made. The shareholding effects have been prepared based on the Purchase Amount of S$80,474,748 (being the sum of the Purchase Amount of HRC Preference Shares on the First Purchase Date, assuming that no Preference Dividend was paid), and on the following key assumptions:

(a) the HRC Preference Shares are purchased by the Company on the date falling six (6) months from the date of issuance;

(b) the issuance of 67,062,290 HACL Shares pursuant to the Purchase Offer based on the Exchange Price of S$1.20 per HACL Share ("**S$1.20 Exchange Scenario**"); and

(c) the issuance of 88,172,179 HACL Shares pursuant to the Purchase Offer based on the Exchange Price of S$0.9127 per HACL Share, being the VWAP of HACL Shares based on trades done on Catalist of the SGX-ST on the last five (5) full Market Days preceding the date of the Subscription and Shareholders' Agreement ("**Prevailing VWAP**") ("**Prevailing VWAP Scenario**");

| | As at the Latest Practicable Date | | | | S$1.20 Exchange Scenario | | | | Prevailing VWAP Scenario | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Direct Interest | | Deemed Interest | | Direct Interest | | Deemed Interest | | Direct Interest | | Deemed Interest | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| **Directors who may also be a Substantial Shareholder** | | | | | | | | | | | | |
| Robert Gunther Meyer | 2,550,000 | 0.64 | 33,765,611 (1) | 8.53 | 2,550,000 | 0.55 | 100,827,901 (1) | 21.77 | 2,550,000 | 0.53 | 121,937,790 (1) | 25.18 |
| Pascal Guy Chung Wei Demierre | 21,734,576 | 5.49 | – | – | 21,734,576 | 4.69 | – | – | 21,734,576 | 4.49 | – | – |
| Alan Rupert Nisbet | – | – | 400,000 (2) | 0.10 | – | – | 400,000 (2) | 0.09 | – | – | 400,000 (2) | 0.08 |
| Randolph Khoo Boo Teck | – | – | – | – | – | – | – | – | – | – | – | – |
| Jason Lewis Barakat-Brown | 150,000 | 0.04 | – | – | 150,000 | 0.03 | – | – | 150,000 | 0.03 | – | – |
| **Substantial Shareholders** | | | | | | | | | | | | |
| Angsana Capital Ltd. | – | – | – | – | 67,062,290 | 14.48 | – | – | 88,172,179 | 18.21 | – | – |
| Dato' Lynette Le Mercier | 61,500,000 | 15.53 | – | – | 61,500,000 | 13.28 | – | – | 61,500,000 | 12.70 | – | – |
| Credence Capital Fund II (Cayman) Limited | 52,500,000 | 13.26 | – | – | 52,500,000 | 11.34 | – | – | 52,500,000 | 10.84 | – | – |
| Keystone Pacific Pte. Ltd. | 24,215,611 | 6.12 | – | – | 24,215,611 | 5.23 | – | – | 24,215,611 | 5.00 | – | – |
| Michael Tay Wee Jin | 22,705,694 | 5.73 | – | – | 22,705,694 | 4.90 | – | – | 22,705,694 | 4.69 | – | – |

**Notes:**

(1) Robert Gunther Meyer is deemed to be interested in the:

(i) 550,000 Shares held by his father, Gunther Richard Meyer;
(ii) 5,000,000 Shares held by his spouse, Tan Su-Lyn (Mrs Su-Lyn Meyer);
(iii) 4,000,000 Shares held by Nut Hill Investments Ltd, an investment holding company incorporated in British Virgin Islands wholly owned by his spouse, Tan Su-Lyn (Mrs Su-Lyn Meyer);
(iv) 24,215,611 Shares held by Keystone; and
(v) HACL Shares issued to Angsana pursuant to the Purchase Offer.

(2) Alan Rupert Nisbet is deemed to be interested in the 400,000 Shares held by his spouse, Low Yu Cheng.

5.2 Based on the above illustrations and/or the Minimum Exchange Scenario, upon completion of the issuance of HACL Shares pursuant to the Purchase Offer:

(a) the aggregate direct and deemed interests of Angsana and its associates, including RM, would amount to not less than 22.32% of the Company's entire issued share capital on a fully-diluted basis as at the Latest Practicable Date, resulting in RM being deemed a Controlling Shareholder of the Company under the Catalist Rules; and

(b) Dato' Lynette Le Mercier, will hold less than 15% of the Company's entire issued share capital on a fully diluted basis as at the Latest Practicable Date, and hence, ceases to be a Controlling Shareholder of the Company.

Premised on the above, the issuance of HACL Shares will result in the transfer of a controlling interest in the Company from Dato' Lynette Le Mercier to RM.

## 6. THE PROPOSED CHANGE OF AUDITORS

### 6.1 Rationale for the Proposed Change of Auditors

The Company's existing Auditors, Deloitte, was re-appointed as Auditors of the Company at the last AGM of the Company held on 23 April 2014, to hold office until the conclusion of the next AGM of the Company. Deloitte has served as Auditors of the Company since the financial year ended 31 December 2010.

The Board is of the view that a change of Auditors would be good corporate governance practice and would enable the Company to benefit from fresh perspectives and views of another professional audit firm and thus further enhance the value of the audit. Accordingly, the Board is of the view that it would be timely to effect a change of external Auditors with effect from the current financial year ending 31 December 2014.

Following a review and consideration of the factors listed in Paragraph 6.3 below, the Board has determined that Ernst & Young is best suited to the existing needs and requirements of the HAC Group. The scope of audit services to be provided by Ernst & Young will be comparable to the services currently provided by Deloitte with expanded scope of audit in conjunction with the expansion of HAC Group.

At the request of the Company, Deloitte had given notice of their resignation on 11 July 2014, and the Directors wish to express their appreciation for the past services rendered by Deloitte. Ernst & Young had on 16 July 2014, given their written consent to be appointed as the new Auditors of the Company.

Pursuant to Section 205(15) of the Companies Act, the resignation of Deloitte will only take effect upon the appointment of Ernst & Young, which will be effective upon approval of Shareholders being obtained at the EGM to be convened for the Proposed Change of Auditors. If the appointment of Ernst & Young is approved by Shareholders, they will hold office until the conclusion of the next annual general meeting.

### 6.2 Information on Ernst & Young and the Audit Engagement Partner

Ernst & Young is one of the world's big four accounting firms and a global leader in assurance, tax, transactions and advisory services. In Singapore, Ernst & Young has a history of 125 years, with over 120 partners and 2,000 people offering assurance, tax, transaction and advisory services to a wide-ranging clientele base consisting of multinational companies, private companies and public sector organizations is part of the integrated Asia-Pacific Area, which comprises over 29,000 people in 22 countries.

For more information about Ernst & Young, core values and services are provided at Ernst & Young's website at: http://www.ey.com.

The engagement partner-in-charge from Ernst & Young will be Ms Lee Lai Hiang. Ms Lee Lai Hiang has more than 18 years of audit experience and is a fellow Chartered Accountant of the Institute of Singapore Chartered Public Accountants, a member of California Board of Accountancy and a member of American Institute of Certified Public Accountants.

6.3 **Compliance with Rules 712 and 715 of the Catalist Rules**

Following consultation with the Audit Committee and a review and consideration of various factors including, *inter alia*, the fee structure, the adequacy of the resources of Ernst & Young, their experience and audit engagements, the number and expertise of the supervisory and professional staff to be assigned to the audit of the financial statements of the HAC Group and Ernst & Young's proposed audit arrangements for the HAC Group, the Directors are of the opinion that Ernst & Young will be able to meet the audit requirements of the HAC Group.

In accordance with the requirements of Rules 712(3) of the Catalist Rules:

(a) Deloitte has confirmed by way of their letter dated 15 July 2014, that they are not aware of any professional reasons why Ernst & Young should not accept appointment as Auditors of the Company;

(b) the Company confirms that there were no disagreements with Deloitte on accounting treatments within the last twelve (12) months from the date of this Circular;

(c) the Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders which has not been disclosed in this Circular;

(d) the reasons for the Proposed Change of Auditors are disclosed in Paragraph 6.1 of this Circular. The Proposed Change of Auditors is not due to the dismissal of Deloitte, or due to Deloitte declining to stand for election; and

(e) the Company confirms that it complies with Rules 712 and 715 of the Catalist Rules in relation to the proposed appointment of Ernst & Young as its Auditors.

Subject to Shareholders' approval, Ernst & Young will be the Auditors of the Company in place of Deloitte, and it will also be appointed as the Auditors of all of the Company's Singapore and foreign incorporated subsidiaries for consolidation purposes.

As at the date of this Circular, the Company does not have any associated companies.

## 7. INDEPENDENT FINANCIAL ADVISER'S OPINIONS

7.1 **The Proposed Acquisition**

Asiasons WFG has been appointed as the IFA to advise the Non-Interested Directors and to render an opinion as to whether the Proposed Acquisition is fair and not prejudicial to the interests of the Shareholders.

7.1.1 The IFA's opinion in respect of the Proposed Acquisition is extracted and set out in *italics* as follows:

*Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Acquisition, as summarised below:*

*(a) the financial performance of the Anson Group for FY2011, FY2012 and FY2013 and the prices of natural rubber since 1 January 2011 to the Latest Practicable Date;*

(b) *the Purchase Consideration is at a premium of 53.1% to the Adjusted NTA of the Anson Group (adjusted based on the NTA of the Anson Group as at 31 December 2013);*

(c) *the EV/EBITDA ratio, P/E ratio, P/NAV ratio (based on Adjusted NAV) and P/NTA ratio (based on Adjusted NTA) of the Anson Group, as implied by the Purchase Consideration, is within the range and below the mean and median of the Selected Comparable Companies;*

(d) *the EV/EBITDA ratio, the P/E ratio, P/NAV ratio (based on Adjusted NAV) and P/NTA ratio (based on Adjusted NTA) of the Anson Group, as implied by the Purchase Consideration represent discounts of 58.6%, 67.8%, 31.8% and 34.8% to the mean EV/EBITDA ratio, the P/E ratio, P/NAV ratio and P/NTA ratio of the Selected Comparable Companies, respectively;*

(e) *the P/E ratio and P/NAV ratio (of the Anson Group, as implied by the Purchase Consideration and based on the financials of the Anson Group for FY2013 is within the range and is lower than the mean and median ratios for the Recent Transactions;*

(f) *based on the proforma financial effects presented by the Company, the EPS of the Company would decrease while the EBITDA per Share would increase after the completion of the Proposed Acquisition. The NTA per Share would become negative as a result of the goodwill that is expected to arise from the Proposed Acquisition but the NAV would more than double after the completion of the Proposed Acquisition. Although the net gearing ratio of the HAC Group will increase, the Board is of the opinion that the Proposed Acquisition will not have a significant adverse impact on the HAC Group's earnings and working capital after the completion of the Proposed Acquisition; and*

(g) *other considerations as set out in Paragraph 4.7 of this Acquisition IFA Letter.*

***Accordingly, after taking into account the above factors, we are of the opinion that, as of the date hereof, the Proposed Acquisition is fair and not prejudicial to the interests of the Shareholders.***

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

7.2 **The Proposed Joint Investment**

Asiasons WFG has also been appointed as the IFA to advise the Audit Committee and Non-Interested Directors and to render an opinion as to whether the Proposed Joint Investment is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority Shareholders.

7.2.1 The IFA's opinion in respect of the Proposed Joint Investment is extracted and set out in *italics* as follows:

*Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Joint Investment. We have carefully considered as many factors as we deem essential and balanced them before reaching our opinion. Accordingly, it is important that our Investment IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.*

*We have set out below a summary of the key factors we have taken into our consideration:*

*(a) the rationale for and benefits of the Proposed Joint Investment;*

*(b) comparison with recent preference share issuances;*

*(c) the Exchange Price;*

*(d) the number of HACL Shares;*

*(e) the right to participate in dividends and distributions; and*

*(f) other considerations.*

***Accordingly, after taking into account the above factors, we are of the opinion as of the date hereof that the Proposed Joint Investment is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.***

7.2.2 A copy of the Investment IFA Letter is reproduced in **Appendix B** of this Circular. Shareholders are advised to read the Investment IFA Letter carefully in its entirety.

## 8. AUDIT COMMITTEE'S STATEMENTS

### 8.1 The Proposed Acquisition

The Audit Committee, having considered, *inter alia*, the terms and conditions of the Proposed Acquisition as well as the opinion of the IFA as set out in the Acquisition IFA Letter, is of the view that the Proposed Acquisition is fair and is not prejudicial to the interests of the Company and its Shareholders.

### 8.2 The Proposed Joint Investment

The Audit Committee, having considered, *inter alia*, the terms and conditions of the Proposed Joint Investment as well as the opinion of the IFA as set out in the Investment IFA Letter, is of the view that the Proposed Joint Investment is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

### 8.3 The Proposed Change of Auditors

The Audit Committee, having considered, *inter alia*, the suitability and independence of Ernst & Young to meet the audit requirements of the HAC Group and compliance with the requirements of the Catalist Rules, has recommended to the Board the appointment of Ernst & Young as the Company's Auditors.

## 9. DIRECTORS' RECOMMENDATIONS

Save for RM, being an Interested Person who has abstained from making any recommendations relating to the Proposed Acquisition and the Proposed Joint Investment, none of the other Directors is deemed to be interested for the purposes of making a recommendation to the Shareholders in respect of the Proposed Acquisition and the Proposed Joint Investment.

### 9.1 The Proposed Acquisition

The Non-Interested Directors having considered and reviewed, *inter alia*, the terms and conditions of the Proposed Acquisition as well as the opinion of the IFA as set out in the Acquisition IFA Letter, and having regard to the rationale for the Proposed Acquisition, are of the view that the Proposed Acquisition is in the best interests of the Company, and is not prejudicial to the interests of the Company and its Shareholders.

Accordingly, the Non-Interested Directors recommend that the Shareholders vote in favour of Ordinary Resolution 1 relating to the Proposed Acquisition, as set out in the Notice of EGM.

9.2 **The Proposed Joint Investment**

The Non-Interested Directors having considered and reviewed, *inter alia*, the terms and conditions of and the rationale for the Proposed Joint Investment as well as the opinion of the IFA in the Investment IFA Letter, are of the view that the Proposed Joint Investment is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

Accordingly, the Non-Interested Directors recommend that the Shareholders vote in favour of Ordinary Resolution 2 relating to the Proposed Joint Investment, as set out in the Notice of EGM.

9.3 **The Proposed Change of Auditors**

The Directors having considered the rationale for the Proposed Change of Auditors and the recommendation of the Audit Committee, are of the opinion that the Proposed Change of Auditors is in the best interests of the Company and its Shareholders.

Accordingly, the Directors recommend that the Shareholders vote in favour of Ordinary Resolution 3 relating to the Proposed Change of Auditors, as set out in the Notice of EGM.

**10. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

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, the Proposed Joint Investment and the Proposed Change of Auditors, other than that arising from their respective shareholdings and/or directorships, as the case may be, in the Company.

**11. EXTRAORDINARY GENERAL MEETING**

The EGM, the notice of which is given on page 88 of this Circular, will be held at RELC International Hotel, 30 Orange Grove Road (Off Orchard Road), Singapore 258352 on 4 August 2014 at 10.00 a.m., for the purpose of considering and, if thought fit, passing with or without any modification(s), the resolutions set out in the Notice of EGM.

**12. ACTIONS TO BE TAKEN BY SHAREHOLDERS**

12.1 **Appointment of Proxies**

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, should reach the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 not later than 48 hours before the time appointed for the EGM. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes. An appointment of a proxy or proxies shall be deemed to be revoked if a Shareholder attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

12.2 **When Depositor regarded as Shareholder**

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

## 13. UNDERTAKINGS BY SHAREHOLDERS

### 13.1 Resolution 1: The Proposed Acquisition

The Undertaking Shareholders, being shareholders collectively interested in shares representing 52.24% of the share capital of the Company as at the Latest Practicable Date, have each undertaken to the Company to vote in favour of Ordinary Resolution 1 relating to the Proposed Acquisition and not to decrease his/her current shareholdings until after the EGM.

### 13.2 Resolution 2: The Proposed Joint Investment

The Undertaking Shareholders, being shareholders collectively interested in shares representing 52.24% of the share capital of the Company as at the Latest Practicable Date, have each undertaken to the Company to vote in favour of Ordinary Resolution 2 relating to the Proposed Joint Investment and not to decrease his/her current shareholdings until after the EGM.

## 14. ABSTENTIONS FROM VOTING

14.1 Rule 919 of the Catalist Rules provides that Interested Persons and their associates must not vote on, nor accept appointments as proxies unless specific instructions as to voting are given, in respect of any resolutions approving interested person transactions involving themselves and/or their associates. Pursuant thereto, RM will abstain from voting, and undertakes to ensure that his associates will abstain from voting on Ordinary Resolution 1 relating to the Proposed Acquisition and Ordinary Resolution 2 relating to the Proposed Joint Investment in the EGM.

14.2 In addition, RM and his associates undertake to decline to accept appointment as proxy, corporate representative or attorney for any Shareholder at the EGM unless specific instructions as to the manner in which his votes are to be cast for Ordinary Resolution 1 relating to the Proposed Acquisition and/or Ordinary Resolution 2 relating to the Proposed Joint Investment have been given by the Shareholder concerned.

