



HONG LEONG ASIA LTD.

Co. Reg. No. 196300306G
(Incorporated in the Republic of Singapore)

LETTER TO SHAREHOLDERS DATED 27 MAY 2020

IN RELATION TO THE PROPOSED

- (1) SECOND EXTENSION OF THE HONG LEONG ASIA SHARE OPTION SCHEME 2000;**
- (2) RENEWAL OF THE SHARE PURCHASE MANDATE; AND**
- (3) RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**

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LETTER TO SHAREHOLDERS

HONG LEONG ASIA LTD.

Co. Reg. No. 196300306G
(Incorporated in the Republic of Singapore)

Directors:

Executive Directors:
Kwek Leng Peck (Executive Chairman)
Tan Eng Kwee (Executive Director and Chief Executive Officer)

Registered Office:

16 Raffles Quay
#26-00 Hong Leong Building
Singapore 048581

Lead Independent Director:
Ernest Colin Lee

Independent Non-Executive Directors:
Kwong Ka Lo @ Caroline Kwong
Ng Sey Ming
Tan Chian Khong

27 May 2020

To: The Shareholders of Hong Leong Asia Ltd.

Dear Sir/Madam

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- (1) **PROPOSED SECOND EXTENSION OF THE HONG LEONG ASIA SHARE OPTION SCHEME 2000**
(2) **PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**
(3) **PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**
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1. INTRODUCTION

We refer to the Notice of the Fifty-Ninth Annual General Meeting of Hong Leong Asia Ltd. (the “**Company**”) (“**Forthcoming AGM**”) issued by the Company on 27 May 2020.

Item 8 of the Notice of the Forthcoming AGM is an ordinary resolution (“**Resolution 8**”) to be proposed at the Forthcoming AGM for the second extension of the Hong Leong Asia Share Option Scheme 2000. Information relating to Resolution [8] is set out in **Annexures I** and **II** of this Letter to Shareholders (“**Letter**”).

Item 9 of the Notice of the Forthcoming AGM is an ordinary resolution (“**Resolution 9**”) to be proposed at the Forthcoming AGM for the renewal of the Company’s share purchase mandate (“**Share Purchase Mandate**”) which will empower the directors of the Company (“**Directors**”) to make purchases or otherwise acquire issued ordinary shares of the Company (the “**Shares**”) from time to time subject to certain restrictions set out in the Listing Manual of Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Information relating to Resolution 9 is set out in **Annexure III** of this Letter.

Item 10 of the Notice of the Forthcoming AGM is an ordinary resolution (“**Resolution 10**”) to be proposed at the Forthcoming AGM for the renewal of the Company’s mandate for interested person transactions which will facilitate the Company, its subsidiaries and its associated companies, to enter into transactions with its interested persons (“**IPT Mandate**”), the details of which are set out in **Annexures IV** and **V** of this Letter.

The purpose of this Letter is to provide shareholders of the Company (“**Shareholders**”) with the reasons for, and information relating to, Resolution 8, Resolution 9 and Resolution 10.

2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and substantial shareholders of the Company in the issued Shares and options granted under the Hong Leong Asia Share Option Scheme 2000 (the "Share Options") as at 15 May 2020 (the "Latest Practicable Date"), were as follows:

Directors	<..... Direct Interest>		<.... Deemed Interest>		Number of Share Options
	Number of Shares	%	Number of Shares	%	
Kwek Leng Peck	3,826,600	0.51	—	—	300,000
Tan Eng Kwee	1,000	N.M.	—	—	200,000
Ernest Colin Lee	80,000	0.01	—	—	—
Kwong Ka Lo @ Caroline Kwong	—	—	—	—	—
Ng Sey Ming	—	—	—	—	—
Tan Chian Khong	—	—	—	—	—

Substantial Shareholders	<..... Direct Interest>		<..... Deemed Interest>	
	Number of Shares	%	Number of Shares	%
Hong Leong Corporation Holdings Pte Ltd	549,001,657	73.41	13,328,000 ⁽¹⁾	1.78
Hong Leong Enterprises Pte. Ltd.	—	—	562,329,657 ⁽²⁾	75.20
Hong Leong Investment Holdings Pte. Ltd.	—	—	562,865,657 ⁽²⁾	75.27
Davos Investment Holdings Private Limited	—	—	562,865,657 ⁽²⁾	75.27
Kwek Holdings Pte Ltd	—	—	562,865,657 ⁽²⁾	75.27

N.M. - Not Meaningful

Notes:

- (1) Hong Leong Corporation Holdings Pte Ltd ("HLCH") is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") to have an interest in the Shares held directly by its wholly-owned subsidiary, Starich Investments Pte. Ltd. ("Starich").
- (2) Hong Leong Enterprises Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in the Shares held directly by HLCH and Starich, in which it is entitled to exercise or control the exercise of not less than 20% of the voting shares in the latter companies.
- (3) Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is deemed under Section 4 of the SFA to have an interest in the Shares held directly by its subsidiaries, HLCH, Starich, Millennium Securities Pte Ltd and Welkin Investments Pte Ltd.
- (4) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 4 of the SFA to have interests in the Shares referred to in Note 3 above held indirectly by HLIH, in which each of them is entitled to exercise or control the exercise of not less than 20% of the voting shares in HLIH.

The Directors will abstain from voting their shareholdings in the Company, if any, on Resolutions 8 and 10 at the Forthcoming AGM. They have also undertaken to ensure that their associates will abstain from voting their respective shareholdings in the Company, if any, on Resolution 10 relating to the proposed renewal of the IPT Mandate at the said AGM.

The relevant companies within the HLIH group (which includes HLIH, the ultimate holding company of the Company and their associates), and being interested persons under the IPT Mandate, will abstain from voting their respective shareholdings in the Company on Resolutions 8 and 10 at the Forthcoming AGM.

The Company will disregard any votes cast by Directors and the relevant companies within the HLIH group (which includes HLIH and their associates) in respect of their shareholdings in the Company, if any, on Resolutions 8 and 10. The Company will also disregard any votes cast by the associates of Directors in respect of their shareholdings in the Company, if any, on Resolution 10.

3. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed second extension of the Hong Leong Asia Share Option Scheme 2000 and the proposed renewal of the Company's Share Purchase Mandate and IPT Mandate (together, the "**Proposals**"), the Company and its subsidiaries which are relevant to the Proposals, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter 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 Letter in its proper form and context.

SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Letter.

Shareholders who are in any doubt as to the action they should take should consult their stockbrokers or other professional advisers immediately.

Yours faithfully
For and on behalf of
The Board of Directors of
HONG LEONG ASIA LTD.

KWEK LENG PECK
Executive Chairman

PROPOSED SECOND EXTENSION OF THE HONG LEONG ASIA SHARE OPTION SCHEME 2000

1. BACKGROUND

The Company currently has in place a share option scheme called the "Hong Leong Asia Share Option Scheme 2000" (the "**Scheme**"), which was approved by the Shareholders at the extraordinary general meeting of the Company held on 30 December 2000.

The Scheme was adopted for an initial duration of up to a maximum period of ten years, with the provision that it could be continued beyond that period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required. The initial duration of the Scheme was previously due to expire on 29 December 2010 and such initial duration of the Scheme was extended for a period of ten years from 30 December 2010 up to 29 December 2020 with the approval of the Shareholders obtained at the Forty-Ninth Annual General Meeting of the Company held on 29 April 2010.

Subsequent to 29 April 2010, the rules of the Scheme were amended on 18 May 2020 to:

- (a) include a clawback provision which provides that in the event of exceptional circumstances involving a misstatement of the financial results of the Company or the Company and its subsidiaries (the "**Group**") in respect of any relevant financial year, which had formed the basis for a grant of an option under the Scheme, or any misconduct on the part of a participant under the Scheme which caused or contributed to the misstatement or which would result in financial loss to the Company and/or the Group, the Company reserves the right to recover or, as the case may be, cancel the relevant option (whether in whole or in part) at any time prior to the expiry of the period for the exercise of the option. Such recovery or, as the case may be, cancellation of the relevant option shall take into account the number of shares under the relevant option that might have been granted had the same been calculated based on the restated financial results for the relevant financial year; and
- (b) update the references to "capitalisation of profits or reserves" and "capitalisation issue" to read as "bonus issue" in line with the amendments to the listing rules of the SGX-ST which took effect on 7 February 2020.

As the foregoing amendments were not made for the advantage of participants of the Scheme, no Shareholders' approval for such alterations was required.

The current Rules of the Scheme are set out in **Annexure II** of this Letter.

2. RATIONALE FOR PROPOSED SECOND EXTENSION

The Scheme is an integral part of the Company's programme for executive incentive compensation, and to recognise and reward outstanding achievements and contributions made by certain other categories of persons who have played and can continue to play a role in contributing to the success, development and achievements of the Group. The Scheme aims to provide participants with an opportunity to have a real and personal direct interest in the Company and helps to achieve the following positive objectives:

- (a) the giving of recognition to achievements and contributions of participants through ownership in the equity of the Company to enable them to share in the success of the Group, leading to the development of a participatory style of management which instills loyalty and a stronger sense of identification with the long term goals of the Group;
- (b) the promotion of staff morale leading to the retention of employees of the Group whose contributions are important to the long term growth and prosperity of the Group;
- (c) the motivation of participants to optimise standards and efficiency and to maintain a high level of contribution and the encouragement of participants towards higher standards of performance and commitment by linking their performance to that of the Group's;
- (d) the attainment of harmonious employer/staff relations, as well as the strengthening of working relationships with the Group's close business associates;
- (e) the making of total compensation more attractive and competitive in order for the Group to attract, retain and motivate talented employees; and
- (f) the enhancement of the value of the Company in the long term.

As the Scheme remains a key part of the Group's compensation arrangements, the Directors propose that the duration of the Scheme be further extended for another period of ten years from 30 December 2020 up to 29 December 2030. Other than the proposed second extension of the duration of the Scheme, all other rules of the Scheme remain unchanged.

The existing limit on the total number of shares in the capital of the Company ("Shares") over which options ("Options") may be granted under the Scheme is not increased as a result of the proposed second extension of the duration of the Scheme. In this regard, the aggregate number of Shares over which Options may be granted under the Scheme, including Options which may be granted during the further extended ten-year period of the Scheme, when added to the number of Shares issued and issuable in respect of all Options already granted under the Scheme shall not exceed 15% of the total number of issued Shares on the day preceding the date of grant.

The Board has approved the recommendations from the Company's Remuneration Committee and Scheme Committee for the proposed second extension of the duration of the Scheme.

SGX-ST has approved in-principle the listing and quotation of the Shares to be issued pursuant to the further extended Scheme. Such approval by SGX-ST is not indicative of the merits of the proposed second extension of the duration of the Scheme, the Scheme itself, the Shares and the Group.