## 15. RESPONSIBILITY STATEMENT BY THE DIRECTORS

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, as at the Latest Practicable Date, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Proposed Joint Investment, the Proposed Change of Auditors and the HAC Group and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

## 16. CONSENTS

The IFA has given and has not withdrawn its written consent to the issue of this Circular and the inclusion of its name, the Acquisition IFA Letter, the Investment IFA Letter 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.

The Independent Valuer has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, its Valuation Report 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 and the availability of the corresponding Valuation Report as a document for inspection.

**17. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Company at 250 North Bridge Road #12-01 Raffles City Tower Singapore 179101, during office hours from the date of this Circular up to and including 10 October 2014:

(a) the memorandum and articles of association of the Company;

(b) the annual report of the Company for FY2013;

(c) the SPA;

(d) the Subscription and Shareholders' Agreement;

(e) the Acquisition IFA Letter;

(f) the Investment IFA Letter;

(g) the consent letter of the IFA;

(h) the Valuation Report by the Independent Valuer;

(i) the consent letter of the Independent Valuer;

(j) the letters of undertakings from the Undertaking Shareholders;

(k) the letter of resignation from Deloitte to the Company dated 11 July 2014; and

(l) the letter of consent to act as Auditors from Ernst & Young dated 16 July 2014.

Yours faithfully
For and on behalf of the Board of Directors
**HALCYON AGRI CORPORATION LIMITED**

Robert Gunther Meyer
Executive Chairman and Chief Executive Officer

18 July 2014

Halcyon Agri Corporation Limited
250 North Bridge Road
#12-01 Raffles City Tower
Singapore 179101

**Attention : The Non-Interested Directors**

Dear Sirs

**LETTER FROM ASIASONS WFG CAPITAL PTE LTD TO THE NON-INTERESTED DIRECTORS IN RESPECT OF THE 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) OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to Shareholders of the Company dated 18 July 2014 (the "**Circular**").*

## 1. INTRODUCTION

Halcyon Agri Corporation Limited (the "**Company**") announced on 11 July 2014 that its wholly-owned subsidiary, Halcyon Rubber Company Pte. Ltd. ("**HRC**"), had entered into the sale and purchase agreement dated 11 July 2014 (the "**SPA**") with (i) Lee Latex (Pte) Limited; (ii) Singapore Investments (Pte) Limited; and (iii) Selat (Pte) Limited (collectively, the "**Vendors**") for the acquisition of the entire issued and paid up share capital of Anson Company (Private) Limited ("**Anson**") (including its subsidiaries) from the Vendors for an aggregate purchase consideration of S$450,000,000, on such terms and subject to the conditions of the SPA (the "**Proposed Acquisition**").

Catalist Rule 1006 sets out the computations for relative figures of a transaction. Based on the figures as set out in paragraph 2.7 of the Circular, the Proposed Acquisition constitutes a very substantial acquisition within the meaning of Rule 1015 of the Catalist Rules. However, the Company had 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**").

In the letter from the SGX-ST dated 16 April 2014, the SGX-ST had informed the Company that it had no objection to the Waiver based on the Company's proposal to:

(a) appoint an independent valuer to value Anson; and

(b) appoint an independent financial adviser ("**IFA**") to determine whether the Proposed Acquisition is fair and whether it is prejudicial to the interests of shareholders of the Company,

and subject to, *inter alia*:

(i) compliance with Catalist Rule 1014 in respect of the Proposed Acquisition;

(ii) the Company convening an extraordinary general meeting to seek shareholders' ratification for the Proposed Acquisition within three (3) months from the date of the SPA; and

(iii) procuring written 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.

The Company is seeking the approval of Shareholders for the Proposed Acquisition at the EGM before the Completion. Additional details on the Waiver are set out in paragraph 2.8 of the Circular. Pursuant to the Waiver, the Proposed Acquisition would be considered a "Major Transaction" pursuant to Rule 1014 of the Catalist Rules.

Mr Robert Gunther Meyer ("**RM**") is deemed interested in the Proposed Joint Investment pursuant to the Catalist Rules. As the Proposed Joint Investment and the Proposed Acquisition are inter-conditional, RM has abstained from making any recommendations in relation to both the Proposed Joint Investment and the Proposed Acquisition. RM will abstain from voting, and undertakes to ensure that his associates will abstain from voting on Ordinary Resolution 1 relating to the Proposed Acquisition and Ordinary Resolution 2 relating to the Proposed Joint Investment in the EGM.

Asiasons WFG Capital Pte Ltd ("**Asiasons WFG Capital**") has been appointed as the IFA to advise the Non-Interested Directors on whether the Proposed Acquisition is fair and whether it is prejudicial to the interests of the Shareholders.

This letter sets out our evaluation of the terms of the Proposed Acquisition and our advice to the Non-Interested Directors therein (this "**Acquisition IFA Letter**"). This Acquisition IFA Letter forms part of the Circular issued by the Company in connection with the Proposed Acquisition.

## 2. TERMS OF REFERENCE

Asiasons WFG Capital has been appointed to advise the Non-Interested Directors on whether the Proposed Acquisition is fair and whether it is prejudicial to the interests of the Shareholders. We do not, by this Acquisition IFA Letter, make any representation or warranty in relation to the merits of the Proposed Acquisition.

We are not and were not involved in any aspect of the negotiations pertaining to the Proposed Acquisition, nor were we involved in the deliberations leading up to the decisions on the part of the Directors to agree on the terms of the Proposed Acquisition. Our evaluation is limited to the terms of the Proposed Acquisition and has not taken into account the legal risks, commercial risks or merits, financial risks or merits of the Proposed Acquisition. Our terms of reference do not require us to evaluate or comment on the strategic or commercial merits and/or risks of the Proposed Acquisition or the future performance or prospects of the HAC Group. Likewise we are not expressing herein as to the prices at which the Shares may trade upon completion of the Proposed Acquisition. We are also not addressing the relative merits of the Proposed Acquisition as compared to any alternative transaction previously considered by the Company or that may otherwise become available to the HAC Group in the future. Such evaluations or comments remain the responsibility of the Board and the management of the Company.

In the course of our evaluation and for the purpose of our opinion in relation to the Proposed Acquisition, we have held discussions with certain Directors and management of the Company and have examined information provided and representations made to us by the Directors and management of the Company, including information in the Circular and other publicly available information collated by us, upon which our view is based. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any representation or warranty in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have nevertheless made reasonable enquiries and used our judgment as we deemed necessary or appropriate in assessing such information and are not aware of any reason to doubt the accuracy or reliability of the information.

We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular and confirm, after making all reasonable enquiries that, as at the Latest Practicable Date, to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition and the HAC Group, and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading.

Where information in the 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 the Circular in its proper form and context. In relation to this Acquisition IFA Letter, the Directors have confirmed that the facts stated, with respect to the Proposed Acquisition and the HAC Group, are to the best of their knowledge and belief, fair and accurate in all material aspects.

We have not made any independent evaluation or appraisal of the assets or liabilities (including without limitation, real property) of Anson and its subsidiaries ("**Anson Group**"). However, the Company has commissioned the valuation of certain assets of the Anson Group and has furnished us with a valuation report issued by KJPP Hendra Gunawan dan Rekan (the "**Independent Valuer**") dated 15 June 2014 for the valuation of the land, buildings, machinery and equipment of the Anson Group as of 2 May 2014 (the "**Independent Valuation Report**").

We have placed sole reliance thereon for the valuation in relation to the aforementioned assets of the Anson Group. We are not involved and assume no responsibility for the Independent Valuation Report. We have not made any independent verification of the matters or bases set out in the Independent Valuation Report. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

Our terms of reference do not require us to express, and we do not express, an opinion on the future growth prospects of the Company or the HAC Group. We are, therefore, not expressing any opinion herein as to the future financial or other performance of the Company or the HAC Group.

Our opinion is based upon prevailing market, economic, industry, monetary and other conditions (where applicable) and the information made available to us as of the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Proposed Acquisition which may be released by the Company after the Latest Practicable Date.

**The Company has been separately advised by its own advisors in the preparation of the Circular (other than this Acquisition IFA Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this Acquisition IFA Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Acquisition IFA Letter).**

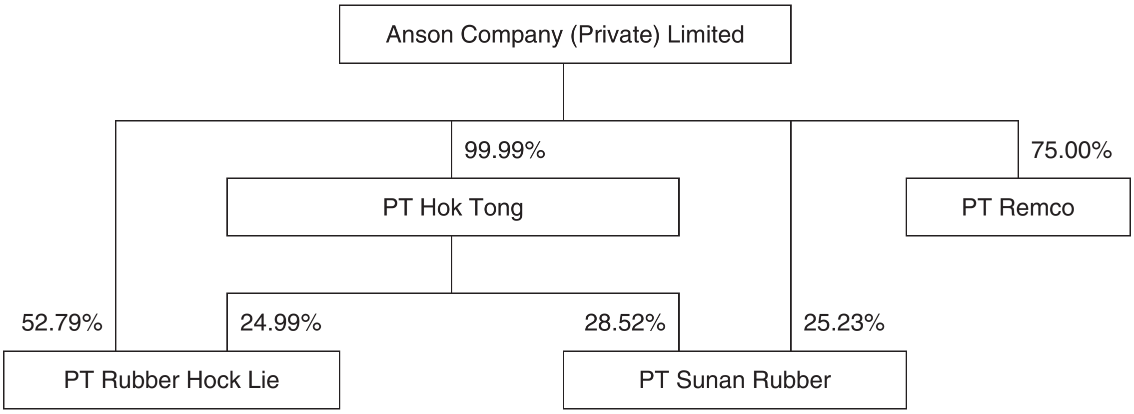
**Our opinion is for the use and benefit of the Non-Interested Directors in their deliberation of whether the terms of the Proposed Acquisition is fair and whether it is prejudicial to the interests of the Shareholders, and the recommendation made by the Non-Interested Directors shall remain the responsibility of the Non-Interested Directors.**

**Our opinion in relation to the Proposed Acquisition should be considered in the context of the entirety of this Acquisition IFA Letter and the Circular.**

## 3. THE PROPOSED ACQUISITION

### 3.1 INFORMATION ON ANSON

Anson is a Singapore investment holding company incorporated on 5 October 1957. Anson holds interests in four subsidiaries in Indonesia as follows:




| Name of subsidiaries | Principal activities of subsidiaries | Equity interest held by Anson |
|---|---|---|
| PT Hok Tong | Rubber miller and exporter | 99.99% direct equity interest [(1)] |
| PT Rubber Hock Lie | Rubber miller and exporter | 77.78% effective interest [(2)]<br><br>(52.79% direct equity interest and 24.99% through PT Hok Tong) |
| PT Sunan Rubber | Rubber miller and exporter | 53.75% effective interest [(3)]<br><br>(25.23% direct equity interest and 28.52% through PT Hok Tong) |
| PT Remco | Rubber miller and exporter | 75.00% direct equity interest [(4)] |

Notes:

(1) The remaining equity interests of 0.01% in PT Hok Tong is held by South Thai Co.

(2) The remaining equity interests of 22.22% in PT Rubber Hock Lie are held by five individuals who are not related to the HAC Group. The single largest minority shareholder holds 10.59% equity interest in PT Rubber Hock Lie.

(3) The remaining equity interest of 46.25% in PT Sunan Rubber are held by 10 individuals who are not related to the HAC Group. The two largest minority shareholders each hold 12.73% equity interest in PT Sunan Rubber.

(4) The remaining equity interests of 25.00% in PT Remco are held by three individuals who are not related to the HAC Group. The two largest minority shareholders each hold 9.4% equity interest in PT Remco.

#### (a) The Business of the Anson Group

The Anson Group is principally involved in the production of Standard Indonesian Rubber ("**SIR**") and operates nine rubber crumb factories in Indonesia. Six (6) of these factories (four (4) factories located in Palembang and two (2) factories are located in Jambi) are in the immediate vicinity of the HAC Group's existing factories.

**(b) The Audited Financial Performance of the Anson Group**

A summary of the consolidated income statements of Anson for the three financial years ended 31 December ("**FY**") 2013 is set out below:

| S$'000 | Audited FY2011 | Audited FY2012 | Audited FY2013 |
|---|---|---|---|
| Revenue | 1,924,363 | 1,239,326 | 963,227 |
| Other income | 6,013 | 9,338 | 4,633 |
| Total expenses | (1,833,070) | (1,210,271) | (929,898) |
| Profit before tax | 97,306 | 38,393 | 37,962 |
| Profit for the year | 74,013 | 29,857 | 29,058 |
| **Profit attributable to:** | | | |
| Equity holders of Anson | 61,496 | 27,059 | 23,895 |
| Non-controlling interest | 12,517 | 2,798 | 5,163 |

*FY2012 versus FY2011*

The Anson Group's revenue decreased by 35.6% from S$1.92 billion in FY2011 to S$1.24 billion in FY2012. We understand from the management of the Company that this decrease was due to the fall in prices of natural rubber in FY2012. The market price of Technically Specified Rubber Grade 20 ("**TSR20**") on the Singapore Commodity Exchange Limited ("**SICOM**") decreased by 30.1% from an average closing price of US$4,515 per tonne in FY2011 to an average closing price of US$3,155 per metric tonne in FY2012.

Total expenses, consisting of primarily the purchase of inventories, similarly decreased by 34.0% from S$1.83 billion in FY2011 to S$1.21 billion in FY2012. The Anson Group also had other income of S$5.2 million arising from currency translation gains in FY2011 and S$7.8 million arising from gain from disposal of property, plant and equipment in FY2012. Profit for the year declined by 59.7% from S$74.0 million in FY2011 to S$29.9 million in FY2012 and net profit margin declined by 1.4 percentage points from 3.8% in FY2011 to 2.4% in FY2012.

*FY2013 versus FY2012*

The Anson Group's revenue decreased by 22.3% from S$1.24 billion in FY2012 to S$0.96 billion in FY2013. We understand from the management of the Company that this decrease was due to the continued decline in prices of natural rubber in FY2013. TSR20 on SICOM decreased 20.4% from an average closing price of US$3,155 per metric tonne in FY2012 to an average closing price of US$2,510 per metric tonne in FY2013.

Expenses, consisting of primarily the purchase of inventories, decreased 23.2% from S$1.21 billion in FY2012 to S$0.93 billion in FY2013. In FY2013, the Anson Group received insurance compensation of S$9.4 million which was offset against the net loss on disposal of property, plant and equipment and inventories of S$8.0 million due to a fire incident in one of the processing facilities. Net profits decreased slightly by 2.7% from S$29.9 million in FY2012 to S$29.1 million in FY2013 but net profit margin improved by 0.6 percentage points from 2.4% in FY2012 to 3.0% in FY2013.

**(c) The Audited Financial Position of the Anson Group**

The assets of the Anson Group comprise substantial amounts of land and buildings in Indonesia (including factories and office space), machinery and equipment, transportation vehicles (such as motor cars, fork lifts and barges), laboratory equipment and licenses tied to operations of the Anson Group.

We set out below the key balance sheet information of the Anson Group as at 31 December 2013 as extracted from the audited financial statements for FY2013:

| **S$'000** | **Audited FY2013** |
|---|---|
| Current assets | 226,533 |
| Non-current assets | 23,726 |
| **Total assets** | **250,259** |
| Current liabilities | 51,390 |
| Non-current liabilities | 5,035 |
| **Total liabilities** | **56,425** |
| Capital and reserves attributable to equity holders of Anson | 165,151 |
| Non-controlling interests | 28,683 |
| **Total equity** | **193,834** |

The Anson Group does not have any intangible assets. As at 31 December 2013, the net tangible assets of the Anson Group amounted to S$193.8 million comprising total assets of S$250.3 million and total liabilities of S$56.4 million.

### 3.2 INFORMATION ON THE VENDORS

The Vendors and its shareholdings in Anson are set out below:

| | **Equity interest in Anson** | |
|---|---|---|
| **Name of Vendors** | **Number of shares** | **%** |
| Lee Latex (Pte) Limited | 9,590 | 36.89 |
| Singapore Investments (Pte) Limited | 8,880 | 34.15 |
| Selat (Pte) Limited | 7,530 | 28.96 |
| Total | 26,000 | 100.00 |

Further information on the Vendors are set out in paragraph 2.1 of the Circular.

### 3.3 PURCHASE CONSIDERATION

The aggregate consideration for the purchase of all the Sale Shares is S$450 million (the "**Purchase Consideration**"). Upon execution of the SPA, a cash deposit of S$2,250,000, equivalent to 0.5% of the Purchase Consideration (the "**Deposit**") was paid to the Vendors' solicitor, who shall hold the Deposit pending Completion. The Deposit shall be applied towards satisfaction of the Purchase Consideration upon Completion. The remaining Purchase Consideration of S$447,750,000 shall be fully satisfied in cash by the Purchaser on Completion.

The Purchase Consideration will be funded through a combination of internal resources, additional equity funds raised through the Proposed Joint Investment, together with (i) 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.