3. POTENTIAL COST OF GRANTING OPTIONS UNDER THE SCHEME

Any Options granted (whether or not the Acquisition Price (as defined under the rules of the Scheme) is set at a discount to the prevailing Market Price (as defined under the rules of the Scheme) of the Shares) have a fair market value. Where such Options are granted at a consideration which is less than their fair value, there will be a cost to the Company, the amount of which will depend on whether the Options are granted at Market Price or at a discount. The greater the discount granted and the longer the Option Period (as defined under the rules of the Scheme), the greater the cost to the Company. Singapore Financial Reporting Standards (International) ("SFRS(I)") 2: Share-based Payment is effective for financial statements covering periods beginning on or after 1 January 2005 for listed companies. Based on SFRS(I) 2, the fair value of the Options granted would be recognised as an expense in the income statement. For equity-settled share-based payment transactions, the total expense to be recognised in the income statement over the vesting period is determined by reference to the fair value of each Option granted on the date of the grant. As at each financial year end, the Company will estimate the number of Shares that are expected to be exercisable on the vesting date and recognise the effect of the estimation in the income statement with a corresponding adjustment to the share option reserve over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to Share capital when the Options are exercised.

During the vesting period, the consolidated earnings per Share would be reduced by both the expense recognised and the potential Shares to be issued under the Scheme. When the Options are exercised, the consolidated net tangible assets will be increased by the amount of cash received in acquisition for the new Shares. On a per Share basis, the effect is accretive if the Acquisition Price is above the net tangible assets per Share but dilutive otherwise.

4. PARTICULARS OF EXISTING OPTIONS

As at 15 May 2020 (the “**Latest Practicable Date**”), Options in respect of 15,049,000 Shares have been granted to 135 participants since the adoption of the Scheme on 30 December 2000, of which as at the Latest Practicable Date:

- (a) 9,828,900 new Shares have been issued to participants pursuant to Options granted;
- (b) Options in respect of 820,000 Shares are outstanding; and
- (c) Options in respect of 4,400,100 Shares have been cancelled/lapsed.

The aggregate number of Shares which may be issued under the Scheme is 112,172,567 Shares based on 15% of the total number of issued Shares as at the Latest Practicable Date, of which 101,523,667 Shares remain available for the grant of Options as at the Latest Practicable Date.

Particulars of options held by Directors as at the Latest Practicable Date are as follows:

Name of Director	Grant Date	Number of Shares under Option granted	Number of Shares under Option exercised/lapsed	Number of Shares under outstanding Option
Kwek Leng Peck	5-1-2011	300,000	Nil	300,000
Tan Eng Kwee	3-6-2019	200,000	Nil	200,000

5. RECOMMENDATION

For the reasons set out in paragraph 2 of this Annexure, the Directors of the Company are of the view that the proposed second extension of the duration of the Scheme will be beneficial to and in the interests of the Company. However, in view of the Directors being eligible to participate in the Scheme, they have accordingly abstained from making any recommendation on, and in the case of Directors who are Shareholders, shall abstain from voting in respect of, the Ordinary Resolution 8 to be proposed at the Fifty-Ninth Annual General Meeting of the Company (“**Forthcoming AGM**”), being the Ordinary Resolution relating to the proposed second extension of the Scheme.

In addition, the Company will procure Shareholders who are eligible to participate in the Scheme to abstain from voting on Ordinary Resolution 8. The Company will also procure that the parent company of the Company, Hong Leong Investment Holdings Pte. Ltd. and its associates abstain from voting at the Forthcoming AGM on Ordinary Resolution 8 in respect of Shares respectively held by them.

The Company will disregard any votes cast by Directors who are Shareholders, Shareholders who are eligible to participate in the Scheme, and Hong Leong Investment Holdings Pte. Ltd. and its associates, in respect of their holdings of Shares (if any) on Ordinary Resolution 8.

The Company will procure that the Directors and persons who are eligible to participate in the Scheme will decline to accept appointment as proxies for Shareholders to vote on Ordinary Resolution 8, unless the Shareholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Ordinary Resolution 8.

Save as disclosed above and in this Letter, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Scheme.

RULES OF THE HONG LEONG ASIA SHARE OPTION SCHEME 2000

1. Name of the Scheme

The Scheme shall be called the "Hong Leong Asia Share Option Scheme 2000".

2. Definitions

2.1 Unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Acquisition Price"	The price at which (subject to any adjustment pursuant to Rule 11) a Participant shall acquire each Share upon the exercise of an Option as determined in accordance with Rule 7.1 in relation to a Market Price Option, Rule 7.2 in relation to a Discount Price Option, and Rule 7.3 in relation to an Incentive Price Option
"Act"	The Companies Act, Chapter 50 of Singapore as amended or modified from time to time
"Adoption Date"	The date on which the Scheme is adopted by the Company in general meeting
"Aggregate Acquisition Cost"	The total amount payable for the Shares to be acquired on the exercise of an Option
"Associated Company"	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group and over which the Company/ Group has control over its financial and operating policies
"Associated Company Employee"	An executive director or an employee of an Associated Company
"Auditors"	The auditors for the time being of the Company
"Board"	The board of directors of the Company
"CDP"	The Central Depository (Pte) Limited
"Company"	Hong Leong Asia Ltd., a company incorporated in Singapore
"Controlling Shareholder"	A Group Employee, a Group Non-Executive Director, a Parent Group Employee, a Parent Group Non-Executive Director or an Associated Company Employee who, in relation to the Company, has control of 15% or more of the Shares of the Company.

"CPF"	Central Provident Fund
"Depository Agent"	An entity registered as a depository agent with CDP for the purpose of maintaining securities sub-accounts for its own account and for the account of others
"Director"	A director for the time being of the Company
"Discount Price Option"	The right to acquire Shares granted pursuant to the Scheme and for the time being subsisting, and in respect of which the Acquisition Price is determined in accordance with Rule 7.2
"Grantee"	A person to whom an offer of an Option is made
"Group"	The Company and its subsidiaries
"Group Employee"	A Group Executive Director or an employee of the Group who is selected by the Scheme Committee to participate in the Scheme in accordance with Rules 4.1(a) (i), (iii) and (iv)
"Group Executive Director"	A director of the Company and/or its subsidiaries who performs an executive function
"Group Non-Executive Director"	A director of the Company and/or its subsidiaries who is not a Group Executive Director and has served on the relevant board for at least 12 months
"Incentive Period"	In relation to an Incentive Price Option, the period commencing on the Offering Date and terminating on a day preceding the second anniversary of such Offering Date or such other day as may be determined by the Scheme Committee
"Incentive Price Option"	The right to acquire Shares granted pursuant to the Scheme and for the time being subsisting, and in respect of which the Acquisition Price is determined in accordance with Rule 7.3
"Market Price Option"	The right to acquire Shares granted pursuant to the Scheme and for the time being subsisting, and in respect of which the Acquisition Price is determined in accordance with Rule 7.1
"market day"	A day on which the SGX-ST is open for trading in securities
"Market Price"	In relation to a Share, shall mean the price as determined in accordance with Rule 7.1

"Non-Group Employee"	A Group Non-Executive Director, a Parent Group Non-Executive Director or an Associated Company Employee who is selected by the Scheme Committee to participate in the Scheme in accordance with Rules 4.1 (a)(ii), (b)(ii) and (c)
"Offering Date"	The date on which the offer of the grant of an Option is made pursuant to Rule 6.1
"Option"	A Market Price Option, a Discount Price Option or an Incentive Price Option, as the case may be
"Option Period"	<p>The period for the exercise of an Option, being:</p> <ul style="list-style-type: none"> (a) in the case of a Market Price Option granted to a Group Employee or a Parent Group Employee, a period commencing on the first anniversary of the Offering Date and expiring on the day preceding the tenth anniversary of such Offering Date, subject as provided in Rules 8 and 9; (b) in the case of a Market Price Option granted to a Non-Group Employee, a period commencing on the first anniversary of the Offering Date and expiring on the day preceding the fifth anniversary of such Offering Date, subject as provided in Rules 8 and 9; (c) in the case of a Discount Price Option or an Incentive Price Option granted to a Group Employee or a Parent Group Employee, a period commencing on the second anniversary of the Offering Date and expiring on the day preceding the tenth anniversary of such Offering Date, subject (in each case) as provided in Rules 8 and 9; and (d) in the case of a Discount Price Option or an Incentive Price Option granted to a Non-Group Employee, a period commencing on the second anniversary of the Offering Date and expiring on the day preceding the fifth anniversary of such Offering Date, subject (in each case) as provided in Rules 8 and 9
"Parent Company"	A holding company for the time being of the Company designated by the Scheme Committee for the purposes of the Scheme

"Parent Group"	The Parent Company and its subsidiaries (other than the Group)
"Parent Group Employee"	A Parent Group Executive Director or an employee of the Parent Company and/or its subsidiaries (other than the Group) who is selected by the Scheme Committee to participate in the Scheme in accordance with Rules 4.1(b) (i), (iii) and (iv)
"Parent Group Executive Director"	A director of the Parent Company and/or its subsidiaries (other than the Group) who performs an executive function
"Parent Group Non-Executive Director"	A director of the Parent Company and/or its subsidiaries (other than the Group) who is not a Parent Group Executive Director and has served on the relevant board for at least 12 months
"Participant"	The holder of an Option
"Rules"	The rules of the Scheme, as the same may be amended from time to time
"Scheme"	The Hong Leong Asia Share Option Scheme 2000, as modified or altered from time to time
"Scheme Committee"	A committee, comprising Directors of the Company, appointed by the Board pursuant to Rule 12.1 to administer the Scheme
"SGX-ST"	Singapore Exchange Securities Trading Limited
"Shares"	Ordinary shares in the capital of the Company
"subsidiary"	This term shall have the meaning ascribed to it under the Act
"trading day"	A day on which there is a transaction in the Shares on the SGX-ST
"Vesting Schedule"	A schedule of dates falling within the Option Period on which Shares which are the subject of the Option shall, in whole or in part, vest in the Participant
"\$"	Singapore dollars
"%"	Percentage or per centum

- 2.2 For the purposes of the Scheme:
- (a) in relation to a company, "control" means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of that company;
 - (b) unless rebutted, a person who holds directly or indirectly, a shareholding of 15% or more of the Company's issued Shares shall be presumed to be a Controlling Shareholder; and
 - (c) in relation to a Controlling Shareholder, his "associates" shall be the persons defined as such under the provisions of the SGX-ST Listing Manual.
- 2.3 Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act and used in these Rules shall have the meaning assigned to it under the Act.
- 2.4 Words importing the singular number shall include the plural number where the context admits and vice versa. Words importing the masculine gender shall include the feminine gender where the context admits.
- 2.5 Any reference to a time of day shall be a reference to Singapore time.