### 3.4 CONDITIONS PRECEDENT

The conditions precedent for the Proposed Acquisition are set out in paragraph 2.4.4 of the Circular, and Shareholders are advised to read the information carefully. We set out certain extracts in italic as follows:

*(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 Completion Date;*

*(b) the approval of 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. EVALUATION OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition, we have taken into account the following factors which we consider to be pertinent and to have a significant bearing on our evaluation:

(a) the financial performance of the Anson Group;

(b) the net asset value and net tangible asset of the Anson Group (including the Independent Valuation Report);

(c) the comparison with selected comparable companies;

(d) the comparison with recent transactions;

(e) the rationale for and benefits of the Proposed Acquisition;

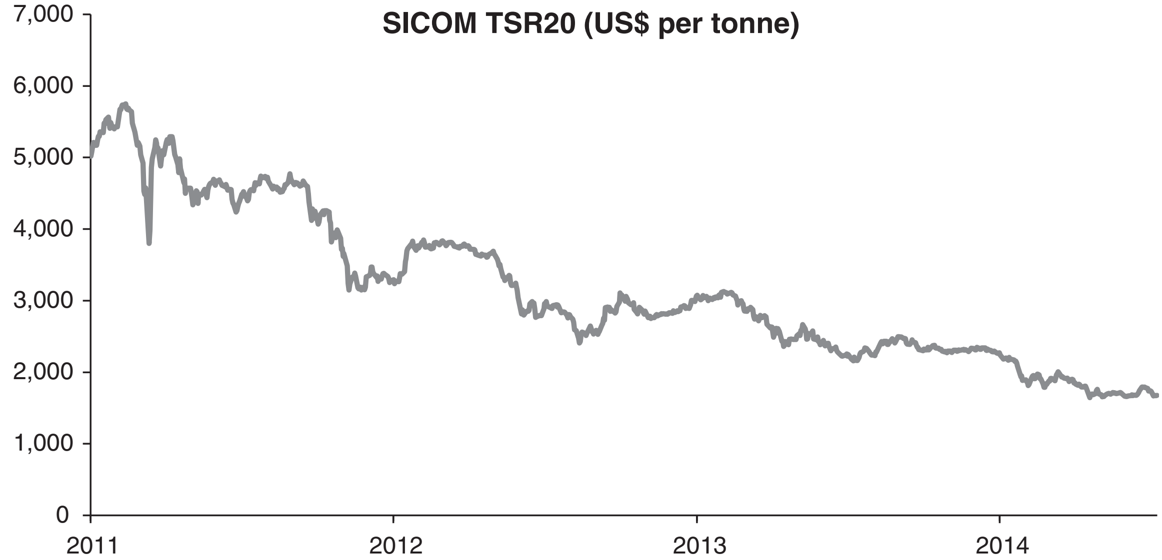
(f) the proforma financial effects of the Proposed Acquisition; and

(g) other considerations.

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

**4.1 THE FINANCIAL PERFORMANCE OF THE ANSON GROUP**

As set out in paragraph 3.1(b) of this Acquisition IFA Letter, the Anson Group's revenue decreased from FY2011 through FY2013 largely due to the fall in prices of natural rubber in the corresponding period. We set out below the daily closing price of TSR20 on SICOM from 1 January 2011 till the Latest Practicable Date:




Source: Bloomberg L.P.

We set out below the highest, lowest, average and closing prices of TSR20 on SICOM from 1 January 2011 till the Latest Practicable Date as follows:

| Period | Highest | Lowest | Average | Closing |
|---|---|---|---|---|
| FY2011 | 5,750 | 3,149 | 4,515 | 3,270 |
| FY2012 | 3,848 | 2,408 | 3,155 | 2,988 |
| FY2013 | 3,129 | 2,159 | 2,510 | 2,265 |
| 1 January 2014 to the Latest Practicable Date | 2,270 | 1,646 | 1,844 | 1,677 |

As set out above, prices of natural rubber since 1 January 2011, as represented by the market price of TSR20 on SICOM, has been on a decreasing trend after it reached the high of US$5,750 per tonne in FY2011.

Nevertheless, we note that the Anson Group has remained profitable in FY2011, FY2012 and FY2013.

As at the Latest Practicable Date, the closing market price of TSR20 on SICOM was US$1,677 per tonne which represented a discount of 26.0% to the closing market price of TSR20 on SICOM as at 31 December 2013. The continued declined in the prices of natural rubber may negatively impact the financial performance of the Anson Group.

## 4.2 NET ASSET VALUE AND NET TANGIBLE ASSETS OF THE ANSON GROUP

As set out in paragraph 3.1(c) of this Acquisition IFA Letter, the net asset value and net tangible assets of the Anson Group was S$193.8 million as at 31 December 2013.

We have discussed the following factors that may affect the net asset value ("**NAV**") or net tangible assets ("**NTA**") of the Anson Group with the management of the Company:

### (a) Property, plant and equipment

Property, plant and equipment amounted to S$22.5 million and accounted for 9.0% of the Anson Group's total assets as at 31 December 2013.

The Company had, on 1 April 2014, commissioned KJPP Hendra Gunawan dan Rekan to conduct a valuation on the land, buildings, machinery and equipment of the Anson Group (the "**Key Assets**"). In particular, we highlight the following disclosure in the Independent Valuation Report:

*"We have utilized the Market Approach and Cost Approach in undertaking our assessment of the Property."*

*"2.1 Market Approach - This is a valuation process in which market value is derived by analyzing similar properties that have recently sold, are listed for sale or are under contract to sell."*

*"2.2 Cost Approach - a. Land: This valuation technique utilizes 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. … b. 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. To determine the cost of replacement new of the buildings and site improvements, we have given consideration to 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. c. Machinery and Equipment - We have valued on the assumption that the machinary 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. We have used the Depreciated Replacement Cost (DRC) basis of valuation which is carried out by estimating the cost as new at the date of valuation, less an allowance for wear and tear, age and obsolescence."*

The total value of the Key Assets as stated in the Independent Valuation Report amounted to IDR1,106,659,000,000 (equivalent to S$120,436,425 based on the closing exchange rate of S$1 to IDR9,188.74 on 2 May 2014, being the date of the valuation of the Key Assets) (the "**Valuation**") as at 2 May 2014 as compared to the net book value of S$20,369,653 as at 31 December 2013 stated in the audited consolidated financial statements of Anson for the financial year ended 31 December 2013.

| | **S$** |
|---|---|
| Net book value of property, plant and equipment held by subsidiaries of Anson as at 31 December 2013 | 20,369,653 |
| Valuation of land, buildings, machineries and equipment held by subsidiaries of Anson | 120,436,425 |
| ***Revaluation surplus*** | ***100,066,772*** |

We understand that the revaluation surplus arose as the Anson Group has been recording its property, plant and equipment based on historical cost.

**(b) Trade receivables and inventories**

As at 31 December 2013, the Anson Group had trade receivables of S$16.0 million and inventories of S$94.1 million which represented 6.4% and 37.6% of the total assets of the Anson Group as at 31 December 2013. Save for cash and cash equivalents and the property, plant and equipment set out in paragraph 4.2(a) above, the Anson Group does not have any other assets which accounted for more than 5% of its total assets as at 31 December 2013.

We note that:

(i) the trade receivables balances of the Anson Group as at the end of each of the three financial years ended 31 December 2013 have varied. As at 31 December 2011, trade receivables amounted to S$55.7 million. As at 31 December 2012, trade receivables amounted to S$52.1 million. As at 31 December 2013, trade receivables amounted to S$16.0 million. No provision, allowance or write-off has been made on the trade receivables for FY2011, FY2012 and FY2013;

(ii) the trade receivables turnover (in days) of the Anson Group has decreased from 16 days in FY2012 to 13 days in FY2013;

(iii) the inventory balances of the Anson Group as at the end of each of the three financial years ended 31 December 2013 have been decreasing. As at 31 December 2011, inventories amounted to S$134.8 million. As at 31 December 2012, inventories amounted to S$120.5 million. As at 31 December 2013, inventories amounted to S$94.1 million. No provision, allowance or write-off have been made on the inventories for FY2011, FY2012 and FY2013;

(iv) the inventories turnover (in days) of the Anson Group had increased from 40 days in FY2012 to 44 days in FY2013; and

(v) the Vendors have represented and warranted that Anson's audited financial statements for FY2011, FY2012 and FY2013 have been prepared in accordance with accounting principles generally accepted in Singapore and present fairly, in all material respects, the financial position of Anson.

**(c) Currency Translation Reserve**

The profit for the year of the Anson Group for FY2013 amounted to S$29.1 million. However, the NAV of the Anson Group decreased by S$9.9 million from S$203.8 million as at 31 December 2012 to S$193.8 million as at 31 December 2013. This was largely attributed to a significant increase in the negative balance of the currency translation reserve from S$44.4 million as at 31 December 2012 to S$77.2 million as at 31 December 2013. We understand from the management of the Company that the increase was attributed mainly to the weakening of the Indonesian Rupiah ("**IDR**") against Singapore Dollars ("**SGD**"). We note that the exchange rates of IDR weakened considerably against SGD from SGD1 to IDR7,888 as at 31 December 2012 to SGD1 to IDR9,640 as at 31 December 2013.

The reporting currency of the four subsidiaries of Anson is IDR while the reporting currency of Anson is SGD. Accordingly, as IDR weakens against SGD on the balance sheet dates, the profits and NAV of the Anson Group will be eroded.

As at the Latest Practicable Date, the exchange rate of IDR was SGD1 to IDR9,358.

Saved as disclosed above, the management of the Company confirms that, to the best of their knowledge and belief, there were no material contingent liabilities, unrecorded earnings, expenses or provisions which could have a material impact on the NAV of the Anson Group as at 31 December 2013.

Accordingly, the only adjustment to be made to the NAV of the Anson Group as at 31 December 2013 is the revaluation surplus of S$100.1 million set out in paragraph 4.2(a) of this Acquisition IFA Letter.

Based on the valuation as well as information provided by Management, the adjusted NAV ("**Adjusted NAV**") is set out below:

| | **S$** |
|---|---|
| NAV of The Anson Group as at 31 December 2013 | 193,834,067 |
| *add: revaluation surplus* | 100,066,772 |
| **Adjusted NAV** | **293,900,839** |

The Anson Group does not have any intangible assets. Accordingly, the adjusted NTA ("**Adjusted NTA**") of the Anson Group is the same as the Adjusted NAV.

We note that the Purchase Consideration is at a premium of 53.1% to the Adjusted NTA of the Anson Group.

**4.3 COMPARISON WITH SELECTED COMPARABLE COMPANIES**

The Anson Group is principally involved in the processing and sale of rubber ("**Rubber Processing Business**"). While we note that the Anson Group is not publicly-traded, reference can be made to companies which are listed and traded on the regional exchanges, whose business activities and industries are largely comparable to that of the Anson Group ("**Selected Comparable Companies**") to give an indication of the current market expectations with regards to the valuation of these businesses, implied by their respective closing market prices as at the Latest Practicable Date.

We note, however, that these Selected Comparable Companies are not directly comparable to the Anson Group in terms of geographical location, principal business activities, scale of operations, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria.

For the comparison with these Selected Comparable Companies, we have referred to various valuation ratios to provide an indication of the market expectations with regard to the valuation of these companies. In this respect, we have considered the following widely used ratios:

| Valuation Ratio | General Description |
|---|---|
| **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.<br><br>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. |
| Price-to-Earnings ("**P/E**") | The P/E ratio illustrates the ratio of the market price of a company's share relative to its historical consolidated earnings per share. The P/E ratio is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to among others, depreciation and amortisation. |
| Price-to-Net Asset Value ("**P/NAV**") | P/NAV ratio illustrates the ratio of the market price of a company's share relative to its asset backing as measured in terms of its historical consolidated NAV per share as stated in its financial statements. The NAV figure provides an estimate of the value of a company assuming the sale of all its tangible and intangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their book NAVs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies. |
| Price-to-Net Tangible Asset ("**P/NTA**") | "NTA" or "net tangible asset" is defined to exclude, where applicable, minority interests, deferred tax assets and liabilities, deferred expenditure, land use rights and goodwill. P/NTA ratio illustrates the ratio of the market price of a company's share relative to its historical NTA per share as recorded in its financial statements. The NTA figure provides an estimate of the value of a company assuming the sale of all its tangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NTAs are affected by differences in their respective accounting policies, in particular, their depreciation and asset valuation policies. |

We set out in the table below the list of Selected Comparable Companies which are listed on regional exchanges, together with a brief description of their principal activities which are considered broadly comparable to the Anson Group.

| Selected Comparable Companies | Listing Location | Brief Business Description | Market Capitalisation as at the Latest Practicable Date (1) (2) (S$ million) |
|---|---|---|---|
| The Company | Singapore | The Proposed Acquisition is to expand the production capacity of the HAC Group. Accordingly, the Anson Group is in the same business as the HAC Group. | 354 |
| Sri Trang Agro-Industry Public Company Limited ("**Sri Trang**") | Singapore | The group is engaged in the manufacture and sales of rubber products. Its products include rubber smoked sheets, which are used as raw material in the production of automobile tires, pipes, shoes and parts of automobiles; block rubber, which is used in the automobile tyre industry, as well as a substitute to grade-3 rubber smoked sheet, and concentrated latex, which can be used as a raw material in the production of latex examination gloves, condoms, and elastic rubber thread. | 742 |
| GMG Global Ltd ("**GMG**") | Singapore | The group is engaged in planting, growing, tapping, processing, marketing, and exporting natural rubber in the United States, Asia, and Europe. Its products include centrifuged latex grade rubber, which is used in gloves, condoms, and adhesives industry; and tire grade rubber that is used in the manufacture of tires for cars, commercial trucks, and machineries. | 651 |
| China Hainan Rubber Industry Group Co. Ltd. ("**Hainan Rubber**") | China | The group is principally engaged in the planting, processing and distribution of natural rubber. It also involves in the cutting and distribution of rubber trees. The major products include rubber products, such as latex thread, natural rubber gloves, concentrated natural latex rubber, standard rubber for aircraft tire use and others, as well as rubber woods. | 4,717 |
| Kuala Lumpur Kepong Berhad (**"KLK")** | Malaysia | The group is engaged in the business of producing and processing palm products and natural rubber on its plantations. Its operating segments include plantation (engaged in cultivation and processing of palm and rubber products and refining of palm products); and manufacturing (engaged in manufacturing of oleochemicals, soap noodles, industrial amides, fatty amines, cationic surfactants etc). | 10,054 |

*Source: Bloomberg Finance L.P.*

**Notes:**

(1) Market capitalisation of the Selected Comparable Companies is based on their respective closing prices as at the Latest Practicable Date.

(2) Based on the closing exchange rate of S$1 to RMB5.00 and MYR2.56 as at the Latest Practicable Date.

The statistics of the Selected Comparable Companies are computed based on the last traded prices as at the Latest Practicable Date and latest publicly available financial results.

Comparisons between the Anson Group and the Selected Comparable Companies may be affected, *inter alia*, by differences in their accounting policies. Our analysis has not attempted to adjust for such differences.

In view of the above, it should be noted that any comparison made with respect to the Selected Comparable Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of the Anson Group as at the Latest Practicable Date.

We set out in the table below the financial ratios of the Selected Comparable Companies as at the Latest Practicable Date:

| **Selected Comparable Companies** | **Net Profit / (Loss)** [(1)] **(S$ million)** | **EV/EBITDA** [(2)] **(times)** | **P/E** [(3)] **(times)** | **P/NAV** [(4)] **(times)** | **P/NTA** [(4)] **(times)** |
|---|---|---|---|---|---|
| The Company | 11.4 | 19.1 | 31.1 | 3.5 | 4.0 |
| Sri Trang | 73.7 | 9.6 | 10.1 | 1.0 | 1.0 |
| GMG | 8.7 | 24.1 | 74.6 | 0.7 | 0.7 |
| Hainan Rubber | 31.9 | 51.4 | 148.0 | 2.5 | 2.6 |
| KLK | 365.5 | 17.6 | 27.5 | 3.3 | 3.3 |
| Maximum | | 51.4 | 148.0 | 3.5 | 4.0 |
| Minimum | | 9.6 | 10.1 | 0.7 | 0.7 |
| Mean | | 24.4 | 58.3 | 2.2 | 2.3 |
| Median | | 19.1 | 31.1 | 2.5 | 2.6 |
| **Anson Group** [(5)] | 23.9 | 10.1 | 18.8 | 2.3 | 2.3 |
| **Anson Group (Adjusted NAV / NTA)** [(5)] | 23.9 | 10.1 | 18.8 | 1.5 | 1.5 |

*Source: Bloomberg Finance L.P., annual reports and/or announcements of the respective companies.*

**Notes:**

(1) The latest available full year net profits attributable to shareholders as announced by the respective companies. Net profit figures are based upon the average exchange rates prevailing during the respective company's latest financial year.

(2) The EBITDA figures of the Selected Comparable Companies are based on the most recently completed financial year as announced by the respective companies. EV of the companies are based on their respective market capitalisations as at the Latest Practicable Date.

(3) The P/E ratios of the Selected Comparable Companies are based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the net profits for the most recently completed financial year as announced by the respective companies.

(4) The P/NAV and P/NTA ratios of the Selected Comparable Companies are based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the NAV and NTA for the most recently completed financial year as announced by the respective companies.

(5) Based on the Anson Group's financials for FY2013. EV for the Anson Group is determined as the sum of the Purchase Consideration in addition to minority interest, short term and long term borrowings less cash and cash equivalents. Please refer to paragraph 4.2 of this Acquisition IFA Letter for the Adjusted NAV and the Adjusted NTA of the Anson Group.

Based on the above ratio analysis, we noted that:

(a) the EV/EBITDA ratio of the Anson Group, as implied by the Purchase Consideration, is within the range and below the mean and median of the Selected Comparable Companies;

(b) the P/E ratio of the Anson Group, as implied by the Purchase Consideration, is within the range and below the mean and median of the Selected Comparable Companies;

(c) the P/NAV ratio of the Anson Group, as implied by the Purchase Consideration and based on the NAV, is within the range, slightly above the mean but below the median of the Selected Comparable Companies;

(d) the P/NAV ratio of the Anson Group, as implied by the Purchase Consideration and based on the Adjusted NAV, is within the range and below the mean and median of the Selected Comparable Companies;

(e) the P/NTA ratio of the Anson Group, as implied by the Purchase Consideration and based on the NTA, is within the range, equal to the mean and below the median of the Selected Comparable Companies; and

(f) the P/NTA ratio of the Anson Group, as implied by the Purchase Consideration and based on the Adjusted NTA, is within the range and below the mean and median of the Selected Comparable Companies.

We wish to highlight that the Selected Comparable Companies are publicly listed companies. Although the Anson Group has been established for more than 50 years, it would generally be attributed lower valuation ratios as a private company. The EV/EBITDA ratio, the P/E ratio, P/NAV ratio (based on Adjusted NAV) and P/NTA ratio (based on Adjusted NTA) of the Anson Group, as implied by the Purchase Consideration represent discounts of 58.6%, 67.8%, 31.8% and 34.8% to the mean EV/EBITDA ratio, the P/E ratio, P/NAV ratio and P/NTA ratio of the Selected Comparable Companies, respectively.

## 4.4 COMPARISON WITH RECENT TRANSACTIONS

For the purpose of our evaluation, we have compared the P/E ratio and P/NAV ratio implied by the Purchase Consideration vis-à-vis selected recent acquisitions that were completed by companies listed on the SGX-ST for the period from 1 January 2013 to the Latest Practicable Date (the "**Recent Transactions**").

We have only included transactions that are deemed as major acquisitions or very substantial acquisitions under the SGX Listing Manual and involve direct acquisitions of 50% or more of equity interests by companies listed on the SGX-ST. We have not taken into account transactions announced by real estate investment trusts. This analysis serves as a general indication of the relevant premium over or discount to the profit attributable to equity holders and NAV without having regard to their specific industry characteristics, rationale for the disposal or other relevant considerations. **We wish to highlight that the list of Recent Transactions is not exhaustive, and that the premium (if any) that a purchaser would pay for a business depends on various factors, *inter alia*, the purchaser's intention with regards to the company, prevailing market conditions and sentiments, attractiveness and profitability of the business and assets as well as existing and desired level of control in the company. Accordingly, any comparison made with respect to the Recent Transactions is intended to serve as an illustrative guide only.**

| Company name | Acquired entity | Date of announcement | % of company acquired | Acquisition consideration (millions) | P/E [(1)] (times) | P/NAV [(1)] (times) |
|---|---|---|---|---|---|---|
| Del Monte Pacific Limited[(3)] | Consumer Food Business of Del Monte Corporation | 11-Oct-13 | 100 | US$1,675 | 89.1 | 6.7 |
| See Hup Seng Limited | Hetat Holdings Pte. Ltd | 12-Sep-13 | 100 | S$42.4 | 10.6 | 5.2 |
| Best World International Limited | Zhejiang Solidgold Pharmaceutical Co. Ltd | 13-Aug-13 | 100 | RMB35.0 | – [(2)] | 1.4 |
| United Envirotech Ltd | Memstar Technology Ltd | 29-Jul-13 | 100 | S$293.4 | 16.5 | 2.5 |
| Avic International Maritime Holdings Limited | Deltamarin Oy | 12-Oct-12 | 100 | €32.11 | – [(2)] | 5.0 |
| China International Holdings Limited[(3)] | Yichang Xinshougang Property Development Company | 16-Sep-12 | 55 | HK$550 | 21.3 | 18.2 |
| Maximum | | | | | 89.1 | 18.2 |
| Minimum | | | | | – | 1.4 |
| Mean | | | | | 34.4 | 6.5 |
| Median | | | | | 18.9 | 5.1 |
| Anson Group [(4)] | | | | | 18.8 | 2.3 |

*Source: Bloomberg Finance L.P., annual reports and/or announcements of the respective companies.*

**Notes:**

(1) P/E ratio of the Selected Comparable Companies are based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the net profits for the most recently completed financial year as announced by the respective companies. P/E ratio and P/NAV ratio of these Recent Transactions are determined by the respective acquisition considerations as well as the net profits and NAVs of the acquired companies as at their respective latest financial year ends.

(2) Not profitable in the latest financial statements presented in the respective circulars.

(3) Classified as 'very substantial acquisitions' pursuant to the SGX Listing Manual.

(4) Based on the Anson Group's financials for FY2013.

We note that the P/E ratio of 18.8 times as implied by the Purchase Consideration is within the range and is lower than the mean and median historical P/E ratios for the Recent Transactions.

We note that the P/NAV ratio of 2.3 times as implied by the Purchase Consideration and based on the NAV of the Anson Group as at 31 December 2013 is within the range and is lower than the mean and median historical P/NAV ratios for the Recent Transactions.

**4.5 RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITION**

The rationale for and benefits of the Proposed Acquisition are set out in paragraph 2.6 of the Circular and we recommend that the Directors advise the Shareholders to read the paragraph carefully. We have reviewed the rationale for entering into the Proposed Acquisition and set out certain extracts in italic as follows:

*(a) the Directors have assessed the business prospects of the Anson Group and believe that upon completion of the Proposed Acquisition, the HAC Group would be able to derive significant synergistic benefits as the Anson Group's operations strategically and operationally complement the HAC 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 HAC Group's business, the Directors are of the view that integration of the operations would not be overly complicated;*

*(b) with the nine (9) additional crumb rubber factories following the completion of the Proposed Acquisition, the Directors expect to increase the scale and scope of the HAC Group's Natural Rubber processing capabilities. This will expand the HAC Group's 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 HAC Group's existing two (2) HMK factories in Palembang with a total licensed export capacity of 110,000 metric tonnes per annum, the Proposed Acquisition propels the HAC 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 per annum, 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 metric tonnes per year to 748,000 metric tonnes per year. The combined processing activities of the enlarged entity will enable the HAC 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 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 rubber factory opened in Palembang, Indonesia. The Directors believe that acquiring the Anson Group will enhance the HAC Group's position as a major player in the Natural Rubber market.*

**4.6 PROFORMA FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

The full text of the proforma financial effects of the Proposed Acquisition is set out in section 4 of the Circular. Shareholders are advised to read section 4 of the Circular carefully.

In summary, we note the following:

(a) the EPS would decrease by 0.11 cents (or 3.8%) from 2.87 cents to 2.76 cents after the completion of the Proposed Acquisition. This was mainly due to the estimated interest costs of US$16.3 million for the loans to be undertaken by the HAC Group for the Proposed Acquisition. On an EBITDA basis, EBITDA per Share would increase by 9.08 cents (or 248.8%) from 3.65 cents to 12.73 cents after the completion of the Proposed Acquisition;

(b) the NTA per Share would decrease by 27.52 cents (or 122.6%) from 22.45 cents to negative 5.07 cents after the completion of the Proposed Acquisition. We understand from the Company that this is primarily attributable to goodwill of approximately S$213 million that is expected to arise from the Proposed Acquisition due to the difference between the Purchase Consideration and the audited NTA of the Anson Group attributable to the shareholders, adjusted for fair value uplift (net of tax) on the carrying amount of the property, plant and equipment. This fair value uplift is computed based on the Independent Valuation Report. On an NAV basis, NAV per Share would increase by 26.18 cents (or 102.1%) from 25.65 cents to 51.83 cents after the completion of the Proposed Acquisition; and

(c) the net gearing of the HAC Group would increase from negative 0.39 times to 1.41 times after the completion of the Proposed Acquisition.

The net gearing ratio of Group will increase to 1.41 times after the completion of the Proposed Acquisition. Nonetheless, we note from Paragraph 2.8.2(d) of the Circular that the Board is of the opinion that the Proposed Acquisition will not have a significant adverse impact on the HAC Group's earnings and working capital. We set out the relevant extract in italic as follows:

*(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 HAC 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 HAC 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;*

## 4.7 OTHER CONSIDERATIONS

In determining whether the terms of the Proposed Acquisition is fair and whether it is prejudicial to the Shareholders, we have also considered the following:

**(a) Acquisitions undertaken by the HAC Group since its listing on the SGX Catalist**

The HAC Group has undertaken the following acquisitions since its listing on the SGX Catalist on 1 February 2013:

| Date of announcement | Date of completion | Subject of acquisition | Consideration |
|---|---|---|---|
| 3 June 2013 | 16 January 2014 | Assets of Chip Lam Seng Sdn. Bhd. ("**CLS Assets**") | S$25.7 million |
| 25 October 2013 | 19 February 2014 | 95% equity interest in PT. Golden Energi ("**PTGE**") | S$8.7 million |
| 6 November 2013 | 29 January 2014 | 100% equity interest in JFL Agro Pte. Ltd ("**JFL Agro**") | $56.1 million |

We understand from the management of the Company that the purchase considerations for the above acquisitions were arrived at based on arm's length negotiations and on a willing-buyer and willing-seller basis with the various vendors. No financial valuation was conducted in relation to the above acquisition.

We understand from the management of the Company that the acquisition of CLS Assets and PTGE were to expand the HAC Group's production capacity whereas the acquisition of JFL Agro represents a major strategic advancement of the HAC Group's business into the upstream segment by acquiring and developing the cultivable land into a natural rubber plantation. We set out the licensed export capacity of the HAC Group upon the completion of the various acquisitions (including the Proposed Acquisition) as follows:

| | Location | Licensed export capacity per annum (metric tonnes) |
|---|---|---|
| The HAC Group (Prior to recent acquisitions) | Palembang (Indonesia) | 110,000 |
| CLS Assets | Perak (Malaysia) | 180,000 |
| PTGE | Jambi (Indonesia) | 50,000 |
| The Anson Group | Palembang, Jambi, Pontianak, Sunggal, Rantau Prapat (Indonesia) | 408,000 |
| **Total** | | **748,000** |

*Source: Company's FY2013 Annual Report and information provided by management of the Company.*

The Proposed Acquisition is expected to more than double the existing licensed export capacity from 340,000 metric tonnes per annum to 748,000 metric tonnes per annum. Once completed, the Proposed Acquisition will propel the HAC Group to be the largest crumb rubber producer and exporter in Palembang, which is Indonesia's largest export port for Natural Rubber and one of the top five (5) Technical Specified Rubber (TSR) producers globally.

**(b) Undertaking by HRC to procure that each of the companies in the Anson Group retain their respective employees for no less than three (3) years from the Completion Date**

We note from Clause 6.6 of the SPA that HRC undertakes to each of the Vendors that it shall procure that each of the companies in the Anson Group to retain their respective employees (except for the existing directors and secretaries of Anson) on terms and conditions as are no less favourable to such employees than those contained in his/her present employment with the relevant company of the Anson Group as at the date of completion of the Proposed Acquisition ("**Completion Date**"), for no less than three (3) years from the Completion Date, save that the Vendors agree and acknowledge that the undertaking shall not be applicable in relation to the dismissal of any employee on the grounds of poor performance, gross negligence in the performance of duties and/or deliberate intent or actions of the employee to harm the business of HRC or its subsidiaries, or the Anson Group.

As the Anson Group's employee compensation amounted to S$20.0 million, S$17.9 million and S$17.1 million in FY2011, FY2012 and FY2013 respectively and accounted for less than 2% of the total expenses of the Anson Group for each of FY2011, FY2012 and FY2013, the above undertaking is not expected to have a material impact to the total expenses of the Anson Group for the three (3) years from the Completion Date.

**(c) There will be no change to the risk profile of the Company**

As set out in paragraph 2.8.2 of the Circular:

(i) the Proposed Acquisition is an expansion of the HAC Group's existing core business and is in line with the HAC Group's acquisition strategy;

(ii) the Proposed Acquisition is made in the ordinary course of business and will not result in a material change to the nature of the HAC Group's business; and

(iii) 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.

**(d) Inter-conditionality**

The Proposed Acquisition and Proposed Joint Investment are inter-conditional upon each other. The rational for the inter-conditionality is set out in paragraph 1.3 of the Circular. 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*. Further details on our opinion of the Proposed Joint Investment are set out in the Investment IFA Letter and the Non-Interested Directors should recommend Shareholders to read the Investment IFA Letter carefully.

## 5. OPINION

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Acquisition, as summarised below:

(a) the financial performance of the Anson Group for FY2011, FY2012 and FY2013 and the prices of natural rubber since 1 January 2011 to the Latest Practicable Date;

(b) the Purchase Consideration is at a premium of 53.1% to the Adjusted NTA of the Anson Group (adjusted based on the NTA of the Anson Group as at 31 December 2013);

(c) the EV/EBITDA ratio, P/E ratio, P/NAV ratio (based on Adjusted NAV) and P/NTA ratio (based on Adjusted NTA) of the Anson Group, as implied by the Purchase Consideration, is within the range and below the mean and median of the Selected Comparable Companies;

(d) the EV/EBITDA ratio, the P/E ratio, P/NAV ratio (based on Adjusted NAV) and P/NTA ratio (based on Adjusted NTA) of the Anson Group, as implied by the Purchase Consideration represent discounts of 58.6%, 67.8%, 31.8% and 34.8% to the mean EV/EBITDA ratio, the P/E ratio, P/NAV ratio and P/NTA ratio of the Selected Comparable Companies, respectively;

(e) the P/E ratio and P/NAV ratio (of the Anson Group, as implied by the Purchase Consideration and based on the financials of the Anson Group for FY2013 is within the range and is lower than the mean and median ratios for the Recent Transactions;

(f) based on the proforma financial effects presented by the Company, the EPS of the Company would decrease while the EBITDA per Share would increase after the completion of the Proposed Acquisition. The NTA per Share would become negative as a result of the goodwill that is expected to arise from the Proposed Acquisition but the NAV would more than double after the completion of the Proposed Acquisition. Although the net gearing ratio of the HAC Group will increase, the Board is of the opinion that the Proposed Acquisition will not have a significant adverse impact on the HAC Group's earnings and working capital after the completion of the Proposed Acquisition; and

(g) other considerations as set out in paragraph 4.7 of this Acquisition IFA Letter.

**Accordingly, after taking into account the above factors, we are of the opinion that, as of the date hereof, the Proposed Acquisition is fair and not prejudicial to the interests of the Shareholders.**

This Acquisition IFA Letter is addressed to the Non-Interested Directors for their benefit, in connection with and for the purpose of their consideration of the terms of the Proposed Acquisition, and any decision made by the Non-Interested Directors in relation to the Proposed Acquisition shall remain the responsibility of the Non-Interested Directors. This Acquisition IFA Letter may not be reproduced, neither the Company nor the Directors may reproduce, disseminate or quote this Acquisition IFA Letter (or any part thereof) for any other purpose, except for the forthcoming EGM, at any time and in any manner without the prior written consent of Asiasons WFG Capital in each specific case, except for the forthcoming EGM and for the purposes 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 stated herein and does not apply by implication to any other matter.

Yours truly
For and on behalf of
**ASIASONS WFG CAPITAL PTE LTD**

| | |
|---|---|
| ALEX TAN KAH KOON<br>EXECUTIVE DIRECTOR | PAULINE SIM POI LIN<br>HEAD OF CORPORATE FINANCE |

18 July 2014

Halcyon Agri Corporation Limited
250 North Bridge Road
#12-01 Raffles City Tower
Singapore 179101

**Attention : The Audit Committee and Non-Interested Directors**

Dear Sirs

**LETTER FROM ASIASONS WFG CAPITAL PTE LTD TO THE AUDIT COMMITTEE AND NON-INTERESTED DIRECTORS IN RESPECT OF THE PROPOSED ESTABLISHMENT OF A JOINT INVESTMENT AS AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL (SECTION B: RULES OF CATALIST) OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to Shareholders of the Company dated 18 July 2014 (the "**Circular**").*

## 1. INTRODUCTION

Halcyon Agri Corporation Limited (the "**Company**") announced on 11 July 2014 that its wholly-owned subsidiary, Halcyon Rubber Company Pte. Ltd. ("**HRC**"), had entered into the sale and purchase agreement dated 11 July 2014 (the "**SPA**") with (i) Lee Latex (Pte) Limited; (ii) Singapore Investments (Pte) Limited; and (iii) Selat (Pte) Limited (collectively, the "**Vendors**") for the acquisition of the entire issued and paid up share capital of Anson Company (Private) Limited ("**Anson**") (including its subsidiaries) from the Vendors for an aggregate purchase consideration of S$450,000,000 (the "**Purchase Consideration**"), on such terms and subject to the conditions of the SPA (the "**Proposed Acquisition**").