3. Objectives

The Scheme is a share incentive scheme. The purpose of the Scheme is to provide an opportunity for Group Employees to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to Non-Group Employees and Parent Group Employees who have contributed to the success and development of the Company and/or the Group. The Scheme is proposed on the basis that it is important to acknowledge the contribution, which is essential to the well-being and prosperity of the Group, made by these categories of persons. The Company, by adopting the Scheme, will give these categories of persons a real and meaningful stake in the Company and will help to achieve the following objectives:

- (a) the giving of recognition to achievements and contributions of participants through ownership in the equity of the Company to enable them to share in the success of the Group, leading to the development of a participatory style of management which instills loyalty and a stronger sense of identification with the long term goals of the Group;
- (b) the promotion of staff morale leading to the retention of employees of the Group whose contributions are important to the long term growth and prosperity of the Group;
- (c) the motivation of participants to optimise standards and efficiency and to maintain a high level of contribution and the encouragement of participants towards higher standards of performance and commitment by linking their performance to that of the Group's;
- (d) the attainment of harmonious employer/staff relations, as well as the strengthening of working relationships with the Group's close business associates;
- (e) the making of total compensation more attractive and competitive in order for the Group to attract, retain and motivate talented employees; and
- (f) the enhancement of the value of the Company in the long term.

4. Eligibility

4.1 The following persons subject to any provisions as may be determined by SGX-ST shall be eligible to participate in the Scheme at the absolute discretion of the Scheme Committee:

(a) Group Employees and Group Non-Executive Directors

- (i) directors of the Company and/or its subsidiaries who perform an executive function;
- (ii) non-executive directors of the Company and/or its subsidiaries who have served on the board of directors of the Company or the relevant subsidiary for not less than 12 months;
- (iii) confirmed employees of the Company and/or its subsidiaries who have attained the age of 21 years; and
- (iv) employees who qualify under sub-paragraph (iii) above and are seconded to an Associated Company, a company in the Parent Group or any other company outside the Group.

(b) Parent Group Employees and Parent Group Non-Executive Directors

- (i) directors of the Parent Company and/or its subsidiaries (other than the Group) who perform an executive function;
- (ii) non-executive directors of the Parent Company and/or its subsidiaries (other than the Group) who have served on the board of directors of the Parent Company or the relevant subsidiary for not less than 12 months;
- (iii) confirmed employees of the Parent Company and/or its subsidiaries (other than the Group) who have attained the age of 21 years; and
- (iv) employees who qualify under sub-paragraph (iii) above and are seconded to an Associated Company, or any other company outside the Parent Group.

(c) Associated Company Employees

- (i) directors of an Associated Company who perform an executive function; and
- (ii) confirmed employees of an Associated Company who have attained the age of 21 years.

4.2 Persons who are Controlling Shareholders or their associates shall (notwithstanding that they may meet the eligibility criteria in Rule 4.1) not participate in the Scheme.

4.3 Group Employees who are eligible to participate in the Scheme may also be eligible to participate in any other share option or incentive scheme implemented by the Company for their benefit. There is no restriction on the participation by persons selected to participate in the Scheme also participating in any other share option or incentive scheme implemented by any other company, whether within or outside the Group.

- 4.4 All participation is subject to the Rules herein and shall be at the absolute discretion of the Scheme Committee. In determining the Participants, the Scheme Committee will take into account, *inter alia*, the objectives of the Scheme detailed in Rule 3 above.

5. Limitations under the Scheme

5.1 The aggregate number of new Shares over which the Scheme Committee may grant Options on any date, when added to the number of new Shares issued and issuable in respect of all Options granted under the Scheme, shall not exceed 15% of the total number of issued Shares of the Company on the day preceding that date.

5.2 The number of Shares comprised in (as the case may be) Market Price Options, Discount Price Options or Incentive Price Options to be offered to any Group Employee, Non-Group Employee or Parent Group Employee in accordance with the Scheme shall be determined at the absolute discretion of the Scheme Committee, who shall take into account, in respect of a Group Employee, criteria such as the rank, the past performance, years of service and potential for future development of that employee and, in respect of a Non-Group Employee or Parent Group Employee, his contribution to the success and development of the Group, provided that in relation to Parent Group Employees and Parent Group Non-Executive Directors:

- (a) the aggregate number of Shares which may be offered by way of grant of Options to Parent Group Employees and Parent Group Non-Executive Directors collectively under the Scheme shall not exceed 20% of the total number of new Shares available under the Scheme, and such aggregate number of Shares which may be offered to Parent Group Employees and Parent Group Non-Executive Directors collectively under the Scheme has been approved by independent shareholders of the Company in a separate resolution; and
- (b) any Options to be granted to any Parent Group Employee or Parent Group Non-Executive Director which, together with Options already granted to that Parent Group Employee or Parent Group Non-Executive Director under the Scheme, represents 5% or more of the aggregate number of new Shares available to Parent Group Employees and Parent Group Non-Executive Directors collectively, shall be approved by independent shareholders of the Company in a separate resolution for each such Parent Group Employee or (as the case may be) Parent Group Non-Executive Director.

For the purposes of obtaining the approval of the independent shareholders of the Company mentioned above, the Scheme Committee shall procure that the circular, letter or notice to the shareholders in connection therewith shall set out:

- (i) clear justifications for the participations of such Parent Group Employees and/or, as the case may be, Parent Group Non-Executive Directors;
- (ii) clear rationale for the number and terms (including the Acquisition Price) of the Options to be granted to such Parent Group Employees and/or, as the case may be, Parent Group Non-Executive Directors; and
- (iii) any discount applicable to the Acquisition Price of such Options.

6. Grant and acceptance of Options

- 6.1 The Scheme Committee may, subject as provided in Rule 5, grant Options at any time and from time to time.
- 6.2 The Letter of Offer to grant the Option shall be in, or substantially in, the form set out in Schedule A-1 in relation to a Market Price Option or a Discount Price Option, and in the form set out in Schedule A-2 in relation to an Incentive Price Option, subject in each case to such modification as the Scheme Committee may from time to time determine.
- 6.3 An Option shall be personal to the Participant to whom it is granted and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Scheme Committee.
- 6.4 The grant of an Option under this Rule 6 shall be accepted within thirty (30) days from the Offering Date of that Option and, in any event, not later than 5.00 p.m. on the thirtieth (30th) day from such Offering Date by completing, signing and returning the Acceptance Form in, or substantially in, the form set out in Schedule B-1 in relation to a Market Price Option or a Discount Price Option, and in the form set out in Schedule B-2 in relation to an Incentive Price Option, subject in each case to such modification as the Scheme Committee may from time to time determine, accompanied by payment of \$1.00 as consideration. The Grantee may accept or refuse the offer.
- 6.5 If a grant of an Option is not accepted in the manner as provided in Rule 6.4, such offer shall, upon the expiry of the thirty (30) day period, automatically lapse and become null, void and of no effect.

7. Acquisition Price

- 7.1 The Acquisition Price for each Share in respect of which a Market Price Option is exercisable shall be fixed by the Scheme Committee at a price equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list made available by the SGX-ST, for the 3 consecutive trading days immediately preceding the Offering Date of that Option, rounded up to the nearest whole cent.
- 7.2 The Acquisition Price for each Share in respect of which a Discount Price Option is exercisable shall be determined by the Scheme Committee at its absolute discretion, and fixed by the Scheme Committee at a price, rounded up to the nearest whole cent, which is set at a discount to the Market Price (as determined in accordance with Rule 7.1), provided that the maximum discount shall not exceed 20% of the Market Price.
- 7.3 The Acquisition Price for each Share in respect of which an Incentive Price Option is exercisable shall be the Market Price (as determined in accordance with Rule 7.1), subject to adjustment as hereafter provided in this Rule 7.3.

The Acquisition Price for each Share in respect of which an Incentive Price Option is exercisable shall be subject to such discount, if any, as may be determined by the Scheme Committee in its absolute discretion, provided that:

- (a) the maximum discount which may be given in respect of that Option shall not exceed 20% of the initial Acquisition Price in respect of that Option; and
- (b) the Scheme Committee shall, not later than the last day of the Incentive Period relating to that Option, determine whether or not a discount should be given in respect of that Option and, if so, the quantum of such discount.

For the purposes of sub-paragraph (b) of this Rule 7.3, in determining whether to grant any discount and the quantum of such discount, if any, the Scheme Committee shall take into consideration such criteria as the Scheme Committee may, in its absolute discretion, deem appropriate including but not limited to:

- (i) the performance of the Company and the Group over the Incentive Period, taking into account financial parameters such as return on equity, and/or earnings growth, and the performance targets set by the Scheme Committee for the Company and the Group;
- (ii) the individual performance of the Participant over the Incentive Period; and
- (iii) the contribution of the Participant over the Incentive Period to the success and development of the Company and/or the Group.

The Scheme Committee may also determine that the Incentive Price Option shall be cancelled, in which case, it shall immediately lapse without any claims against the Company and the Participant shall have no further rights in respect thereof.

Not later than the last day of the Incentive Period, the Scheme Committee shall inform the Participant as to whether the Option has been cancelled or whether it has granted a discount and, if so, the quantum of the discount on the Acquisition Price, and, if relevant, the adjusted Acquisition Price, for that Option.

- 7.4 The Acquisition Price shall be subject to adjustment pursuant to Rule 11.
- 7.5 Subject as otherwise expressly provided in these Rules, a Discount Price Option or an Incentive Price Option shall not vest earlier than the second anniversary of its date of grant.

8. Rights to exercise Options

- 8.1 Subject as provided in this Rule 8 and in Rule 9, each Option shall be exercisable, in whole or in part, during the Option Period applicable to that Option subject to any conditions that may be imposed by the Scheme Committee, including a Vesting Schedule in relation to the vesting of any Shares comprised in that Option.
- 8.2 Unless otherwise determined by the Scheme Committee in its absolute discretion, an Option shall, to the extent unexercised, immediately lapse without any claim against the Company:
 - (a) subject to Rules 8.3 and 8.4, upon the Participant, being a Group Employee, a Parent Group Employee or an Associated Company Employee, ceasing for any reason whatsoever to be in the employment of the Group, the Parent Group or the Associated Company, as the case may be; or
 - (b) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option; or
 - (c) in the event of any misconduct on the part of the Participant as determined by the Scheme Committee in its discretion and subject to Rule 8.2A.

The discretion to allow the Option to remain valid notwithstanding the circumstances described in sub-paragraphs (a), (b) and (c) above shall be exercised by the Scheme Committee where there are strong justifications under the prevailing circumstances to do so, including, but not limited to, any unfairness caused to the Participant by the lapse of the Option, taking into account factors including, but not limited to, the reasons for the Participant's cessation in his relevant position and the past contributions made by the Participant. In exercising such discretion, the Scheme Committee may also determine the period during which such Option may continue to be exercisable, provided that such period may not in any event exceed the Option Period applicable to such Option. Such exercise shall, at the discretion of the Scheme Committee, either be in full or only in respect of such Shares comprised in that Option for which the Participant would have been entitled to exercise pursuant to Rule 8.1. The Scheme Committee may, in exercising such discretion, allow the Option to be exercised at any time (and, in relation to an Incentive Price Option, provided that the Scheme Committee has determined that the Option is not to be cancelled, the Acquisition Price applicable to that Option shall be the initial Acquisition Price subject to any discount determined by the Scheme Committee), notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Option Period in respect of such Option.

For the purpose of Rule 8.2(a), the Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date. For the avoidance of doubt, in the case of a Group Executive Director or a Parent Group Executive Director, mere cessation of performing an executive function is not deemed to be cessation of employment.