For the purpose of and as part of the funding requirements for the Proposed Acquisition, the Company had on 11 July 2014, entered into an agreement with Angsana Capital Ltd ("**Angsana**") and HRC pursuant to which the Company will subscribe for 109,999,999 ordinary shares in the capital of HRC ("**HRC Ordinary Shares**") for S$109,999,999 and Angsana will subscribe for 75,000,000 preference shares in the capital of HRC ("**HRC Preference Shares**") for S$75 million (the "**Subscription and Shareholders' Agreement**"), subject to the terms and conditions of the Subscription and Shareholders' Agreement.

Angsana is a company wholly-owned by Keystone Pacific Pte. Ltd. ("**Keystone**"), a Substantial Shareholder of the Company and wholly-owned by Mr Robert Gunther Meyer ("**RM**"), the executive chairman and Chief Executive Officer ("**CEO**") of the Company as at the Latest Practicable Date. 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.

The value of the IPT is approximately S$110 million, and based on the HAC Group's latest audited NTA of US$70.27 million as at 31 December 2013 (equivalent to approximately S$88.71 million), the value of the IPT represents approximately 124% of the HAC Group's NTA. Accordingly, the Proposed Joint Investment requires Shareholders' approval pursuant to Catalist Rule 906. Pursuant to Catalist Rule 921(4)(a), an opinion from an independent financial adviser stating whether the transaction (and all other transactions which are the subject of aggregation pursuant to Rule 906) (i) is on normal commercial terms; and (ii) is prejudicial to the interests of the issuer and its minority shareholders, must be included in the Circular.

As at the Latest Practicable Date, save as envisaged as part of the Proposed Joint Investment, the Company has not entered into any other transaction with RM and his associates or any transaction with Interested Persons since the beginning of FY2014.

Asiasons WFG Capital Pte Ltd ("**Asiasons WFG Capital**") has been appointed to advise the Audit Committee and the Directors other than those Directors who are deemed interested in the Proposed Joint Investment, namely Mr Alan Rupert Nisbet, Mr Pascal Guy Chung Wei Demierre, Mr Randolph Khoo Boo Teck and Mr Jason Lewis Barakat-Brown (collectively, the "**Audit Committee and Non-Interested Directors**"), as to whether the Proposed Joint Investment is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders.

This letter sets out our evaluation of the terms of the Proposed Joint Investment and our advice to the Audit Committee and Non-Interested Directors thereon (this "**Investment IFA Letter**").

## 2. TERMS OF REFERENCE

Asiasons WFG Capital has been appointed to advise the Audit Committee and Non-Interested Directors on whether the Proposed Joint Investment is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders. We do not, by this Investment IFA Letter, make any representation or warranty in relation to the merits of the Proposed Joint Investment.

We are not and were not involved in any aspect of the negotiations pertaining to the Proposed Joint Investment, nor were we involved in the deliberations leading up to the decisions on the part of the Directors to agree on the terms of the Proposed Joint Investment. Our evaluation is limited to the terms of the Proposed Joint Investment and has not taken into account the legal risks, commercial risks or merits, financial risks or merits of the Proposed Joint Investment. Our terms of reference do not require us to evaluate or comment on the strategic or commercial merits and/or risks of the Proposed Joint Investment or the future performance or prospects of the HAC Group. As with other business transactions of the Company, the merit and/or associated risks, whether commercial, financial or otherwise, of the Proposed Joint Investment are solely the responsibility of the Directors. Likewise we are not expressing herein as to the prices at which the Shares may trade upon completion of the Proposed Joint Investment. We are also not addressing the relative merits of the Proposed Joint Investment as compared to any alternative transaction previously considered by the Company or that otherwise may become available to the HAC Group in the future. Such evaluations or comments remain the responsibility of the Board and the management of the Company.

In the course of our evaluation and for the purpose of our opinion in relation to the Proposed Joint Investment, we have held discussions with certain Directors and management of the Company and have examined information provided by the Directors and management of the Company and other publicly available information collated by us, upon which our view is based. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any representation or warranty in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have nevertheless made reasonable enquiries and used our judgment as we deemed necessary or appropriate in assessing such information and are not aware of any reason to doubt the accuracy or reliability of the information.

We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information stated in the Circular and confirm, after making all reasonable enquiries that, as at the Latest Practicable Date, to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Proposed Joint Investment and the HAC Group, and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading. Where information in the 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 the Circular in its proper form and context. In relation to this Investment IFA Letter, the Directors have confirmed that the facts stated, with respect to the Proposed Joint Investment and the HAC Group, are to the best of their knowledge and belief, fair and accurate in all material aspects.

Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information, provided or otherwise made available to us or relied on by us as described above. Furthermore, our terms of reference do not require us to express, and we do not express, an opinion on the future growth prospects of the Company or the HAC Group. We are, therefore, not expressing any opinion herein as to the future financial or other performance of the Company or the HAC Group.

Our opinion is based upon prevailing market, economic, industry, monetary and other conditions (where applicable) and the information made available to us contained in the Circular as of the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our view in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained therein. Shareholders should take note of any announcements relevant to their consideration of the Proposed Joint Investment which may be released by the Company after the Latest Practicable Date.

**In arriving at our opinion, we did not consider the specific investment objectives, financial situation, tax consequences, risk profile or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment objectives or portfolios should consult his or their legal, financial, tax or other professional advisors immediately.**

**Our opinion is for the use and benefit of the Audit Committee and Non-Interested Directors in their deliberation of whether the terms of the Proposed Joint Investment are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders, and the statements made by the Audit Committee and Non-Interested Directors and shall remain the responsibility of the Audit Committee and Non-Interested Directors.**

**Our opinion in relation to the Proposed Joint Investment should be considered in the context of the entirety of this Investment IFA Letter.**

We recommend that the Audit Committee and Non-Interested Directors advise the Shareholders to read these pages carefully.

## 3. THE PROPOSED JOINT INVESTMENT

Information on the Proposed Joint Investment is set out in paragraph 3 of the Circular, and Shareholders are advised to read the information carefully.

Shareholders should note that the Proposed Joint Investment and the Proposed Acquisition are conditional upon each other due to the following reasons:

(a) the establishment of the Proposed Joint Investment is for the purpose of the Proposed Acquisition; and

(b) the Proposed Acquisition requires the funds raised from the completion of the Proposed Joint Investment to satisfy part of the Purchase Consideration.

The Purchase Consideration will be funded through a combination of internal resources, additional equity funds raised through the Proposed Joint Investment, together with (i) 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.

The entire proceeds of S$185 million from the issuance of HRC Ordinary Shares and HRC Preference Shares will be applied solely to satisfy part of the Purchase Consideration, directly or indirectly.

### 3.1 SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, HRC has an issued and paid-up share capital of S$1.00 comprising one (1) ordinary share held by the Company. Pursuant to the Subscription and Shareholders' Agreement, the Company and Angsana will subscribe for HRC Ordinary Shares and HRC Preference Shares, resulting in the Company and Angsana holding 59.46% and 40.54% of HRC's total issued share capital, respectively. HRC will remain as a subsidiary of the Company upon completion of the issuance of HRC Ordinary Shares and HRC Preference Shares. Please refer to paragraph 3.3 of the Circular for the share capital structure of HRC upon completion of the Proposed Joint Investment.

### 3.2 HRC BOARD CONTROL

Pursuant to the Subscription and Shareholders' Agreement, the board of directors of HRC will consist of three (3) directors of which two (2) directors will be nominated by the Company and one (1) director will be nominated by Angsana. By virtue of their majority representation on the board of directors of HRC, the Company can exercise control over HRC and oversee the major decisions and policies implemented by the management of HRC.

### 3.3 CONDITIONS PRECEDENT

We extracted the conditions precedent for the Proposed Joint Investment in italic as follows. Shareholders are advised to read the information carefully.

*(a) evidence satisfactory to Angsana 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;*

*(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 therein; and (ii) the Proposed Acquisition, and such approvals being in full force and effect as at the date of completion of the Proposed Joint Investment; and*

*(d)* *there having been no material adverse change.*

**3.4 THE HRC PREFERENCE SHARES**

The full details of the terms of the HRC Preference Shares can be found in paragraph 3.4.2 of the Circular, and Shareholders are advised to read the information carefully. We set out certain key terms as follows:

*Maturity*

The HRC Preference Shares are perpetual securities with no maturity date, and are not redeemable at the option of the holder.

*Preferred dividend*

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.

*Purchase by the Company*

Subject to the acceptance of Angsana, all outstanding HRC Preference Shares held by Angsana may be purchased in whole but not in part by the Company ("**Purchase Offer**"), on the date falling six (6) months from the date of issuance of the HRC Preference Shares ("**First Purchase Date**") or any business day thereafter at the amount equal to the outstanding amount of HRC Preference Shares plus the amount (in dollars) that would result in an internal rate of return ("**IRR**") of 15% per annum on the Issued Amount (taking into account the receipt of any Preferred Dividends) plus an amount equal to any deferred Preference Dividends and accrued interest on such deferred Preferred Dividends) (the "**Purchase Amount**") for either:

(i) Cash; or

(ii) Such number of newly issued ordinary shares of the Company ("**HACL Shares**"), computed as the relevant Purchase Amount divided by exchange price ("**Exchange Price**"), where the Exchange Price shall be the lower of:

   (a) S$1.20 for each HACL Share on a fully diluted basis; and

   (b) Volume weighted average price ("**VWAP**") of the Shares on the five (5) trading days immediately prior to the Purchase Offer.

   The Exchange Price is subject to anti-dilution protection and shall be adjusted downwards to equal the lowest public offering price (on a fully diluted basis) in the event that the Company issues new ordinary shares at a price lower than the then applicable Exchange Price.

In the event that the Company makes a Purchase Offer via the issuance of the HACL Shares, the number of HACL Shares to be issued to Angsana shall represent not less than 14.48% of the enlarged share capital of the Company on a fully diluted basis.

*Conversion into ordinary shares in the capital of HRC by Angsana*

In the event of:

(i) an underwritten public offering of HRC or Anson's shares on an internationally recognised exchange to be mutually agreed between HRC and Angsana; or

(ii) a 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,

(an "**Exit Event**"),

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 (the "**Conversion Right**").

Angsana has the right to require HRC and/or Anson (and the Company agrees to fully cooperate) to use all commercially reasonable endeavors to undertake an Exit Event if there has been no Exit Event and Angsana has not accepted any Purchase Offer during the two (2) years from the date of issuance of the HRC Preference Shares (the "**Exit Event Long Stop Date**") subject to Angsana giving the Company four (4) months prior written notice of such request, to enable Angsana to sell its HRC ordinary shares received in connection with the Conversion Right (as if exercised). Such right will lapse if the Company has made at least four (4) Purchase Offers since the First Purchase Date with at least one (1) 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.

Angsana will also have the right to convert all of the outstanding HRC Preference Shares into 40.54% of the fully diluted ordinary share capital of HRC on or/and after the occurrence of an event of default (which is continuing).

*Liquidation preference*

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

## 4. EVALUATION OF THE PROPOSED JOINT INVESTMENT

In our evaluation of the Proposed Joint Investment, we have taken into account the following factors which we consider to be pertinent and to have a significant bearing on our evaluation:

(a) the rationale for and benefits of the Proposed Joint Investment;

(b) comparison with recent preference share issuances;

(c) the Exchange Price;

(d) the number of HACL Shares;

(e) the rights to participate in dividends and distributions; and

(f) other considerations.

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

### 4.1 THE RATIONALE FOR AND BENEFITS OF THE PROPOSED JOINT INVESTMENT

The rationale for and benefits of the Proposed Joint Investment are set out in paragraph 3.5 of the Circular and we recommend that the Audit Committee and Non-Interested Directors advise the Shareholders to read the paragraph carefully. We have reviewed the rationale for entering into the Proposed Joint Investment and set out certain extracts in italic as follows:

*The Proposed Joint Investment will reduce the financing burden of the Company by S$75,000,000 which would have been incurred by the HAC Group pursuant to the Proposed Acquisition. This will result in the HAC Group's gearing ratio being maintained at a level which is acceptable to the Directors.*

### 4.2 COMPARISON WITH RECENT PREFERENCE SHARE ISSUANCES

For the purpose of our evaluation, we have compared the principal terms of the HRC Preference Shares vis-à-vis selected recent non-listed preference share issuances by companies listed on the SGX-ST or their subsidiaries (the "**Recent Issuances**").

We wish to highlight that the list of Recent Issuances is not exhaustive, and that the principal terms of preference share issuances depend on various factors, *inter alia*, the notional value of the preference shares issued, the specific industry that the issuer operates in, prevailing market conditions and sentiments, as well as the attractiveness and profitability of the business and assets. Accordingly, any comparison made with respect to Recent Issuances is intended to serve as an illustrative guide only.

| Company Name | Type[1] | Date of announcement | Principal (S$ millions) | Preferred Dividends | Maturity | Redemption |
|---|---|---|---|---|---|---|
| AsiaPhos Limited ("**AsiaPhos**") | RPS | 30-Apr-14 | 7.0 | 10% per annum (payable on maturity date) + 2.5% per annum (deferred dividend on redemption) | 30 months | Cash redemption<br>- 115% of principal<br><br>Non-cash redemption<br>- Exchange for shares in an unlisted entity of equivalent value to the principal<br><br>Redemption at the request of issuer |
| GSH Corporation Limited ("**GSH**") [2] | RPS | 01-Jan-14 | 171.8 | 10% per annum | Perpetual | Cash redemption<br>-100% of principal<br><br>Non-cash redemption<br>- Nil<br><br>Redemption at the request of issuer |

| Company Name | Type(1) | Date of announcement | Principal (S$ millions) | Preferred Dividends | Maturity | Redemption |
|---|---|---|---|---|---|---|
| OKH Global Ltd. (“**OKH Global**”) | REPS | 19-Jul-13 | 10.0 | Nil | 3 years | <u>Cash redemption</u><br>-150% of principal<br><br><u>Non-cash redemption</u><br>- Exchange for OKH Global shares at a fixed exchange price based on a 4.05% discount to the VWAP on the date of agreement<br><br>Redemption at the request of subscribers |
| Ezion Holdings Limited (“**Ezion**”) | REPS | 18-Jul-13 | 30.0 | 5% per annum (payable on maturity date) + 3% (one time dividend on exchange into Ezion shares) | 3 years | <u>Cash redemption</u><br>- 100% of principal<br><br><u>Non-cash redemption</u><br>- Exchange for Ezion shares at a fixed exchange price based on the VWAP on the date of the agreement<br><br>Redemption for cash at the request of the issuer if not exchange for Ezion shares at maturity |

Notes:

(1) The type of preference shares issued, includes Redeemable Exchangeable Preference Shares (“**REPS**”) and Redeemable Preference Shares (“**RPS**”)

(2) The RPS was issued by The Sutera Harbour Group Sdn Bhd to Borneo Ventures Pte. Ltd. (a subsidiary of GSH) and TYJ Group Pte Ltd pursuant to GSH’s acquisition of a 77.5% equity stake in The Sutera Harbour Group Sdn Bhd and Sutera Harbour Resort Sdn Bhd.

We note that principal terms of Recent Issuances vary widely between the different issuers.

*Dividend Rate*

The 5% dividend rate per annum of the HRC Preference Shares falls within the range of Recent Issuances, being (i) nil dividends paid by a subsidiary of OKH Global; and (ii) a 10% dividend rate per annum in addition to a 2.5% deferred dividend on redemption by a subsidiary of AsiaPhos.

*Maturity*

Recent Issuances have maturities ranging from 30 months to perpetuity. HRC Preference Shares are perpetual shares with no maturity date which is similar to those issued by a subsidiary of GSH.

*Cash Redemption*

Recent Issuances all allow for cash redemptions with cash redemption amounts ranging from 100% of the principal amount to 150% of the principal amount. HRC Preference Shares can be purchased by the Company in cash for an amount equal to the outstanding amount of HRC Preference Shares in addition to the amount (in dollars) that would result in an IRR of 15% per annum for Angsana after taking into account the amounts and timing of and Preferred Dividends actually received.

Assuming the scenario whereby the HRC Preference Shares are issued on 31 July 2014, preferred dividends are paid semi-annually on 15 March and 15 September each year and the HRC Preference Shares are purchased after two (2) years, the Purchase Amount of the HRC Preference Shares will be approximately 123% of the principal which is within the range of the Recent Issuances. We have selected a two-year period as the parameter of our scenario after taking into account the Exit Event Long Stop Date as a reference.