8.2A In the event of exceptional circumstances involving a misstatement of the financial results of the Company and/or the Group in respect of any relevant financial year, which had formed the basis for a grant of an Option, or any misconduct on the part of the Participant which caused or contributed to the misstatement or which would result in financial loss to the Company and/or the Group, the Company reserves the right to recover or, as the case may be, cancel the relevant Option (whether in whole or in part) at any time prior to the expiry of the period for exercise of the Option, upon the instruction of the Scheme Committee in consultation with the Remuneration Committee and the Board. Such recovery or, as the case may be, cancellation of the Option shall take into account the number of Shares under the Option that might have been granted had the same been calculated based on the restated financial results for the relevant financial year, and can take place at any time before the vesting of the Option, or if vested, before the exercise of the Option.

8.3 If a Participant ceases to be employed by the Group, the Parent Group or an Associated Company, as the case may be, by reason of his:

- (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Scheme Committee);
- (b) redundancy or retrenchment;
- (c) retirement at or after the legal retirement age; or
- (d) retirement before the legal retirement age with the consent of the Scheme Committee,

or any other compassionate reason approved in writing by the Scheme Committee, he may, at the discretion of the Scheme Committee, exercise any Option either in full or only in respect of such Shares comprised in that Option for which he would have been entitled to exercise pursuant to Rule 8.1 within such period after the date of such cessation of employment as may be determined by the Scheme Committee in its absolute discretion (but before the expiration of the Option Period in respect of that Option), and upon the expiration of such period, the Option shall lapse. The Scheme Committee in exercising such discretion, may allow the Option to be exercised at any time (and, in relation to an Incentive Price Option, provided that the Scheme Committee has determined that the Option is not to be cancelled, the Acquisition Price applicable to that Option shall be the initial Acquisition Price subject to any discount determined by the Scheme Committee), notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Option Period in respect of such Option.

8.4 If a Participant ceases to be employed in, or to be a director in, the Group, the Parent Group or of an Associated Company, as the case may be:

- (a) by reason of the company in which he is employed or of which he is a director ceasing to be a company within the Group or the Parent Group, or an Associated Company, as the case may be, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company in the Group or the Parent Group, or such Associated Company, as the case may be; or
- (b) for any other compassionate reason provided the Scheme Committee gives its consent in writing,

he may, at the absolute discretion of the Scheme Committee exercise any Option then remaining unexercised in the manner and at the times provided in Rule 8.1 or within such other period during the Option Period as may be determined by the Scheme Committee in its absolute discretion, provided that Rules 8.2, 8.2A, 8.3, 8.5 and 8.6 will continue to apply during that period as though the event contemplated in this Rule 8.4 did not occur.

8.5 If a Participant dies and at the date of his death holds any unexercised Option, such Option may, at the discretion of the Scheme Committee, be exercised by the duly appointed personal representatives of the Participant within such period after his death as may be determined by the Scheme Committee in its absolute discretion (but before the expiration of the Option Period in respect of that Option), and upon the expiration of such period, the Option shall lapse. Such exercise shall, at the discretion of the Scheme Committee, either be in full or only in respect of such Shares comprised in that Option for which the Participant would have been entitled to exercise pursuant to Rule 8.1. The Scheme Committee may, in exercising such discretion, allow the Option to be exercised at any time (and, in relation to an Incentive Price Option, provided that the Scheme Committee has determined that the Option is not to be cancelled, the Acquisition Price applicable to that Option shall be the initial Acquisition Price subject to any discount determined by the Scheme Committee), notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Option Period in respect of such Option.

8.6 If, for any reason whatsoever, a Participant, being a Group Executive Director or a Group Non-Executive Director, ceases to be a director in the Group or, being a Parent Group Executive Director or a Parent Group Non-Executive Director, ceases to be a director in the Parent Group or, being an executive director of an Associated Company, ceases to be an executive director of the Associated Company, any Option then held by him shall, to the extent unexercised, immediately lapse without any claim against the Company, unless otherwise determined by the Scheme Committee in its absolute discretion. Such discretion shall be exercised by the Scheme Committee where there are strong justifications under the prevailing circumstances to do so, including, but not limited to, any unfairness caused to the Participant by the lapse of the Option, taking into account factors including, but not limited to, the reasons for the Participant's cessation in his relevant position and the past contributions made by the Participant. In exercising such discretion, the Scheme Committee may also determine the period during which such Option may continue to be exercisable, provided that such period may not in any event exceed the Option Period applicable to such Option. Such exercise shall, at the discretion of the Scheme Committee, either be in full or only in respect of such Shares comprised in that Option for which the Participant would have been entitled to exercise pursuant to Rule 8.1. The Scheme Committee may, in exercising such discretion, allow the Option to be exercised at any time (and, in relation to an Incentive Price Option, provided that the Scheme Committee has determined that the Option is not to be cancelled, the Acquisition Price applicable to that Option shall be the initial Acquisition Price subject to any discount determined by the Scheme Committee), notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Option Period in respect of such Option.

9. Take-over and winding-up of the Company

9.1 Notwithstanding Rule 8 but subject to Rule 9.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to exercise in full or in part any Option held by him and as yet unexercised, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

- (a) the expiry of six months thereafter, or such later date as may be determined, prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Scheme Committee and the SGX-ST; or
- (b) the date of expiry of the Option Period relating thereto,

whereupon the Option then remaining unexercised shall lapse.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participant until the expiry of such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, the Option shall, subject to Rule 8, remain exercisable until the expiry of the Option Period relating thereto.

9.2 If under the Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant shall be entitled, notwithstanding Rule 8 but subject to Rule 9.5, to exercise any Option then held by him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon the Option shall lapse and become null and void.

- 9.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.
- 9.4 In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Participant shall be entitled, within thirty (30) days of the passing of the resolution of such winding-up (but not after the expiry of the Option Period relating thereto), to exercise any unexercised Option, after which such unexercised Option shall lapse and become null and void.
- 9.5 If in connection with the making of a general offer referred to in Rule 9.1 or the scheme referred to in Rule 9.2 or the winding-up referred to in Rule 9.4, arrangements are made (which are confirmed in writing by the Auditors or other qualified financial consultants, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, as yet not exercised, may not, at the discretion of the Scheme Committee, be permitted to exercise that Option as provided for in this Rule 9.
- 9.6 To the extent that an Option is not exercised within the periods referred to in this Rule 9, it shall lapse and become null and void.
- 9.7 Any exercise of an Incentive Price Option pursuant to this Rule 9 shall, provided that the Scheme Committee has determined that the Option is not to be cancelled, be at the initial Acquisition Price applicable to that Option subject to any discount determined by the Scheme Committee.

10. Exercise of Options

- 10.1 An Option may be exercised, in whole or in part, by a Participant giving notice in writing to the Company in, or substantially in, the form of the Exercise Notice set out in Schedule C-1 in relation to a Market Price Option or a Discount Price Option, and in the form of Schedule C-2 in relation to an Incentive Price Option, subject in each case to such modification as the Scheme Committee may from time to time determine. The Exercise Notice, duly completed, must be accompanied by a remittance for the Aggregate Acquisition Cost in respect of the Shares for which that Option is exercised and any other documentation which the Scheme Committee may require, failing which the Option shall not be treated as validly exercised. All payments made shall be made by cheque, cashiers' order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.
- 10.2 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to the compliance with the terms of the Scheme and the Memorandum and Articles of Association of the Company, the Company shall, within ten (10) market days after the exercise of an Option, allot the relevant Shares or, as the case may be, procure the transfer of existing Shares (which may include, where desired, any Shares held by the Company in treasury) and, where required, despatch the share certificates in respect of such Shares by ordinary post or such other mode as the Scheme Committee may deem fit. Where new Shares are allotted upon the exercise of an Option, the Company shall, as soon as practicable after such allotment, apply to the SGX-ST (and any other stock exchange on which the Shares are quoted or listed) for permission to deal in and for quotation of such Shares.
- 10.3 Shares which are allotted or acquired on the exercise of an Option by a Participant shall be issued in or transferred to the name of CDP for credit of the relevant number of Shares to the securities account of that Participant maintained with CDP, the securities sub-account maintained with a Depository Agent or, if applicable, the CPF investment account maintained with a CPF agent bank.
- 10.4 Shares acquired on exercise of an Option shall be subject to all the provisions of the Memorandum and Articles of Association of the Company, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the relevant date upon which such exercise occurred, and shall in all other respects rank *pari passu* with other existing Shares then in issue. "Record Date" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

- 10.5 Subject to the Act and the rules of the SGX-ST Listing Manual, the Company shall have the flexibility to deliver Shares to Participants upon the exercise of their Options by way of:
- (a) an allotment of new Shares; and/or
 - (b) the transfer of existing Shares, including any Shares held by the Company in treasury.

11. Variation of Capital

- 11.1 If a variation in the ordinary share capital of the Company (whether by way of a bonus issue or rights issue, reduction, sub-division or consolidation) shall take place, then:
- (a) the Acquisition Price for the Shares, the class and/or number of Shares comprised in the Option to the extent unexercised; and/or
 - (b) the class and/or number of Shares over which Options may be granted under the Scheme,
- shall be adjusted in such manner as the Scheme Committee may determine to be appropriate and except in relation to a bonus issue, upon the written confirmation by the Auditors or other qualified financial consultants appointed by the Scheme Committee (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable.
- 11.2 Notwithstanding the provisions of Rule 11.1, no such adjustment shall be made unless the Scheme Committee after considering all relevant circumstances, considers it equitable to do so.
- 11.3 The following (whether singly or in combination) shall not be regarded as events requiring adjustment:
- (a) any issue of securities as consideration for an acquisition or a private placement of securities;
 - (b) any increase in the number of issued Shares as a consequence of the exercise of options or other convertibles issued from time to time by the Company entitling holders thereof to acquire new Shares in the capital of the Company (including the exercise of any Options granted pursuant to the Scheme and any previous scheme(s));
 - (c) any issue of Shares pursuant to any scrip dividend scheme for the time being of the Company; and
 - (d) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased by the Company by way of market purchase(s) effected on the SGX-ST pursuant to a share purchase mandate (or any renewal thereof) given by the shareholders of the Company in general meeting and for the time being in force.
- 11.4 Upon any adjustment required to be made pursuant to the foregoing provisions of this Rule 11, the Company shall notify the Participant (or his duly appointed personal representatives, where applicable) in writing and deliver to him (or his duly appointed personal representatives, where applicable) a statement setting forth the Acquisition Price thereafter in effect and the class and/or number of Shares thereafter to be acquired on the exercise of the Option. Any adjustment shall, unless otherwise stated therein, take effect upon such written notification being given.

12. Administration of the Scheme

- 12.1 The Scheme shall be administered by a Scheme Committee appointed and authorised by the Board to administer the Scheme. The Scheme Committee shall consist of Directors of the Company (including Directors who may be Participants of the Scheme) and may also include one person nominated by the Parent Company to be a member of the Scheme Committee. A member of the Scheme Committee who is also a Participant of the Scheme must not be involved in its deliberations or decisions in respect of Options granted or to be granted to him.
- 12.2 The Scheme Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as it thinks fit.
- 12.3 Any decision of the Scheme Committee made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors or other qualified financial consultants) shall be final and binding, including any decisions pertaining to the quantum of discount pursuant to Rules 7.2 or 7.3, or to disputes as to the interpretation of the Scheme or any rule, regulation, procedure thereunder or as to any rights under the Scheme.