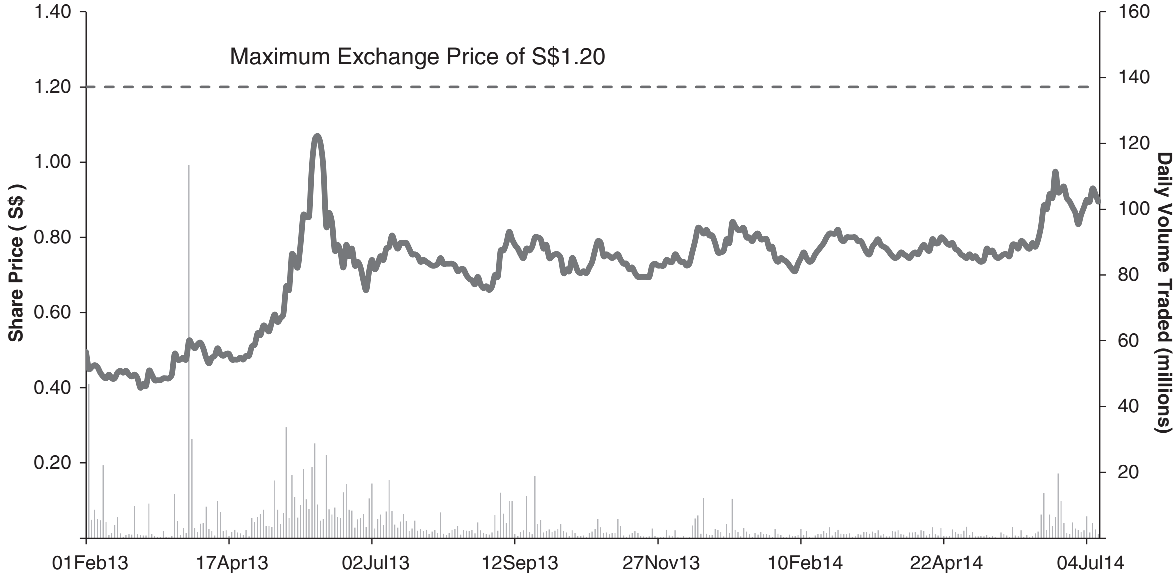
*Non-Cash Redemption*

Most of the Recent Issuances allow for non-cash redemption save for those issued by a subsidiary of GSH. For those Recent Issuances that allowed for exchange into the shares of the parent company listed on SGX-ST, the relevant exchange prices were fixed at the point of the signing of the respective subscription agreements whereas the Exchange Price of the HRC Preference Shares will be determined based on the VWAP of the five (5) trading days leading up to the Purchase Offer subject to a cap of S$1.20 for each HACL Share. Please also see the following paragraph for further details on the Exchange Price of the HRC Preference Shares.

**4.3 THE EXCHANGE PRICE**

Subject to the Purchase Offer, the HRC Preference Shares are exchangeable, in whole but not in part, at any time from the First Purchase Date into HACL Shares at the Exchange Price which is determined based on the VWAP of the five (5) trading days leading up to the Purchase Offer subject to a cap of S$1.20 for each HACL Share (“**Maximum Exchange Price**”).

The chart below shows the daily closing price of the Shares from 1 February 2013 (the first day of trading of the Shares on the Catalist) till the Latest Practicable Date:




The Maximum Exchange Price, as determined in the Subscription and Shareholders' Agreement, is S$1.20 for each HACL Share, and represents a 31.6% premium to the volume weighted average price of S$0.9118 for each Share on 10 July 2014, being the last trading day preceding the date of the Subscription and Shareholders' Agreement.

We compare the Maximum Exchange Price against the market prices of the Shares as follows:

| | Highest daily closing price (S$) | Lowest daily closing price (S$) | VWAP (S$) | Premium of Maximum Exchange Price to VWAP (%) |
|---|---|---|---|---|
| **Periods before the announcement of the Proposed Joint Investment and Proposed Acquisition on 19 June 2014** | | | | |
| Since 1 February 2013 | 1.070 | 0.400 | 0.6880 | 74.4 |
| Last 12 months | 0.975 | 0.660 | 0.7728 | 55.3 |
| Last 6 months | 0.975 | 0.710 | 0.8003 | 49.9 |
| Last 3 months | 0.975 | 0.735 | 0.8089 | 48.3 |
| Last 1 month | 0.975 | 0.745 | 0.8495 | 41.3 |
| **Periods after the announcement of the Proposed Joint Investment and Proposed Acquisition on 19 June 2014** | | | | |
| Up to the Latest Practicable Date [(1)] | 0.935 | 0.835 | 0.9096 | 31.9 |

Note:

(1) There were no trades done on the Shares on 11 July 2014, the Latest Practicable Date.

As set out above, the Maximum Exchange Price represents a premium to the market prices of the Shares since 1 February 2013, being the first day of trading of the Shares on the Catalist.

### 4.4 THE NUMBER OF HACL SHARES

The table below illustrates the HACL Shares that the HRC Preference Shares can be exchanged for based on different Exchange Prices:

| | Exchange Price (S$) | Number of HACL Shares to be issued in exchange for HRC Preference Shares (1) | HACL Shares as a percentage of the enlarged share capital of the Company |
|---|---|---|---|
| **Maximum Exchange Price** | 1.200 | 76,872,961 | 16.3% |
| **High** (2) | 1.070 | 86,212,667 | 17.9% |
| **5-Day VWAP** (3) | 0.9127 | 101,071,057 | 20.3% |
| **Low** (4) | 0.400 | 230,618,885 | 36.8% |
| **January 2013 Placement Price** (5) | 0.360 | 256,243,205 | 39.3% |
| **June 2013 Placement Price** (5) | 0.5175 | 178,256,142 | 31.0% |
| **November and December 2013 Placement Price** (5) | 0.720 | 128,121,602 | 24.4% |

Notes:

(1) Assumes the scenario whereby HRC Preference Shares are issued on 31 July 2014, Preferred Dividends are paid semi-annually on 15 March and 15 September each year and the HRC Preference Shares are purchased after two (2) years.

(2) Highest daily closing price of the Shares from 1 February 2013 till the Latest Practicable Date.

(3) VWAP of the Shares based on the five (5) trading days prior to the Latest Practicable Date.

(4) Lowest daily closing price of the Shares from 1 February 2013 till the Latest Practicable Date.

(5) Placement of (i) 61,000,000 Shares at the placement price of S$0.36 per Share at the time of its initial public offering in January 2013; (ii) 40,000,000 Shares in a private placement at a placement price of S$0.5175 per Share in June 2013; (iii) 27,500,000 Shares in a private placement at a placement price of S$0.72 per Share in November 2013; (iv) 12,500,000 Shares in a private placement at a placement price of S$0.72 per Share in December 2013.

As set out in the table above, the minimum number of HACL Shares to be issued in the event that the Company makes a Purchase Offer via the issuance of HACL Shares on the Exit Event Long Stop Date will be 76,872,961 HACL Shares, representing 16.3% of the enlarged share capital of the Company, which is above the 14.48% Anti-Stake Dilution Exchange Price Adjustments set out in paragraph 3.4.2 of the Circular.

The above table is purely for illustration purposes. The actual number of HACL Shares to be issued in exchange for the HRC Preference Shares will depend on a variety of factors, *inter alia*, the timing of the Purchase Offer by the Company, the market prices of the Shares at the time of the Purchase Offer and whether Preferred Dividends have been paid prior to the Purchase Offer.

We note that whilst the Maximum Exchange Price is S$1.20, there is no minimum Exchange Price. Should the market prices of the Shares drop drastically, the number of HACL Shares to be issued in exchange for the HRC Preference Shares will increase substantially thereby causing further dilution to the shareholdings of existing Shareholders. Nonetheless, we also note that the Company retains the right to make a Purchase Offer in cash instead of via the issuance of HACL Shares.

Any decision to make a Purchase Offer, either in cash or via issuance of HACL Shares, will be made by the Board after their careful deliberations. The management of the Company has provided assurances that the interests of minority Shareholders will be safeguarded by the Audit Committee and Non-Interested Directors who form a majority of the Board. Furthermore, RM, being an interested person within the meaning of Chapter 9 of the Catalist Rules, will also abstain from voting on any Board decisions in relation to the Purchase Offer.

**4.5 RIGHTS TO PARTICIPATE IN DIVIDENDS AND DISTRIBUTIONS**

A preferential dividend of 5% per annum shall be payable on the HRC Preference Shares, when and if declared by the board of HRC ("**Preferred Dividend**"). Preferred Dividends shall be paid in priority to any payment of dividends on HRC Ordinary Shares.

Angsana shall also have rights to participate on a 40.54% proportionate basis on all dividends and distributions made on HRC Ordinary Shares. We note that this 40.54% participation in all dividends and distributions made on HRC Ordinary Shares is proportional to Angsana's capital contribution to the Proposed Joint Investment, being S$75 million as compared to the Company's S$110 million capital contribution (being the existing one (1) HRC Ordinary Share held by the Company as at the Latest Practicable Date and the 109,999,999 HRC Ordinary Shares to be subscribed by the Company under the Subscription and Shareholders' Agreement dated 11 July 2014).

**4.6 OTHER CONSIDERATIONS**

**(a) Controlling Interest**

The Anti-Stake Dilution Exchange Price Adjustments (set out in paragraph 3.4.2 of the Circular) ensures that Angsana's pro-forma fully diluted interest in the Company (on the basis of 100% exercise and proportionately adjusted for any partial exchange and/or redemption) does not fall below 14.48%.

We note that Angsana is a company wholly-owned by Keystone, a Substantial Shareholder of the Company and wholly-owned by RM, the executive chairman and CEO of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, RM (and his associates, including Keystone) have aggregate interest in 36,315,611 Shares, representing 9.17% of the issued share capital of the Company. Accordingly, if the Company makes the Purchase Offer via the issuance of HACL Shares, RM's aggregate interest in the Company (direct and indirect) will exceed 15% of the issued share capital of the Company and will become a Controlling Shareholder of the Company within the meaning of the Catalist Rules upon the completion of the Purchase Offer via the issuance of the HACL Shares.

As at the Latest Practicable Date, the largest Substantial Shareholder of the Company is Dato' Lynette Le Mercier, holding 61,500,000 Shares, representing 15.53% of the share capital of the Company.

**Accordingly, in the event that the Company makes the Purchase Offer via the issuance of the HACL Shares, RM will become the single largest shareholder and controlling interest in the Company will be transferred from Dato' Lynette Le Mercier to RM.**

Shareholders should refer to paragraph 5.1 of the Circular for illustrative effects of the Purchase Offer via the issuance of HACL Shares.

**(b) Transferability**

HRC Preference Shareholder shall have the right to transfer or assign any of its rights under the HRC Preference Shares (a) at 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, 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). However, conditions (a) and (b) above shall not apply if an Event of Default has occurred (and is continuing).

**(c) Security over HRC Ordinary Shares**

All of the Company's HRC Ordinary Shares, *inter alia*, will be charged to Angsana as security for the issuance of the HRC Preference Shares. We note that some of the Recent Issuances as set out in paragraph 4.2 of this Investment IFA Letter had also provided various collaterals (including assets of the subsidiaries, and corporate guarantees by the listed entity) to secure the preference share issuances. In 2010, Ezion Holdings Limited had also pledged all the ordinary shares of a subsidiary when issuing redeemable exchangeable preference shares to raise S$53 million for the said subsidiary.

The charged HRC Ordinary Shares will be fully assignable for the purposes of any financing taken by Angsana for funding the subscription of the HRC Preference Shares. Accordingly, in the event that (i) Angsana charges the charged HRC Ordinary Shares to secure a loan; and (ii) Angsana defaults on its loan, Angsana's financiers will be able to take these charged HRC Ordinary Shares as repayment of Angsana's loan. Nevertheless, as set out in Paragraph 4.6 (a) above, RM has interests (direct and indirect) in 36,315,611 Shares, representing 9.17% of the share capital of the Company as at the Latest Practicable Date and will become the single largest shareholder and Controlling Shareholder of the Company in the event that the Company makes the Purchase Offer via the issuance of the HACL Shares. Accordingly, Angsana's interest is aligned with the Company as Angsana will be affected in the event it defaults on its loan.

**(d) Inter-conditionality**

The Proposed Acquisition and Proposed Joint Investment are inter-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*. Further details on our opinion of the Proposed Acquisition are set out in the Acquisition IFA Letter. The Audit Committee and Non-Interested Directors should recommend Shareholders to read the Acquisition IFA Letter carefully.

## 5. OPINION

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Joint Investment. We have carefully considered as many factors as we deem essential and balanced them before reaching our opinion. Accordingly, it is important that our Investment IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

We have set out below a summary of the key factors we have taken into our consideration:

(a) the rationale for and benefits of the Proposed Joint Investment;

(b) comparison with recent preference share issuances;

(c) the Exchange Price;

(d) the number of HACL Shares;

(e) the right to participate in dividends and distributions; and

(f) other considerations.

**Accordingly, after taking into account the above factors, we are of the opinion as of the date hereof that the Proposed Joint Investment is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.**

Shareholders should note that trading in the Shares is subject to possible market fluctuations and, accordingly, our opinion on the Proposed Joint Investment does not and cannot take into account the trading activities or patterns of the Shares or the price levels beyond the Latest Practicable Date.

This Investment IFA Letter is addressed to the Audit Committee and Non-Interested Directors and for their benefit, in connection with and for the purpose of their consideration of the terms of the Proposed Joint Investment, and the recommendation made by them to the Shareholders shall remain the responsibility of the Audit Committee and Non-Interested Directors. Whilst a copy of this Investment IFA Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Investment IFA Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of Asiasons WFG Capital in each specific case, except for the forthcoming EGM and for the purposes of the Proposed Joint Investment.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly
For and on behalf of
**ASIASONS WFG CAPITAL PTE LTD**

| | |
|---|---|
| ALEX TAN KAH KOON | PAULINE SIM POI LIN |
| EXECUTIVE DIRECTOR | HEAD OF CORPORATE FINANCE |

KJPP
Hendra Gunawan dan Rekan
Penilai Properti dan Bisnis
Ijin Usaha: 2.09.0075

**VALUATION REPORT**
**OF**
**LAND, BUILDINGS, MACHINERY AND EQUIPMENT**
**OF SUBSIDIARIES FACTORIES**
**OF ANSON CO (PTE) LTD**
**AT VARIOUS LOCATIONS IN INDONESIA**

**2ND MAY 2014**

**FOR**

**HALCYON AGRI CORPORATION LIMITED**

KJPP
Hendra Gunawan dan Rekan
Penilai Properti dan Bisnis
Ijin Usaha: 2.09.0075

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World Trade Centre, 10th Floor
Jl Jenderal Sudirman Kav 29-31
Jakarta 12920
Indonesia
Tel 62 21 521 1400
Fax 62 21 521 1409

**EXECUTIVE REPORT**

**PRIVATE AND CONFIDENTIAL**

15th June 2014
Reference: V/2012/PKG/20

**HALCYON AGRI CORPORATION**
250, North Bridge Road
# 12-01, Raffles City Tower
Singapore 179101

**For the Attention of: Mr. Ng Eng Kiat**

Dear Sir,

**VALUATION REPORT OF
LAND, BUILDINGS, MACHINERY AND EQUIPMENT
OF SUBSIDIARIES FACTORIES OF ANSON CO (PTE) LTD
AT VARIOUS LOCATIONS IN INDONESIA**

## 1. EXECUTIVE SUMMARY

### 1.1 The Instruction

Subject to our contract No. Ref. 2800 dated 1st April 2014, having been approved by Halcyon Agri Corporation Limited. We have been instructed to give opinion of Market Value of land, buildings, machinery and equipment of subsidiaries factories of Anson CO (PTE) LTD at various locations in Indonesia.

We assume that the given instruction and information is valid and reflects the real situation. The authenticity of this reports and valuation contained herein may be confirmed by directly contacting the Managing Partner of KJPP Hendra Gunawan and Associates at the issuing office.

### 1.2 Qualification of Property Appraiser

We are a Public Valuer Service Office officially established under the Decree of the Minister of Finance of the Republic of Indonesia No. 1374/KM.1/2009 dated December 14th, 2009 by the name of Public Valuer Service Office KJPP Hendra Gunawan dan Rekan with the Business License Number of 2.09.0075 and has been registered as the Capital Market Valuer Service Office at the Capital Market Supervisory Board-Financial Institution ("Bapepam" and "LK") by the Certificate of Registry of Capital Market Valuer License from Bapepam and LK No. 28/PM/STTD-P/A/2006.

### 1.3 The Summary of the Properties

The property under valuation consists of land, buildings, machinery and equipment at various locations in DKI Jakarta, South Sumatera, Jambi, North Sumatera, Riau, South Kalimantan, and West Kalimantan, Indonesia.