13. Notices

- 13.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Scheme Committee, as may be notified by the Company to him in writing.
- 13.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Scheme Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address, electronic mail address or facsimile number according to the records of the Company or the last known address, electronic mail address or facsimile number of the Participant.
- 13.3 Any notice or other communication from a Participant to the Company shall be irrevocable, and shall not be effective until received by the Company. Any other notice or communication from the Company to a Participant shall be deemed to be received by that Participant, when left at the address specified in Rule 13.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of despatch.

14. Modifications to the Scheme

- 14.1 Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Scheme Committee, except that:
 - (a) no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in number of all the Shares which would fall to be acquired upon exercise in full of all outstanding Options;
 - (b) the definitions of "Group", "Group Employee", "Non-Group Employee", "Group Executive Director", "Group Non-Executive Director", "Parent Company", "Parent Group", "Parent Group Employee", "Parent Group Executive Director", "Parent Group Non-Executive Director", "Associated Company", "Associated Company Employee", "Controlling Shareholder", "Scheme Committee", "Option Period", "Grantee", "Participant" and "Acquisition Price" and the provisions of Rules 4, 5, 6, 7, 9, 10.1, 10.4, 12 and this Rule 14 shall not be altered to the advantage of Participants except with the prior approval of the Company's shareholders in general meeting; and
 - (c) no modification or alteration shall be made without the prior approval of the SGX-ST, or any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary.

- 14.2 Notwithstanding anything to the contrary contained in Rule 14.1, the Scheme Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).
- 14.3 Written notice of any modification or alteration made in accordance with this Rule 14 shall be given to all Participants.

15. Terms of employment unaffected

The terms of employment of a Participant (who is a Group Employee, a Parent Group Employee or an Associated Company Employee) shall not be affected by his participation in the Scheme, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

16. Duration of the Scheme

- 16.1 The Scheme shall continue to be in force at the discretion of the Scheme Committee, subject to a maximum period of ten (10) years commencing on the Adoption Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- 16.2 The Scheme may be terminated at any time by the Scheme Committee or by resolution of the Company in general meeting subject to all relevant approvals which may be required and if the Scheme is so terminated, no further Options shall be offered by the Company hereunder.
- 16.3 The termination of the Scheme shall not affect Options which have been granted and accepted as provided in Rule 6.4, whether such Options have been exercised (whether fully or partially) or not. Any Vesting Schedule appertaining to Options granted continues to apply and the Scheme Committee continues to have authority in the case of outstanding Incentive Price Options to cancel such Options and to fix any discounts as the case may be.

17. Taxes

All taxes (including income tax) arising from the grant or exercise of any Option granted to any Participant under the Scheme shall be borne by that Participant.

18. Costs and expenses

- 18.1 Each Participant shall be responsible for all fees of CDP, the Depository Agent or, if applicable, the CPF agent bank relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a Depository Agent or, if applicable, CPF investment account with a CPF agent bank.
- 18.2 Save for the taxes referred to in Rule 17 and such other costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue or transfer of Shares pursuant to the exercise of any Option shall be borne by the Company.

19. Disclaimer of liability

Notwithstanding any provisions herein contained, the Scheme Committee, the Board and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in delivering the Shares or applying for or procuring the listing of the Shares on the SGX-ST in accordance with Rule 10.2 (and any other stock exchange on which the Shares are quoted or listed).

20. Disclosures in annual reports

The following disclosures (as applicable) will be made by the Company in its annual reports for so long as the Scheme continues in operation:

- (a) The names of the members of the Scheme Committee administering the Scheme.
- (b) The information required in the table below for the following Participants:
 - (i) Directors;
 - (ii) Participants who are Controlling Shareholders of the Company and their associates; and
 - (iii) Participants (other than those in (b)(i) and (b)(ii) above) who receive Options granted pursuant to the Scheme which in aggregate, represent 5% or more of the total number of Shares available under the Scheme.

Name of Participant	Shares under Options granted during financial year under review (including terms)	Aggregate Shares under Options granted since commencement of Scheme to end of financial year under review	Aggregate Shares under Options exercised since commencement of Scheme to end of financial year under review	Aggregate Shares under Options outstanding as at end of financial year under review	Number of new Shares issued to Participant during the financial year under review	Number of existing Shares transferred to Participant during the financial year under review

- (c) (i) The names of and number and terms of Options granted to each Parent Group Employee and Parent Group Non-Executive Director who receives 5% or more of the total number of Shares available under the Scheme to Parent Group Employees and Parent Group Non-Executive Directors collectively, during the financial year under review.
 - (ii) The aggregate number of Shares under Options granted to Parent Group Employees and Parent Group Non-Executive Directors for the financial year under review, and since the commencement of the Scheme to the end of the financial year under review.
- (d) The number and proportion of Shares under Options granted at a discount of 10% or less during the financial year under review.
- (e) The number and proportion of Shares under Options granted at a discount of more than 10% during the financial year under review.

21. Disputes

Any disputes or differences of any nature arising hereunder shall be referred to the Scheme Committee and its decision shall be final and binding in all respects.

22. Governing law

The Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the Scheme, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

HONG LEONG ASIA SHARE OPTION SCHEME 2000

LETTER OF OFFER (Market Price Option/Discount Price Option)

Serial No: _____

Date: _____

To: [Name]
[Designation]
[Address]

Private and Confidential

Dear Sir/Madam

We are pleased to inform you that you have been selected to participate in the Hong Leong Asia Share Option Scheme 2000 (the "Scheme"). Terms as defined in the Scheme shall have the same meanings when used in this letter.

Accordingly, in consideration of the payment of a sum of \$1.00, an offer is hereby made to grant you a ^ Market Price Option/Discount Price Option (the "Option"), to acquire _____ Shares in Hong Leong Asia Ltd. at a price of \$ _____ for each Share (the "Acquisition Price").

- * The Acquisition Price represents a discount of _____ % to the Market Price.
- + The Option Period applicable to the Option is as follows:

Option Period	
Commencement Date	Expiration Date

- # The Vesting Schedule applicable to the Shares covered by the Option is as follows:

Vesting Schedule	Percentage of Shares over which the Option is exercisable
+Before _____	Nil
From _____ to _____	(i) Up to _____ %
From _____ to _____	(ii) Up to _____ % (including (i) above)
After _____	(iii) 100%

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Scheme Committee duly authorised and appointed to administer the Scheme.

The Option shall be subject to the terms of the Scheme, a copy of which is enclosed herewith.

In the event of exceptional circumstances involving:

1. a misstatement of the financial results of the Company and/or the Hong Leong Asia Group in respect of the financial year ended _____ ("FY _____"), which ^[for the purpose of this grant shall refer to the financial results for the actual relevant financial period ended _____ and the forecast for the relevant quarter of _____] [shall form the basis of this grant], or
2. misconduct on your part which caused or contributed to the misstatement or which would result in financial loss to the Company and/or the Group,

the Company reserves the right to recover or cancel the Option (whether in whole or in part) at any time prior to the expiry of the period for exercise of the Option, upon the instruction of the Scheme Committee in consultation with the Remuneration Committee and the Board of Directors. Such recovery or cancellation of the Option shall take into account the amount of Shares under Option that might have been granted had the same been calculated based on the restated financial results for the previous financial year, and can take place at any time before the vesting of the Option, or if vested, before your exercise of the Option.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of \$1.00 not later than 5.00 p.m. on _____, failing which this offer will lapse.

Yours faithfully

[^] *To be deleted accordingly.*

^{*} *Applicable only to a Discount Price Option.*

⁺ *A Market Price Option may not be exercised before the 1st anniversary of the Offering Date, while a Discount Price Option may not be exercised before the 2nd anniversary of the Offering Date.*

[#] *Conditions (if any) to be attached to the exercise of the Option will be determined by the Scheme Committee at its absolute discretion.*

HONG LEONG ASIA SHARE OPTION SCHEME 2000

LETTER OF OFFER (Incentive Price Option)

Serial No: _____

Date: _____

To: [Name]
[Designation]
[Address]

Private and Confidential

Dear Sir/Madam

We are pleased to inform you that you have been selected to participate in the Hong Leong Asia Share Option Scheme 2000 (the "Scheme"). Terms as defined in the Scheme shall have the same meanings when used in this letter.

Accordingly, in consideration of the payment of a sum of \$1.00, an offer is hereby made to grant you an Incentive Price Option (the "Option"), to acquire _____ Shares in Hong Leong Asia Ltd. at a price of \$ _____] for each Share (the "Acquisition Price").

Pursuant to Rule 7.3 of the Scheme, the Acquisition Price may be subject to such discount as may be determined by the Scheme Committee, at its absolute discretion, subject to a maximum discount of 20% thereof or such other discount as may be prescribed by SGX-ST. The performance target and Incentive Period are as follows:

Not later than _____, the Scheme Committee shall inform you as to whether it has granted a discount and, if so, the quantum of the discount on the Acquisition Price applicable to the Option and, if relevant, the adjusted Acquisition Price.

The Scheme Committee may however determine that no discount will be given in respect of the Option, in which event the Acquisition Price shall remain at \$ _____ for each Share.

The Scheme Committee may also determine that this Option be cancelled in which case it shall lapse without any claims against the Company.

The Option Period applicable to the Option is as follows:

Option Period	
Commencement Date	Expiration Date

The Vesting Schedule applicable to the Shares covered by the Option is as follows:

Vesting Schedule	Percentage of Shares over which the Option is exercisable
+Before _____	Nil
From _____ to _____	(i) Up to _____ %
From _____ to _____	(ii) Up to _____ % (including (i) above)
After _____	(iii) 100%

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Scheme Committee duly authorised and appointed to administer the Scheme.

The Option shall be subject to the terms of the Scheme, a copy of which is enclosed herewith.

In the event of exceptional circumstances involving:

1. a misstatement of the financial results of the Company and/or the Hong Leong Asia Group in respect of the financial year ending _____ ("FY _____"), which for the purpose of this grant is the incentive period for the achievement of the Condition Precedent for the grant of the Option, or
2. misconduct on your part which caused or contributed to the misstatement or which would result in financial loss to the Company and/or the Group,

the Company reserves the right to cancel the Option (whether in whole or in part) at any time prior to the expiry of the period for exercise of the Option, upon the instruction of the Scheme Committee in consultation with the Remuneration Committee and the Board of Directors of the Company. Such cancellation of the Option shall take into account the number of Shares under the Option that might have been granted had the same been calculated based on the restated financial results for FY _____, and can take place at any time before the vesting of the Option, or if vested, before your exercise of the Option.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of \$1.00 not later than 5.00 p.m. on _____, failing which this offer will lapse.

Yours faithfully

+ *An Incentive Price Option may not be exercised before the second anniversary of the Offering Date.*

Conditions (if any) to be attached to the exercise of the Option will be determined by the Scheme Committee at its absolute discretion

HONG LEONG ASIA SHARE OPTION SCHEME 2000

ACCEPTANCE FORM (Market Price Option/Discount Price Option)

Serial No: _____

To: The Scheme Committee
Hong Leong Asia Share Option Scheme 2000
c/o Hong Leong Asia Ltd.
16 Raffles Quay #26-00
Hong Leong Building
Singapore 048581

Closing Date for Acceptance of Offer : _____

Number of Shares Offered : _____

Acquisition Price for each Share: \$

Total Amount Payable : \$ _____

I have read your Letter of Offer dated _____ and agree to be bound by the terms of the Letter of Offer and the Scheme referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the *Market Price Option/Discount Price Option to acquire all the Shares at a price of \$ _____ for each Share and enclose cash of \$1.00 as consideration for the Option.

I understand that I am not obliged to exercise the Option.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

Please print in block letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

* Delete accordingly

HONG LEONG ASIA SHARE OPTION SCHEME 2000

ACCEPTANCE FORM (Incentive Price Option)

Serial No: _____

To: The Scheme Committee
Hong Leong Asia Share Option Scheme 2000
c/o Hong Leong Asia Ltd.
16 Raffles Quay #26-00
Hong Leong Building
Singapore 048581

Closing Date for Acceptance of Offer : _____

Number of Shares Offered : _____

I have read your Letter of Offer dated _____ and agree to be bound by the terms of the Letter of Offer and the Scheme referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Incentive Price Option to acquire all the Shares at a price of \$ _____ for each Share (the "Acquisition Price"), and enclose cash of \$1.00 as consideration for the Option.

I acknowledge that:

- (a) pursuant to Rule 7.3 of the Scheme, the Acquisition Price may be subject to such discount as may be determined by the Scheme Committee, at its absolute discretion, subject to a maximum discount of 20% thereof;
- (b) not later than _____ the day stated in your Letter of Offer, the Scheme Committee shall inform me as to whether it has granted a discount and, if so, the quantum of the discount on the Acquisition Price applicable to the Option and, if relevant, the adjusted Acquisition Price;
- (c) the Scheme Committee may however determine that no discount will be given in respect of the Option, in which event the Acquisition Price shall remain at \$ _____ for each Share;
- (d) The Scheme Committee may also determine that this Option be cancelled in which case it shall lapse without any claims against the Company; and
- (e) the decision of the Scheme Committee shall be final and binding.

I understand that I am not obliged to exercise the Option.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

Please print in block letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

* Delete accordingly

HONG LEONG ASIA SHARE OPTION SCHEME 2000

FORM OF EXERCISE OF OPTION (Market Price Option/Discount Price Option)

Total number of ordinary shares
(the "Shares") offered at

\$ _____ for each Share under the Scheme

on _____ (Offering Date) : _____

Number of Shares previously acquired
thereunder : _____

Outstanding balance of Shares to be
acquired thereunder : _____

Number of Shares now to be acquired : _____

To: The Scheme Committee
Hong Leong Asia Share Option Scheme 2000
c/o Hong Leong Asia Ltd.
16 Raffles Quay #26-00
Hong Leong Building
Singapore 048581

1. Pursuant to your Letter of Offer dated _____ and my acceptance thereof, I hereby exercise the *Market Price Option/Discount Price Option to acquire _____ Shares in Hong Leong Asia Ltd. (the "Company") at \$ _____ for each Share.
2. I enclose a *cheque/cashier's order/banker's draft/postal order no. _____ for \$ _____ in payment for the total number of the said Shares now to be acquired.
3. I agree to acquire the said Shares subject to the terms of the Letter of Offer, the Hong Leong Asia Share Option Scheme 2000 and the Memorandum and Articles of Association of the Company.
4. I declare that I am acquiring the said Shares for myself and not as a nominee for any other person.
5. I request the Company to allot and issue or, as the case may be, procure the transfer of the said Shares referred to in paragraph 1 above in the name of The Central Depository (Pte) Limited ("CDP") and to deliver to CDP the certificate(s) for the Shares for credit to my securities account as specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP and any stamp duty payable in respect thereof:

*(i) Direct Securities Account No.:

or

*(ii) Sub-Account No. and Name of Depository Agent

Sub-Account No.: _____

Name of Depository Agent: _____

or

*(iii) CPF Investment Account No. and Name of Agent Bank

CPF Investment Account No.: _____

Name of Agent Bank: _____

Please print in block letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

* Delete accordingly

HONG LEONG ASIA SHARE OPTION SCHEME 2000

FORM OF EXERCISE OF OPTION (Incentive Price Option)

Total number of ordinary shares
(the "Shares") offered at

\$ _____ for each Share under the Scheme

on _____ (Offering Date),
such price being adjusted to \$ _____
for each Share on : _____

Number of Shares previously acquired
thereunder : _____

Outstanding balance of Shares to be
acquired thereunder : _____

Number of Shares now to be acquired

: _____

To insert the adjusted price, if applicable

To: The Scheme Committee
Hong Leong Asia Share Option Scheme 2000
c/o Hong Leong Asia Ltd.
16 Raffles Quay #26-00
Hong Leong Building
Singapore 048581

1. Pursuant to your Letter of Offer dated _____ and my acceptance thereof, and your letter dated _____ issued to me pursuant to Rule 7.3 of the Scheme, I hereby exercise the Incentive Price Option to acquire _____ Shares in Hong Leong Asia Ltd. (the "Company") at \$ _____ for each Share.
2. I enclose a *cheque/cashier's order/banker's draft/postal order no. _____ for \$ _____ in payment for the total number of the said Shares now to be acquired.
3. I agree to acquire the said Shares subject to the terms of the Letter of Offer, the Hong Leong Asia Share Option Scheme 2000 and the Memorandum and Articles of Association of the Company.
4. I declare that I am acquiring the said Shares for myself and not as a nominee for any other person.
5. I request the Company to allot and issue or, as the case may be, procure the transfer of the said Shares referred to in paragraph 1 above in the name of The Central Depository (Pte) Limited ("CDP") and to deliver to CDP the certificate(s) for the Shares for credit to my securities account as specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP and any stamp duty payable in respect thereof:

*(i) Direct Securities Account No.: _____

or

*(ii) Sub-Account No. and Name of Depository Agent

Sub-Account No.: _____

Name of Depository Agent: _____

or

*(iii) CPF Investment Account No. and Name of Agent Bank

CPF Investment Account No.: _____

Name of Agent Bank: _____

Please print in block letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

* Delete accordingly

PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1. INTRODUCTION

At the Fifty-Eighth Annual General Meeting of the Company held on 26 April 2019 ("Last AGM"), Shareholders had approved, *inter alia*, the renewal of the Share Purchase Mandate to permit the Company to purchase or otherwise acquire its issued Shares. The rationale for, authority and limits of, and the financial effects of, the Share Purchase Mandate were set out in the Company's Letter to Shareholders dated 28 March 2019 and Ordinary Resolution 7 set out in the Notice of the Last AGM.

The Share Purchase Mandate was expressed to take effect from the passing of Ordinary Resolution 7 at the Last AGM and will expire on the date of the forthcoming Fifty-Ninth Annual General Meeting of the Company to be held on 18 June 2020 ("Forthcoming AGM") or until it is varied or revoked by the Company in general meeting, whichever is the earlier. Accordingly, Shareholders' approval will be sought at the Forthcoming AGM for the renewal of the Share Purchase Mandate.

Since the renewal of the Share Purchase Mandate at the Last AGM, the Company has not purchased or acquired any of its Shares under the Share Purchase Mandate.

2. DEFINITIONS

In this **Annexure III**, the following definitions shall apply throughout unless otherwise stated:

"Average Closing Price"	: Has the meaning ascribed to it in paragraph 3.2.4 of this Annexure III
"Board"	: The Board of Directors of the Company for the time being
"CDP"	: The Central Depository (Pte) Limited
"Companies Act"	: The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
"Company"	: Hong Leong Asia Ltd.
"date of the making of the offer"	: Has the meaning ascribed to it in paragraph 3.2.4 of this Annexure III
"Directors"	: The directors of the Company for the time being
"EPS"	: Earnings per Share
"Group"	: The Company and its subsidiaries
"Latest Practicable Date"	: 15 May 2020, being the latest practicable date prior to the printing of this Letter
"Listing Manual"	: The Listing Manual of SGX-ST, as amended or modified from time to time
"Market Day"	: A day on which SGX-ST is open for trading in securities

"Market Purchase"	: An on-market purchase of Shares by the Company effected on SGX-ST, or on any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose
"Maximum Price"	: The maximum price to be paid for the Shares as determined by the Directors under paragraph 3.2.4 of this Annexure III
"NAV"	: Net asset value
"Off-Market Purchase"	: An off-market purchase of Shares by the Company effected otherwise than on a stock exchange, in accordance with an equal access scheme
"public"	: Has the meaning ascribed to it in the Listing Manual
"related expenses"	: Has the meaning ascribed to it in paragraph 3.2.4 of this Annexure III
"SFA"	: The Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
"SGX-ST"	: Singapore Exchange Securities Trading Limited
"Share Options"	: Options to subscribe for new Shares granted pursuant to the Hong Leong Asia Share Option Scheme 2000
"Share Purchase Mandate"	: The mandate to enable the Company to purchase or otherwise acquire its issued Shares
"Shareholders"	: Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the depositors whose securities accounts maintained with CDP are credited with the Shares
"Shares"	: Ordinary shares of the Company
"Substantial Shareholder"	: In relation to the Company, a person who has an interest in not less than 5% of the issued voting Shares of the Company
"Take-over Code"	: The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
"usage"	: Has the meaning ascribed to it in paragraph 3.5.3 of this Annexure III
"\$"	: Singapore dollars
"%"	: Percentage or per centum

The terms “**depositor**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

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

Any reference in this **Annexure III** 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, the SFA, the Listing Manual or Take-over Code or any statutory modification thereof and not otherwise defined in this **Annexure III** shall have the same meaning assigned to it under the Companies Act, the SFA, the Listing Manual or Take-over Code or any statutory modification thereof, as the case may be. Any reference to a time of day in this **Annexure III** is made by reference to Singapore time unless otherwise stated.

3. RENEWAL OF THE SHARE PURCHASE MANDATE

3.1 Rationale for the Share Purchase Mandate

The Share Purchase Mandate will give the Company the flexibility to undertake share purchases or acquisitions at any time, subject to market conditions, during the period that the Share Purchase Mandate is in force. Share purchases provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. Share purchases will also allow the Directors greater flexibility over the Company’s share capital structure with a view to enhancing the EPS and/or NAV per Share.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in paragraph 3.2.1 below, it should be noted that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised, and no purchases or acquisitions of Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company and the Group, or affect the listing status of the Company on SGX-ST.