KJPP Hendra Gunawan dan Rekan
Penilai Properti dan Bisnis
Ijin Usaha: 2.09.0075

**HALCYON AGRI CORPORATION LIMITED**
Valuation Report of Land, Buildings, Machinery and Equipment
of Subsidiaries Factories of Anson CO (PTE) LTD
at Various Locations in Indonesia

Date of Valuation : 2nd May 2014 V/2014/PKG/20

| NO. | TYPE OF PROPERTY | Area (Sqm) | | Location |
|---|---|---|---|---|
| | | Land | Building | |
| 1. | Land and Building (Shophouses) | 65 | 143 | Jalan Kali Besar Timur III No. 20, Pinangsia Sub-District, Taman-Sari District, West Jakarta, DKI Jakarta Province |
| 2. | Land and Building (Office) | 1,371 | 1,330 | Jalan Depaten Baru No. 47, 28 Ilir Sub District, Ilir Barat II Distict, Palembang, South Sumatera Province |
| 3 | Land and Building (Residential) | 809 | 371 | Jalan Telaga No. 10, 30 Ilir Sub - District, Ilir Barat II District, Palembang, South Sumatera Province |
| 4 | Land and Building (Residential) | 574 | 263 | Jalan Dr. Cipto No. 22, 30 Ilir Sub-District, Ilir Barat II District, Palembang, South Sumatera Province |
| 5 | Land and Building (Residential) | 499 | 289 | Jalan Dr. Cipto No. 27, 30 Ilir Sub-Distict, Ilir Barat II District, Palembang, South Sumatera Province |
| 6 | Land and Building (Residential) | 758 | 312 | Jalan KH. Ahmad Dahlan, No. 45, 26 Ilir Sub-District, Ilir Barat I District, Palembang, South Sumatera Province |
| 7 | Vacant Land | 570,234 | - | Jalan Tanjung Siapi-Api, Gasing Sub-District, Talang Kelapa District, Palembang, South Sumatera Province |
| 8 | Vacant Land | 200,185 | - | Sungai Selincah Sub-District, Ilir Timur II District, Palembang, South Sumatera Province |
| 9 | Land, Buildings, Machinery and Equipment (Factory) | 86,560 | 38,651 | Jalan Kopral Paiman, Bagus Kuning Sub-District, Plaju District, Palembang, South Sumatera Province |
| 10 | Land and Buildings (Factory) | 858,539 | 53,761 | Jalan Mayjen Satibi Darwis, Keramasan Sub-District, Kertapati District, Palembang, South Sumatera Province |
| 11 | Land and Buildings (Shophouse) | 415 | 415 | Jalan DR. Sutomo No. 5, Pasar Jambi Sub-District, Pasar Jambi District, Jambi Province |
| 12 | Land, Buildings, Machinery and Equipment (Factory) | 16,575 | 19,562 | Jalan Raden Patah, Sijenjang Sub-District, East Jambi District, Jambi Province |
| 13 | Land and Building (Residential) | 243 | 190 | Jalan Cempaka VII, No. 21, Mawar Sub-District, West Banjar District, Banjarmasin, South Kalimantan Province |
| 14 | Land and Building (Residential) | 986 | 422 | Jalan Anggrek No. 6, Parit Torkaya Sub-District, Pontianak Selatan District, Pontianak, West Kalimantan Province |

KJPP Hendra Gunawan dan Rekan
Penilai Properti dan Bisnis
Ijin Usaha: 2.09.0075

**HALCYON AGRI CORPORATION LIMITED**
Valuation Report of Land, Buildings, Machinery and Equipment
of Subsidiaries Factories of Anson CO (PTE) LTD
at Various Locations in Indonesia

Date of Valuation : 2nd May 2014 V/2014/PKG/20

| NO. | TYPE OF PROPERTY | Area (Sqm) | | Location |
|---|---|---|---|---|
| | | Land | Building | |
| 15 | Vacant Land | 273,516 | - | Jalan Trans Kalimantan Km. 19, Jawa Tengah and Kuala Mandor A Sub-District, Sungai Ambawang and Kuala Mandor B District, Pontianak, West Kalimantan Province |
| 16 | Land, Buildings, Machinery and Equipment (Factory) | 23,898 | 26,139 | Jalan Gusti Situt Machmud, Siantan Hulu Sub-District, Pontianak, West Kalimantan Province |
| 17 | Land and Buildings (8 units Shophouse) | 1,085 | 2,010 | Jalan Jenderal Ahmad Yani No. 65, 67, 69, 71, 79, 81, 89 and 91, Kesawan Sub-District, Medan Barat District, Medan, North Sumatera Province |
| 18 | Land Only | 654 | - | Jalan Bogor No. 94, 96. 98, 100, 102, 104, and 106, Pasar Baru Sub- District, Medan Distrit, Medan, North Sumatera |
| 19 | Land and Buildings (Office) | 6,122 | 1,692 | Jalan Mayjen Sutoyo Siswomiharjo No. 48, 50, 52, 54, 56, 58, and 60, Kesawan Sub-District, Medan District, Medan, North Sumatera Province |
| 20 | Vacant Land | 43,493 | - | Jl. Sriwijaya Raya, Karya Jaya Sub-District, Kertapati District, Palembang, South Sumatera Province |
| 21 | Vacant Land | 229,264 | - | Jl.Taqwa Mata Merah, Sungai Selincah and Merah Mata Sub- District, Ilir Timur District, Palembang, South Sumatera Province |
| 22 | Land, Buildings, Machinery and Equipment (Factory) | 29,137 | 20,010 | Jl. Ki Kemas Rindo, Ogan Baru Sub - District, Kertapati District, Palembang, South Sumatera Province |
| 23 | Land Only | 18,107 | - | Jl. Suak Lanjut, Paluh Sub- District, Siak District, Riau Province |
| 24 | Land, Buildings, Machinery and Equipment (Factory) | 57,470 | 23,957 | Jl. K. H. A. Majid, Tanjung Johor Sub-District, Pelayangan District, Jambi Province |
| 25 | Land and Buildings (Warehouse) | 1,613 | 364 | Jl. Gunung Semeru No. 25, Payo Selincah Sub-District, Jambi Timur District, Jambi Province |
| 26 | Land and buildings, (Jetty) | 1,252 | 117 | Jl. Raden Patah, Sijenjang Sub-District, East Jambi District, Jambi Province |
| 27 | Land and Buildings (Office) | 243 | 499 | Jalan Depaten Baru No. 25-27, 28 Ilir Sub-District, Ilir Barat District, Palembang, South Sumatera Province |
| 28 | Land, Buildings, Machinery and Equipment (Factory) | 55,917 | 29,923 | Jalan Depaten Baru No. 25-27, 28 Ilir Sub-District, Ilir Barat District, Palembang, South Sumatera Province |

| NO. | TYPE OF PROPERTY | Area (Sqm) | | Location |
|---|---|---|---|---|
| | | Land | Building | |
| 29 | Land, Buildings, Machinery and Equipment (Factory) | 41,726 | 29,300 | Jl. Stasiun, Tanjung Gusta Village, Sunggal District, Deli Serdang, North Sumatera Province |
| 30 | Land and Buildings (Shophouse) | 151 | 300 | Jl. Jend. Ahmad Yani, Kartini Sub- District, North Rantau District, Labuhan Batu, North Sumatera Province |
| 31 | Land and Buildings (Residential) | 237 | 122 | Jl. K.H. Ahmad Dahlan, Rantau Prapat Sub-District, Rantau Utara District, Labuhan Batu, North Sumatera Province |
| 32 | Land, buildings, machinery and equipment (Factory) | 76,343 | 24,282 | Jl. Sisingamangaraja / Lintas Sumatera (Aek Riung), Sigambalt Village, South Rantau District, Rantau Prapat, North Sumatera Province |

### 1.4 Purposes and Basis of Valuation

We understand that this valuation is conducted for management purposes. The Valuation has been carried out using Market Approach and Cost Approach.

In determining the market value we comply with the provisions, appraisal profession code of ethics and appraisal standard from MAPPI (Indonesian Society of Appraisers) and refer also to the “International Valuation Standard Committee – IVSC”, where the Market Value is defined as “the estimated amount of money that can be obtained from the exchange of an asset or liability on the valuation date, between the buyer who is motivated to buy and the seller who is motivated to sell, in an arm’s length transaction, the marketing is done properly, where both parties had each acted knowledgeably, prudently and without compulsion” **(SPI 101 - 3.1)**.

### 1.5 Appraiser Independency

In preparing the Valuation Report, KJPP Hendra Gunawan dan Rekan acts independently without any conflict of interest and not being affiliated with the Company or any other parties affiliated to the Company.

KJPP Hendra Gunawan dan Rekan also does not have any interest or personal gain in this assignment. This Valuation Report is not being conducted to benefit or to harm any party. The compensation we receive is not affected by the value result, KJPP Hendra Gunawan dan Rekan will only receive the benefit according to the Quotation Letter No. Ref. 2800 dated 1st April 2014.

### 1.6 Property Appraiser

This valuation report is supervised by Ir. Hendra Gunawan, Msc, MAPPI (Cert), Indrotjahjono, ST, MAPPI (Cert) and Ir. Enry Kastono; prepared by Ir. Nasir Rachmadi, Ir. Benny, Awaludin, ST, Antoni Kusuma, ST, Laras Nindya Pramadhita, ST, Usin Maolana, ST and Darmanto.

Ir. Hendra Gunawan Msc, MAPPI (Cert) is a Senior Member of MAPPI No. 81-S-00005 and has a Public Valuer License for property from Finance Ministry No. P-1.09.00235, Capital Market Valuer License No. 28/PM/STTD-P/A/2006 with the experience in excess of 31 years in the valuation of properties of this magnitude and nature.

Indrotjahjono, ST, MAPPI (Cert) is a Senior Member of MAPPI No. 97-S-00989 and has a Public Valuer License for property from Finance Ministry No. P-1.09.00137, Capital Market Valuer License No. 08/BL/STTD-P/A/2006 with the experience in excess of 18 years in the valuation of properties of this magnitude and nature.

Ir. Enry Kastono is an accredited Member of Member of MAPPI No. 02-T-02921 and has experience 25 years in valuation in the valuation of properties of this magnitude and nature.

Ir. Nasir Rachmadi is an accredited Member of MAPPI No. 95-T-00686 and has experience 18 years in valuation of properties of this magnitude and nature.

Ir. Benny is accredited Member of MAPPI No. 05-T-01911 and has experience 17 years in valuation in the valuation of properties of this magnitude and nature.

Awaludin, ST is an accredited Member of MAPPI No. 11-P-02921 and has experience 5 years in valuation of properties of this magnitude and nature.

Antoni Kusuma, ST is an afiliated member of MAPPI No.12-A-03520 and already has three years experience of properties of this magnitude and nature.

Laras Nindya Pramadhita, ST is an afiliated Member of MAPPI No. 12-A-03519 and had experience three years of properties of this magnitude and nature.

Usin Maolana, ST is a valuer and had experience of more than 3 year in valuation.

Darmanto is a surveyor and had experience of more than 2 years in valuation.

None of the above mentioned Valuer had any special interest that could influence them to provide false opinion that could bring unappropriate result to this property valuation.

### 1.7 Date of Valuation

The date of valuation is 2nd May 2014. This valuation is valid with limitation to such date. We are not responsible for the changes of the values caused by the market changes and the property itself.

The inspection to the property was carried out from 28th April 2014 to 16th May 2014. The opinion regarding the condition, usage and occupancy were based on the observation on those days.

We would like to confirm that based on the explanation from the company there were no material events after the date of valuation 2rd May 2014 and after the reporting date of 15th June 2014.

### 1.8 The Valuation

The valuation is contained in the final section of this report and should be read in conjunction with the entire report and all terms including provisions, restrictions and assumptions as stated in the report.

## 2. VALUATION METHODOLOGY

We have conducted the valuation over the overall properties by using the Indicative Market Value as a consideration. We have utilized the Market Approach and Cost Approach in undertaking our assessment of the Property.

### 2.1 Market Approach

This is a valuation process in which market value is derived by analyzing similar properties that have recently sold, are listed for sale or are under contract to sell. This approach follows the principle that market value of a property is directly related to the prices of comparable, competitive properties. Comparative analysis focuses on similarities and differences between the comparable and subject property. Adjustments are made to reflect elements of comparison, which may include location, accessibility, topography, facilities and utilities, title, size and date of transaction.

### 2.2 Cost Approach

***a. Land***

This valuation technique utilizes 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.

There are some comparable evidences for land sales in the vicinity of the subject property and we have valued the land on a market value basis using these evidences, together with information on quoting prices. Adjustments were made to reflect differences in location, size, shape, contour, zoning, intensity and quality of development, tenure and timing.

**b. 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.

To determine the cost of replacement new of the buildings and site improvements, we have given consideration to 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.

***c. Machinery and Equipment***

We have valued on the assumption that the machinary 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. We have used the Depreciated Replacement Cost (DRC) basis of valuation which is carried out by estimating the cost as new at the date of valuation, less an allowance for wear and tear, age and obsolescence.

**3. US$/RUPIAH EXCHANGE RATE**

Our valuation has been undertaken in Rupiah based on comparative data which is also using Rupiah currency. In this valuation report, we present the exchange rate of US$ against Rupiah, but we reckon that this is not feasible considering the

unexpected volatility of the exchange rate. Nevertheless as a general information, the value of buy and sell in US$ quoted by Bank Indonesia on the date of valuation was Rp. 11,595,- and Rp. 11,479,-.

**4. VALUATION SUMMARY**

Assuming that there are no unreasonable restrictions, commitments or unusual outgoings that we are not aware know and based on the abovementioned appraisal basis, we believe that the Indicative Market Value of the property for existing use is in the order of:

| No. | Description | Market Value | |
|---|---|---|---|
| 1 | Land and Buildings (Shophouses) at Jalan Kali Besar Timur III No. 20, Pinangsia Sub-District, Taman-Sari District, West Jakarta, DKI Jakarta Province | **Rp.** | **1,950,000,000.-** |
| 2 | Land and Buildings (Office) at Jalan Depaten Baru No. 47, 28 Ilir Sub District, Ilir Barat II Distict, Palembang, South Sumatera Province | **Rp.** | **7,576,000,000.-** |
| 3 | Land and Buildings (Residential) at Jalan Telaga No. 10, 30 Ilir Sub - District, Ilir Barat II District, Palembang, South Sumatera Province | **Rp.** | **5,015,000,000.-** |
| 4 | Land and Buildings (Residential) at Jalan Dr. Cipto No. 22, 30 Ilir Sub-District, Ilir Barat II District, Palembang, South Sumatera Province | **Rp.** | **3,488,000,000.-** |
| 5 | Land and Buildings (Residential) at Jalan Dr. Cipto No. 27, 30 Ilir Sub-Distict, Ilir Barat II District, Palembang, South Sumatera Province | **Rp.** | **3,203,000,000.-** |

KJPP Hendra Gunawan dan Rekan
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**HALCYON AGRI CORPORATION LIMITED**
Valuation Report of Land, Buildings, Machinery and Equipment
of Subsidiaries Factories of Anson CO (PTE) LTD
at Various Locations in Indonesia

Date of Valuation : 2nd May 2014 V/2014/PKG/20

| No. | Description | Market Value | |
|---|---|---|---|
| 6 | Land and Buildings (Residential) at Jalan KH. Ahmad Dahlan, No. 45, 26 Ilir Sub-District, Ilir Barat I District, Palembang, South Sumatera Province | Rp. | 5,315,000,000.- |
| 7 | Vacant Land at Jalan Tanjung Siapi-Api, Gasing Sub-Distric, Talang Kelapa Distric, Palembang, South Sumatera Province | Rp. | 83,630,000,000.- |
| 8 | Vacant Land at Jalan Tanjung Siapi-Api, Gasing Sub-District, Talang Kelapa District, Palembang, South Sumatera Province | Rp. | 7,710,000,000.- |
| | Land, Buildings, Machinery and Equipment (Factory) at Jalan Kopral Paiman, Bagus Kuning Sub-District, Plaju District, Palembang, South Sumatera Province | Rp. | 118,558,000,000.- |
| 10 | Land and Buildings (Factory) at Jalan Mayjen Satibi Darwis, Keramasan Sub-District, Kertapati District, Palembang, South Sumatera Province | Rp. | 361,048,000,000.- |
| 11 | Land and Building (Shophouse) at Jalan DR. Sutomo No. 5, Pasar Jambi Sub-District, Pasar Jambi District, Jambi Province | Rp. | 4,240,000,000.- |
| 12 | Land, Buildings, Machinery and Equipment (Factory) at Jalan Raden Patah, Sijenjang Sub-District, East Jambi District, Jambi Province | Rp. | 38,938,000,000.- |
| 13 | Land and Buildings (Residential) at Jalan Cempaka VII, No. 21, Mawar Sub-District, West Banjar District, Banjarmasin, South Kalimantan Province | Rp. | 839,000,000.- |
| 14 | Land and Building (Residential) at Jalan Anggrek No. 6, Parit Torkaya Sub-District, Pontianak Selatan District, Pontianak, West Kalimantan Province | Rp. | 4,930,000,000.- |
| 15 | Vacant Land at Jalan Trans Kalimantan Km. 19, Jawa Tengah and Kuala Mandor A Sub-District, Sungai Ambawang and Kuala Mandor B Distric, Pontianak, West Kalimantan Province | Rp. | 12,490,000,000.- |
| 16 | Land, Buildings, Machinery and Equipment (Factory) at Jalan Gusti Situt Machmud, Siantan Hulu Sub-District, Pontianak, West Kalimantan Province | Rp. | 70,295,000,000.- |
| 17 | Land and Buildings ( 8 units Shophouse) at Jalan Jenderal Ahmad Yani No. 65, 67, 69, 71, 79, 81, 89 and 91, Kesawan Sub-District, Medan Barat District, Medan, North Sumatera Province | Rp. | 20,740,000,000.- |
| 18 | Land Only at Jalan Bogor No. 94, 96. 98, 100, 102, 104, and 106, Pasar Baru Sub- District, Medan Distrit, Medan, North Sumatera | Rp. | 13,870,000,000.- |
| 19 | Land and Buidlings (Office) at Jalan Mayjen Sutoyo Siswomiharjo No. 48, 50, 52, 54, 56, 58, and 60, Kesawan Sub- District, Medan District, Medan, North Sumatera Province | Rp. | 55,570,000,000- |