3.2 Authority and Limits of the Share Purchase Mandate

The authority and limitations placed on the Share Purchase Mandate are summarised below:

3.2.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares as at the date of the Forthcoming AGM. Treasury shares and subsidiary holdings (as defined in the Listing Manual) will be disregarded for purposes of computing the 10% limit. As at the Latest Practicable Date, there were no Shares held as treasury shares or subsidiary holdings.

Purely for illustrative purposes, on the basis of 747,817,118 Shares in issue as at the Latest Practicable Date, and assuming that (i) no further Shares are issued pursuant to the exercise of exercisable Share Options, (ii) no Shares are held by the Company as treasury shares, and (iii) no Shares are held as subsidiary holdings on or prior to the Forthcoming AGM, not more than 74,781,711 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

3.2.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the Forthcoming AGM, at which the Share Purchase Mandate is approved, up to the earliest of:

- (a) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (b) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by the Shareholders in a general meeting; or
- (c) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated.

3.2.3 *Manner of Purchases or Acquisitions of Shares*

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

- (a) Market Purchases; and/or
- (b) Off-Market Purchases.

Market Purchases refer to purchases or acquisitions of Shares by the Company effected on SGX-ST or, as the case may be, other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases or acquisitions of Shares by the Company made under an equal access scheme or schemes for the purchase or acquisition of Shares. The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

- (a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (b) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (c) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) (if applicable) differences in consideration attributable to the fact that offers may relate to Shares with different amounts remaining unpaid; and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to Rule 885 of the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (a) terms and conditions of the offer;
- (b) period and procedures for acceptances;
- (c) reasons for the proposed purchase or acquisition of Shares;
- (d) consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on SGX-ST;
- (f) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase or acquisition price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for the purchases or acquisitions; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

3.2.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties (if applicable), commission, applicable goods and services tax and other related expenses (if applicable) (collectively, “**related expenses**”)) to be paid for a Share will be determined by the Directors. The Maximum Price to be paid for the Shares as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (b) in the case of an Off-Market Purchase, 110% of the Average Closing Price of the Shares,

in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of a Share for the five consecutive Market Days on which the Shares are transacted on SGX-ST or, as the case may be, such stock exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of SGX-ST for any corporate action which occurs during the relevant five-day period and the day on which the purchase is made; and

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

3.3 Source of Funds

Under the Companies Act, the Company may, pursuant to the Share Purchase Mandate, purchase or acquire its own Shares out of its capital, as well as from its profits.

The Company intends to use internal and/or external sources of funds to finance its purchase or acquisition of Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the Group’s working capital requirements, current dividend policy and ability to service its debts would be adversely affected.

3.4 Status of Purchased or Acquired Shares

Shares which are purchased or acquired by the Company and which are not held as treasury shares will be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to those Shares will expire on cancellation. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

3.5 Treasury Shares

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

3.5.1 Maximum Holdings

The number of Shares held as treasury shares (including Shares held by a subsidiary under Sections 21(4B) or 21(6C) of the Companies Act) cannot at any time exceed 10% of the total number of issued Shares.

3.5.2 *Voting and Other Rights*

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

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a sub-division or consolidation of any treasury share is allowed so long as the total value of the treasury shares after the sub-division or consolidation is the same as before.

3.5.3 *Disposal and Cancellation*

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

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

Under Rule 704(28) of the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares of the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares against the total number of issued Shares (of the same class as the treasury shares) which are listed on SGX-ST before and after the usage; and the value of the treasury shares of the usage.

3.6 *Financial Effects*

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of capital or profits of the Company, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Company and the Group based on the audited financial accounts of the Group for the financial year ended 31 December 2019 are based on the assumptions set out below:

3.6.1 *Purchase or Acquisition out of Capital or Profits*

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

3.6.2 *Maximum Price Paid for Shares Acquired or Purchased*

As at the Latest Practicable Date, the Company has 747,817,118 issued Shares. In addition, as at the Latest Practicable Date, there were outstanding and remaining unexercised Share Options to subscribe for up to an aggregate of 820,000 Shares. Except in respect of Shares which are issuable on exercise of the outstanding Share Options, no Shares are reserved for issue by the Company as at the Latest Practicable Date.

Based on the total number of issued and paid-up Shares as at the Latest Practicable Date and on the assumptions set out in paragraph 3.2.1 above, the purchase by the Company of 10% of the total number of issued Shares will result in the purchase or acquisition of 74,781,711 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 74,781,711 Shares at the Maximum Price of \$0.539 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 74,781,711 Shares is \$40,307,342. In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 74,781,711 Shares at the Maximum Price of \$0.564 for one Share (being the price equivalent to 10% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 74,781,711 Shares is \$42,176,885.

3.6.3 *Whether the Underlying Shares are Cancelled or Held in Treasury*

The financial effects on the Group arising from purchases or acquisitions of Shares will also depend on whether the Shares purchased or acquired are cancelled or held in treasury.

For illustrative purposes only, on the basis of the assumptions set out above as well as the following:

- (a) the Share Purchase Mandate had been effective on 1 January 2019; and
- (b) there was no exercise of Share Options from 1 January 2020 up to and including the Latest Practicable Date,

the financial effects on the audited financial accounts of the Company and the Group arising from purchases or acquisitions of Shares for the financial year ended 31 December 2019 would have been as follows:

Assuming Market Purchases made out of profits and/or capital and Shares purchased or acquired being held in treasury or cancelled

	Group		Company	
	Before purchase of Shares As at 31 December 2019	\$'000	After purchase of Shares \$'000	Before purchase of Shares \$'000
NAV	764,824	724,517	214,811	174,504
Current Assets	3,636,912	3,636,912	278,269	278,269
Current Liabilities	2,530,221	2,570,528	198,023	238,330
Shareholders' Fund	764,824	724,517	214,811	174,504
Number of Shares	747,817,118	673,035,407	747,817,118	673,035,407
Weighted Average	747,817,118	673,035,407	747,817,118	673,035,407
Number of Shares				
Financial Ratios				
Profit after Tax and Minority Interests	34,443	34,443	N.A.	N.A.
NAV per Share (cents)	102.27	107.65	28.73	25.93
Basic EPS (cents)	4.61	5.12	N.A.	N.A.
Current Ratio (times)	1.44	1.41	1.41	1.17

Assuming Off-Market Purchases made out of profits and/or capital and Shares purchased or acquired being held in treasury or cancelled

	Group		Company	
	Before purchase of Shares As at 31 December 2019	\$'000	After purchase of Shares \$'000	Before purchase of Shares \$'000
NAV	764,824	722,647	214,811	172,634
Current Assets	3,636,912	3,636,912	278,269	278,269
Current Liabilities	2,530,221	2,572,398	198,023	240,200
Shareholders' Fund	764,824	722,647	214,811	172,634
Number of Shares	747,817,118	673,035,407	747,817,118	673,035,407
Weighted Average	747,817,118	673,035,407	747,817,118	673,035,407
Number of Shares				
Financial Ratios				
Profit after Tax and Minority Interests	34,443	34,443	N.A.	N.A.
NAV per Share (cents)	102.27	107.37	28.73	25.65
Basic EPS (cents)	4.61	5.12	N.A.	N.A.
Current Ratio (times)	1.44	1.41	1.41	1.16

N.A. – Not applicable

The financial effects set out above, based on the respective aforementioned assumptions and scenarios, are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the latest audited financial statements of the Group for the financial year ended 31 December 2019, and is not necessarily representative of future financial performance of the Group or the Company.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the total number of issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total number of issued Shares. In addition, the Company may cancel or hold in treasury all or part of the Shares purchased or acquired.

The Company will take into account both financial and non-financial factors (for example, share market conditions and performance of the Shares) in assessing the relative impact of a share purchase before execution.

3.7 **Taxation**

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional advisers.

3.8 **Listing Status of the Shares**

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public. Under the Listing Manual, “**public**” is defined as persons other than the directors, chief executive officer, substantial shareholders, or controlling shareholders of the company or its subsidiaries, as well as the associates of such persons.

Based on information available to the Company as at the Latest Practicable Date, approximately 24.15% of the total number of issued Shares were held by public Shareholders. Assuming the Company had purchased or acquired Shares from the public up to the full 10% limit pursuant to the Share Purchase Mandate on the Latest Practicable Date and none of these Shares had been held as treasury shares, approximately 24.15% of the issued Shares would have been held by public Shareholders as at that date.

The Company will ensure that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate, without affecting the listing status of the Shares on SGX-ST, causing market illiquidity or affecting orderly trading.

3.9 **Take-over Implications**

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

3.9.1 ***Obligation to Make a Take-over Offer***

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting Shares of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

3.9.2 *Persons Acting in Concert*

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

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

- (a) the following companies:
 - (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of any of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of:
 - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
 - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and

- (h) the following persons and entities:
- (i) an individual;
 - (ii) the close relatives of (i);
 - (iii) the related trusts of (i);
 - (iv) any person who is accustomed to act in accordance with the instructions of (i);
 - (v) companies controlled by any of (i), (ii), (iii) or (iv); and
 - (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

3.9.3 *Effect of Rule 14 and Appendix 2*

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

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

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the shareholdings of the Directors and Substantial Shareholders, which can be found on page [2] of this Letter, the Directors and Substantial Shareholders would not incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase of Shares by the Company pursuant to the Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

3.10 Reporting Requirements

Rule 886(1) of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to SGX-ST not later than 9.00 a.m. (i) in the case of a Market Purchase, on the Market Day following the day of the purchase or acquisition of any of its shares and (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) must include details of the date of the purchase, the total number of shares purchased, number of shares cancelled and held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the total consideration (including stamp duties (if applicable) and clearing charges) paid or payable for the shares.

3.11 No Purchases During Price Sensitive Developments

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of consideration and/or a decision of the Board until the price sensitive information has been publicly announced. In particular, the Company will, in accordance with Rule 1207(19) of the Listing Manual, not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the "closed period" as defined in the Listing Manual in relation to the release of the announcements of the Company's financial statements.

4. RECOMMENDATION

The Directors are of the view that the Share Purchase Mandate is in the best interests of the Company. They accordingly recommend that Shareholders vote in favour of Resolution 9 for the renewal of the Share Purchase Mandate at the Forthcoming AGM.

PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. BACKGROUND

On 30 May 2003, the Company obtained Shareholders' approval at an Extraordinary General Meeting of the Company (the "**2003 EGM**") for the Company, its subsidiaries and its associated companies not listed on Singapore Exchange Securities Trading Limited ("**SGX-ST**") or an approved exchange, over which the Company and its subsidiaries (collectively, the "**Group**") or the Group and its interested persons have control (collectively, "**HLA EAR Group**"), to enter into transactions falling within the categories of Interested Person Transactions as defined and set out in the Company's circular to Shareholders dated 5 May 2003, with such persons within the class or classes of Interested Persons as described in the said circular, provided that such transactions are entered into in accordance with the review procedures set out in the said circular (the "**IPT Mandate**"). Given that such Interested Person Transactions may occur at any time, and to allow the HLA EAR Group to undertake such transactions in an expeditious manner, Shareholders' approval will be sought at the coming Fifty-Ninth Annual General Meeting ("**Forthcoming AGM**") for the renewal of the IPT Mandate.