KJPP Hendra Gunawan dan Rekan
Penilai Properti dan Bisnis
Ijin Usaha: 2.09.0075

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Valuation Report of Land, Buildings, Machinery and Equipment
of Subsidiaries Factories of Anson CO (PTE) LTD
at Various Locations in Indonesia

Date of Valuation : 2nd May 2014 V/2014/PKG/20

| No. | Description | Market Value | |
|---|---|---|---|
| 20 | Vacant Land at Jl. Sriwijaya Raya, Karya Jaya Sub-District, Kertapati District, Palembang, South Sumatera Province | Rp. | 4,710,000,000.- |
| 21 | Vacant Land at Jl.Taqwa Mata Merah, Sungai Selincah and Merah Mata Sub- District, Ilir Timur District, Palembang, South Sumatera Province | Rp. | 13,690,000,000.- |
| 22 | Land, Buildings, Machinery and Equipment (Factory) at Jl. Ki Kemas Rindo, Ogan Baru Sub - District, Kertapati District, Palembang, South Sumatera Province | Rp. | 51,996,000,000.- |
| 23 | Land Only at Jl. Suak Lanjut, Paluh Sub- District, Siak District, Riau Province | Rp. | 2,230,000,000.- |
| 24 | Land, Buildings, Machinery and Equipment (Factory) at Jl. K. H. A. Majid, Tanjung Johor Sub- District, Pelayangan District, Jambi Province | Rp. | 48,492,000,000.- |
| 25 | Land and Buildings (Warehouse) at Jl. Gunung Semeru No. 25, Payo Selincah Sub-District, Jambi Timur District, Jambi Province | Rp. | 2,690,000,000.- |
| 26 | Land and Buildings (Jetty) at Jl. Jl. Raden Patah, Sijenjang Sub-District, East Jambi District, Jambi Province | Rp. | 460,000,000.- |
| 27 | Land and Buildings (Office) at Jalan Depaten Baru No. 25-27, 28 Ilir Sub- District, Ilir Barat District, Palembang, South Sumatera Province | Rp. | 2,329,000,000.- |
| 28 | Land, Buildings, Machinery and Equipment (Factory) at Jalan Depaten Baru No. 25-27, 28 Ilir Sub- District, Ilir Barat District, Palembang, South Sumatera Province | Rp. | 69,196,000,000.- |

| No. | Description | Market Value | |
|---|---|---|---|
| 29 | Land, Buildings, Machinery and Equipment (Factory) at Jl. Stasiun, Tanjung Gusta Village, Sunggal District, Deli Serdang, North Sumatera Province | Rp. | 41,439,000,000.- |
| 30 | Land and Buildings (Shophouse) at Jl. Jend. Ahmad Yani, Kartini Sub- District, North Rantau District, Labuhan Batu, North Sumatera Province | Rp. | 1,170,000,000.- |
| 31 | Land and Buildings (Residential) at Jl. K.H. Ahmad Dahlan, Rantau Prapat Sub- District, Rantau Utara District, Labuhan Batu, North Sumatera Province | Rp. | 960,000,000.- |
| 32 | Land, Buildings, Machinery and Equipment (Factory) at Jl. Sisingamangaraja / Lintas Sumatera (Aek Riung), Sigambalt Village, South Rantau District, Rantau Prapat, North Sumatera Province | Rp. | 47,892,000.000.- |
| | **TOTAL** | **Rp.** | **1,106,659,000,000.-** |
| **(Rupiahs One Trillion One Hundred and Six Billion Six Hundred and Fifty Nine Million)** | | | |

Our valuation is subject to:

1. Good and marketable title free from encumbrances;
2. Details, comments, terms and condition within this report; and
3. No allowance has been made for any costs involved in concluding a sale, either by the vendor or purchasers.

We have clearly stated the assumptions on which our valuation is based. It is your responsibility to verify the accuracy of these assumptions and we reserve the right to alter our valuation should any assumption prove incorrect or unreasonable.

Yours Sincerely,

KJPP Hendra Gunawan dan Rekan
10th Fl World Trade Center
Jl. Jenderal Sudirman Kav. 29-31
Jakarta 12920 Indonesia
Tel : +62 21 5211400 Fax : +62 21 5211409

Ir. Hendra Gunawan M.Sc. MAPPI (Cert.)
Managing Partner
**KJPP Hendra Gunawan dan Rekan**
**In association with Colliers International**
Public Valuer License: P-1.09.00235
HG/IT/EK/BY,NR,AW,ND,AN,UM,DR/VI/AY

KJPP
Hendra Gunawan dan Rekan
Penilai Properti dan Bisnis
Ijin Usaha: 2.09.0075

## CERTIFICATION OF APPRAISERS

In the limit of our ability and confidence as an appraiser, we the undersigned below explains that:

1. We do not have the interest of the property appraised, either currently or in the future.
2. We do not have a conflict of interest with respect to the opinions, assumptions or other things that are subjective in this report as well as to the other parties involved.
3. A statement in this report is based on the analysis, opinions and conclusions described in the report, is true and correct.
4. This assessment is made in accordance with the Indonesia Valuation Strandard (SPI) and all the people involved in this assessment are subject to Indonesian Appraiser Code of Ethic / Kode Etik Penilai Indonesia (KEPI) applies.
5. Professional appraisal assignment to the object of valuation has been approved on the date of 1st April 2014.
6. The inspection has been conducted from the 28th April 2014 to 16th May 2014..
7. The estimated Value achieved in the assignment through professional assessment has been presented as the conclusion of Value.
8. The scope of the work and the analysis of the data have been disclosed.
9. The conclusions of Value are in accordance with the assumptions and limiting conditions.
10. All the data and information that is disclosed in the report can be accounted for.
11. The appraisal fee scale does not depend on the assessment results.
12. The appraisers have the professional qualification and fulfilled the requirements specified and/or organized by the Association of Appraisers recognized by Government.
13. No one else, except those mentioned in the assessment report, has been providing professional assistance in preparing the assessment report.
14. The Analysis has been conducted for the purpose stated on the Report of Property Valuation.
15. The assignment of the professional appraisal is in compliance with the applicable lawful regulations.

**No. NAME** **SIGNATURE**

**1. Quality Assurance Manager**

Enry Kastono
MAPPI No. 02-T-02921

**2. Contract Executive**
Indrotjahjono, ST, MAPPI (Cert.)
MAPPI Member No.: 97-S-00989
Public Valuer License: No. P-1.09.00137

**3. Valuers**

Ir. Nasir Rachmadi
MAPPI Member No.; 95-T-00686

Ir. Benny
MAPPI Member No. 05-T-01911

KJPP
Hendra Gunawan dan Rekan
Penilai Properti dan Bisnis
Ijin Usaha: 2.09.0075

## CERTIFICATION OF APPRAISERS

In the limit of our ability and confidence as an appraiser, we the undersigned below explains that:

1. We do not have the interest of the property appraised, either currently or in the future.
2. We do not have a conflict of interest with respect to the opinions, assumptions or other things that are subjective in this report as well as to the other parties involved.
3. A statement in this report is based on the analysis, opinions and conclusions described in the report, is true and correct.
4. This assessment is made in accordance with the Indonesia Valuation Strandard (SPI) and all the people involved in this assessment are subject to Indonesian Appraiser Code of Ethic / Kode Etik Penilai Indonesia (KEPI) applies.
5. Professional appraisal assignment to the object of valuation has been approved on the date of 1st April 2014.
6. The inspection has been conducted from the 28th April 2014 to 16th May 2014..
7. The estimated Value achieved in the assignment through professional assessment has been presented as the conclusion of Value.
8. The scope of the work and the analysis of the data have been disclosed.
9. The conclusions of Value are in accordance with the assumptions and limiting conditions.
10. All the data and information that is disclosed in the report can be accounted for.
11. The appraisal fee scale does not depend on the assessment results.
12. The appraisers have the professional qualification and fulfilled the requirements specified and/or organized by the Association of Appraisers recognized by Government.
13. No one else, except those mentioned in the assessment report, has been providing professional assistance in preparing the assessment report.
14. The Analysis has been conducted for the purpose stated on the Report of Property Valuation.
15. The assignment of the professional appraisal is in compliance with the applicable lawful regulations.

**No. NAME** **SIGNATURE**

**3. Valuers**

Awaludin, ST
MAPPI Member No. 11-P-02921

Antoni Kusuma, ST
MAPPI Member No.12-A-03520

Laras Nindya Pramadhita, ST
MAPPI Member No.12-A-03519

Usin Maolana, ST

Darmanto

## NOTICE OF EXTRAORDINARY GENERAL MEETING

# HALCYON AGRI CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 200504595D)

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting ("**EGM**") of Halcyon Agri Corporation Limited (the "**Company**") will be held at RELC International Hotel, 30 Orange Grove Road (Off Orchard Road), Singapore 258352 on 4 August 2014 at 10.00 a.m., for the purpose of considering, and if thought fit, passing with or without modifications, the resolutions as set out below. All capitalised terms used in this notice which are not defined herein shall have the meanings ascribed to them in the circular dated 18 July 2014 to the Shareholders (the "**Circular**").

**Shareholders should note that the passing of Ordinary Resolution 1 and Ordinary Resolution 2 set out in this Notice are inter-conditional. As such, if any one of Ordinary Resolution 1 and Ordinary Resolution 2 is not passed, none of Ordinary Resolution 1 and Ordinary Resolution 2 would be carried.**

**ORDINARY RESOLUTIONS**

**1. RESOLUTION 1:**

**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 (THE "SGX-ST")**

THAT contingent upon the passing of Ordinary Resolution 2, the acquisition by the Company's wholly owned subsidiary, Halcyon Rubber Company Pte. Ltd. (the "**Purchaser**" or "**HRC**") of the entire issued and paid-up share capital of Anson Company (Private) Limited for an aggregate purchase consideration of S$450,000,000 (the "**Proposed Acquisition**"), under the terms and conditions of the sale and purchase agreement dated 11 July 2014 entered into between the Purchaser and Selat (Pte) Limited, Singapore Investments (Pte) Limited and Lee Latex (Pte) Limited (the "**SPA**") be and is hereby approved, and for this purpose:

(a) approval be and is hereby given to the Purchaser to undertake the Proposed Acquisition in accordance with the SPA; and

(b) the Directors of the Company and each of them be and is hereby authorised to complete and do all such acts and things (including executing all such documents and ancillary agreements and to make all such amendments thereto as may be required in connection with the Proposed Acquisition) as they or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to the Proposed Acquisition.

**2. RESOLUTION 2:**

**ESTABLISHMENT OF A JOINT INVESTMENT AS AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE CATALIST RULES (THE "PROPOSED JOINT INVESTMENT")**

THAT contingent upon the passing of Ordinary Resolution 1, for the purpose of Chapter 9 of the Catalist Rules of the SGX-ST, the establishment of the Proposed Joint Investment under the terms and conditions of the Subscription and Shareholders' Agreement dated 11 July 2014 entered into between the Company, HRC and Angsana Capital Ltd. (the "**Subscription and Shareholders' Agreement**") be and is hereby approved, and for this purpose:

(a) approval be and is hereby given for the Company to undertake the Proposed Joint Investment in accordance with the Subscription and Shareholders' Agreement;

(b) in connection with the Proposed Joint Investment and for the purpose of Chapter 9 of the Catalist Rules of the SGX-ST, approval be and is hereby given for the Company, its subsidiaries and associated companies that are entities at risk (as defined in Chapter 9 of the Catalist Rules), or any of them, to enter into the Proposed Joint Investment as an interested person transaction as set out in paragraph 3.1 of the Circular;

(c) in connection with the Subscription and Shareholders' Agreement and for the purpose of Rule 812 of the Catalist Rules of the SGX-ST, approval be is hereby given for the allotment and issuance by the Company of new ordinary shares to Angsana Capital Ltd. and/or its associates (the "**Issuance of Shares**") on and subject to the terms and conditions of the Purchase Offer;

(d) in connection with the Issuance of Shares and for the purpose of Rule 803 of the Catalist Rules of the SGX-ST, approval be and is hereby given for the Issuance of Shares which constitutes a transfer of controlling interest in the Company from Dato' Lynette Le Mercier to Mr Robert Gunther Meyer and/or his associates; and

(e) the Directors of the Company and each of them be and is hereby authorised to complete and do all such acts and things (including executing all such documents and ancillary agreements and to make all such amendments thereto as may be required in connection with the Proposed Joint Investment) as they or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to the Proposed Joint Investment.

**3. RESOLUTION 3:**

**PROPOSED CHANGE OF AUDITORS**

THAT the appointment of Messrs Ernst & Young LLP ("**Ernst & Young**") as independent auditors of the Company in place of Messrs Deloitte & Touche LLP be and is hereby approved, and in connection with the appointment:

(a) Ernst & Young shall hold office until the conclusion of the next annual general meeting of the Company, at a fee and on such terms to be agreed between the Company and Ernst & Young; and

(b) the Directors of the Company and each of them be and is hereby authorised to complete and do all such acts and things (including executing all such documents and ancillary agreements and to make all such amendments thereto as may be required in connection with the change of auditors) as they or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to the change of auditors and/or the appointment of Ernst & Young as the Company's auditors.

*[See Explanatory Note]*

BY ORDER OF THE BOARD

Teo Meng Keong
Company Secretary
18 July 2014

Singapore

**Explanatory Note:**

**Resolution 3**

(a) Deloitte & Touche LLP ("**Deloitte**") has confirmed by way of their letter dated 15 July 2014, that they are not aware of any professional reasons why Ernst & Young should not accept appointment as auditors of the Company.

(b) The Company confirms that there were no disagreements with Deloitte on accounting treatments within the last twelve (12) months from the date of the Circular.

(c) The Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders which has not been disclosed in the Circular.

(d) The reasons for the Proposed Change of Auditors are disclosed in paragraph 6.1 of the Circular. The Proposed Change of Auditors is not due to the dismissal of Deloitte, or due to Deloitte declining to stand for election.

(e) The Company confirms that it complies with Rules 712 and 715 of the Catalist Rules in relation to the proposed appointment of Ernst & Young as its auditors.

Notes:

1. A member of the Company entitled to attend and vote at the EGM of the Company is entitled to appoint not more than two proxies to attend in his stead. A proxy need not be a member of the Company.

2. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

3. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for holding the EGM.

5. Mr Robert Gunther Meyer and his Associates (as defined in the Catalist Rules) will abstain from voting in respect of Ordinary Resolutions 1 and 2 at the EGM.

# HALCYON AGI CORPORATION LIMITED

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

## PROXY FORM
## EXTRAORDINARY GENERAL MEETING

*I/We ______________________________ (Name) *NRIC/Passport/Company Registration Number) ________________

of ____________________________________________________________ (Address)

being a *member/members of HALCYON AGRI CORPORATION LIMITED (the "**Company**"), hereby appoint:

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

*and/or

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

or failing *him/her/them, the Chairman of the Extraordinary General Meeting ("**EGM**") as *my/our proxy/proxies to attend and to vote for *me/us on *my/our behalf, at the EGM of the Company to be held at RELC International Hotel, 30 Orange Grove Road (Off Orchard Road), Singapore 258352 on 4 August 2014 at 10.00 a.m., and at any adjournment thereof.

*I/We direct *my/our proxy/proxies to vote for or against the resolutions proposed at the Meeting as indicated hereunder. In the absence of specific directions the *proxy/proxies may vote or abstain from voting at *his/her discretion, as he/they may on any other matter arising at the EGM.

All resolutions put to vote at the EGM shall be decided by way of poll.

| | ORDINARY RESOLUTIONS | Number of votes For** | Number of votes Against** |
|---|---|---|---|
| Resolution 1 | To approve the proposed acquisition of the entire issued and paid-up share capital of Anson Company (Private) Limited | | |
| Resolution 2 | To approve the establishment of a joint investment as an interested person transaction | | |
| Resolution 3 | To approve the change of auditors from Deloitte & Touche LLP to Ernst & Young LLP | | |

**Delete accordingly*
***Please indicate the number of votes as appropriate*

Dated this ____________ day of ______________ 2014

| Total Number of Shares held in : | |
|---|---|
| CDP Register | |
| Register of Members | |

____________________________________
Signature/Common Seal of Member(s)

**IMPORTANT: PLEASE READ THE NOTES OVERLEAF**

**NOTES**:

1. A member of the Company entitled to attend the EGM and vote is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than 48 hours before the time set for the general meeting.

3. Where a member appoints two proxies, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy to the EGM.

5. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the general meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.

**General:**

The Company shall be entitled to reject a Proxy Form 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 and/or attached to the Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject a Proxy Form if the member, 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 EGM, as certified by The Central Depository (Pte) Limited to the Company.