General information on the listing rules relating to interested person transactions, including the meanings of terms such as "associate", "entity at risk", "interested person" and "interested person transaction" used in Chapter 9 of the Listing Manual of SGX-ST, is set out in **Annexure V** of this Letter.

2. RENEWAL OF THE GENERAL MANDATE

Under Chapter 9 of the Listing Manual, a general mandate for transactions with interested persons is subject to annual renewal. The IPT Mandate approved at the 2003 EGM was expressed, unless revoked or varied by the Company in general meeting, to continue to be in force until the next annual general meeting of the Company. The IPT Mandate which was renewed at the last annual general meeting of the Company held on 26 April 2019 ("**Last AGM**"), is currently in force until the next annual general meeting of the Company, being the Forthcoming AGM, which is to be held on 18 June 2020. Accordingly, it is proposed that the IPT Mandate be renewed at the Forthcoming AGM, to take effect until the next annual general meeting of the Company to be held in year 2021.

The nature of the Interested Person Transactions and the classes of Interested Persons in respect of which the IPT Mandate is sought to be renewed remain unchanged since the renewal of the same at the Last AGM. Particulars of the IPT Mandate, including the rationale, the benefits to be derived by the Company, as well as the review procedures for determining transaction prices with the specified classes of Interested Persons, are set out in **Annexure V** of this Letter.

3. INTERESTED PERSON TRANSACTIONS

No Interested Person Transactions were conducted under the IPT Mandate in 2019.

4. AUDIT AND RISK COMMITTEE'S STATEMENT

The Audit and Risk Committee of the Company confirms that:

- (a) the methods and review procedures for determining the transaction prices of the Interested Person Transactions conducted under the IPT Mandate have not changed since the 2003 EGM; and
- (b) the methods and review procedures referred to in (a) above continue to be sufficient to ensure that these Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

5. RECOMMENDATION

The Directors who are considered independent for the purposes of the proposed renewal of the IPT Mandate are Mr Ernest Colin Lee, Ms Kwong Ka Lo @ Caroline Kwong, Mr Ng Sey Ming and Mr Tan Chian Khong.

They are of the opinion that the entry into the Interested Person Transactions (as described in Section 6 of **Annexure V**) between the HLA EAR Group (as described in Section 2.3 of **Annexure V**) and the Interested Persons (as described in Section 5 of **Annexure V**) in the ordinary course of business will enhance the efficiency of the HLA EAR Group and is in the best interests of the Company. For the reasons set out in Sections 2 and 4 of **Annexure V**, they recommend that Shareholders vote in favour of Resolution 10 at the Forthcoming AGM.

GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS (THE “IPT MANDATE”)

1. GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

1.1 Chapter 9 of the Listing Manual (“**Chapter 9**”) of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) applies to transactions between a party that is an entity at risk and a counter party that is an interested person. The objective of Chapter 9 (as stated in Rule 901 of the Listing Manual) is to guard against the risk that interested persons could influence a listed company, its subsidiaries or associated companies to enter into transactions with interested persons that may adversely affect the interests of the listed company or its shareholders. The aforementioned terms “entity at risk”, “interested person” and “associated companies” are defined below.

1.2 Main Terms Used in Chapter 9

- (a) An “**entity at risk**” means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has or have control over the associated company.
- (b) An “**associated company**” of a listed company means a company in which at least 20 per cent. but not more than 50 per cent. of its shares are held by the listed company or the listed group.
- (c) An “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.
- (d) An “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.
- (e) An “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder of the listed company (being an individual) means an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder; the trustees of any trust of which the director and/or his immediate family, or the chief executive officer and/or his immediate family or the controlling shareholder and/or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and any company in which the director and/or his immediate family, or the chief executive officer and/or his immediate family or the controlling shareholder and/or his immediate family has or have an aggregate interest (directly or indirectly) of 30 per cent. or more; and, where a controlling shareholder of the listed company is a corporation, its “associate” means its subsidiary or holding company or fellow subsidiary or a company in which it and/or such other companies taken together have (directly or indirectly) an interest of 30 per cent. or more.
- (f) A “**chief executive officer**” of a listed company means the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of the listed company.
- (g) A “**controlling shareholder**” of a listed company means a person who holds directly or indirectly 15 per cent. or more of the total voting rights in the listed company (provided that SGX-ST may determine that a person who satisfies the foregoing is not a controlling shareholder); or a person who in fact exercises control over the listed company.
- (h) An “**interested person transaction**” means a transaction between an entity at risk and an interested person.

1.3 Materiality Thresholds, Announcement Requirements and Shareholders' Approval

When Chapter 9 applies to a transaction with an interested person (except for any transaction which is below \$100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and are hence excluded from certain requirements of Chapter 9) and the value of the transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company's latest audited consolidated net tangible assets¹ ("NTA")), the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for the transaction.

In particular, shareholders' approval is required for an interested person transaction of a value equal to, or exceeding

- (a) 5 per cent. of the listed company's latest audited consolidated NTA²; or
- (b) 5 per cent. of the listed company's latest audited consolidated NTA, when aggregated with the values of other transactions entered into with the same interested person (such term as construed under Chapter 9) during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

1.4 Shareholders' General Mandate

Chapter 9 allows a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses, which may be carried out with the listed company's interested persons.

2. INTRODUCTION AND RATIONALE FOR THE IPT MANDATE

- 2.1 The Hong Leong Asia Ltd. ("HLA") group (the "Group") is principally engaged in the manufacture of industrial and consumer products ranging from diesel engines, to air-conditioning systems; the manufacture and marketing of plastic packaging related products; the trading and distribution of a variety of construction raw materials such as cement; and the manufacture, trading and distribution of pre-cast concrete elements, ready-mix concrete and quarry products.
- 2.2 Hong Leong Investment Holdings Pte. Ltd. ("HLIH"), a controlling shareholder of the Company, and its associates (the "HLIH Group") are interested persons of the Company.

1 Based on the latest audited consolidated accounts of the Company and its subsidiaries for the financial year ended 31 December 2019, the audited consolidated NTA of the Group was \$717,221,000.

2 In relation to the Company, for the purposes of Chapter 9, in the current financial year and until such time that the audited consolidated accounts of the Company and its subsidiaries for the year ending 31 December 2020 are published by the Company, 5 per cent. of the latest audited consolidated NTA of the Group would be \$35,861,050.

- 2.3 Due to the size of the HLIH Group and the diversity of the Group's activities, it is anticipated that:
- (a) HLA;
 - (b) subsidiaries of HLA that are not listed on SGX-ST or an approved exchange; and
 - (c) associated companies of HLA that are not listed on SGX-ST or an approved exchange, provided that the Group or the Group and its interested person(s), has or have control over the associated companies,

(together, the "**HLA EAR Group**"), or any of them, would, in the ordinary course of its businesses, enter into certain transactions with its interested persons. It is likely that such transactions will occur with some degree of frequency and may arise at any time. Thus, the IPT Mandate is intended to facilitate transactions in the normal course of business of the HLA EAR Group falling within the categories of interested person transactions as set out in Section 6 below (the "**Interested Person Transactions**") that are transacted from time to time with its interested persons as specifically described in Section 5 below (the "**Interested Persons**") provided that they are carried out at arm's length and on the Group's normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

3. SCOPE OF THE IPT MANDATE

- 3.1 The IPT Mandate will not cover any Interested Person Transaction which has a value below \$100,000 as the threshold and aggregation requirements of Chapter 9 do not apply to such transactions.
- 3.2 Transactions with interested persons which do not fall within the ambit of the IPT Mandate (including any renewal thereof), will be subject to applicable provisions of Chapter 9 and/or any other applicable provisions of the Listing Manual.

4. BENEFITS OF THE IPT MANDATE

The IPT Mandate which was adopted at the Extraordinary General Meeting of the Company held on 30 May 2003 (the "**2003 EGM**") and subject to renewal on an annual basis would eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when such Interested Person Transactions with the Interested Persons arise, thereby reducing substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group. This would also enable the Group to maximise its business opportunities especially in commercial transactions that are time-sensitive in nature. At the same time, the Group would be able to channel the significant amount of administrative resources, including time and expenses, saved towards its other corporate objectives.

5. CLASSES OF INTERESTED PERSONS

The IPT Mandate will apply to transactions with the following classes of Interested Persons:

- (a) the HLIH Group; and
- (b) Directors, chief executive officer and controlling shareholders of the Company (other than entities which fall under the HLIH Group described under sub-paragraph (a) above) and their respective associates.

6. CATEGORIES OF INTERESTED PERSON TRANSACTIONS

6.1 The Interested Person Transactions between the HLA EAR Group and Interested Persons which will be covered by the IPT Mandate relate to recurrent transactions of a revenue or trading nature or those necessary for the Group's day-to-day operations, and are set out as follows:

6.1.1 Industrial- and Consumer-related Transactions

This category comprises the following types of transactions:

- (a) sale of diesel engines for light-duty, medium-duty and heavy-duty trucks that are manufactured, assembled and/or distributed by the HLA EAR Group, including the provision of after-sales services;
- (b) sale of air-conditioners and other home appliances that are manufactured, assembled and/or distributed by the HLA EAR Group, including the provision of after-sales services;
- (c) sale of heating, ventilation, and air-conditioning systems for use in residential, commercial and industrial applications that are manufactured, assembled and/or distributed by the HLA EAR Group, including the provision of after-sales services;
- (d) sale of industrial products that are manufactured by the HLA EAR Group, which include without limitation, steel drums and pails, plastic bottles, plastic pails, jerry cans, thermo-formed containers, steel and plastic closures, and other plastic packaging materials or products; and
- (e) purchase or supply by Interested Persons of any material or component, whether raw or processed, plant equipment and accessories and/or services which are incidental to or in connection with the manufacture and/or assembly of any of the products described in sub-paragaphs (a) to (d) above.

6.1.2 Construction-related Transactions

This category comprises transactions in relation to the supply and distribution to Interested Persons or the purchase from Interested Persons of building materials and construction products ranging from raw materials such as cement, ready-mix concrete, quarry products, and construction materials to pre-cast concrete elements for installation in buildings.

6.1.3 Financial and Treasury Transactions

This category comprises transactions in relation to the placement of funds with Interested Persons, the borrowing of funds from Interested Persons, and the entry into foreign exchange, swap and option transactions with Interested Persons, that do not fall under the exceptions to interested person transactions pursuant to Rule 915(6) and Rule 915(7) of Chapter 9³ and the subscription by the HLA EAR Group of debt securities issued by any Interested Person and the issue of debt securities by the HLA EAR Group to any Interested Person.

Pursuant to Rule 916(3) of Chapter 9, the provision of a loan by the HLA EAR Group to a joint venture with an Interested Person does not require the seeking of Shareholders' approval provided that such loan is extended by all joint venture partners on the same terms and in proportion to their equity interest in the joint venture; the Interested Person does not have an existing equity interest in the joint venture prior to the participation of the HLA EAR Group in the joint venture; and the Company has announced that its audit and risk committee (the **"Audit and Risk Committee"**) is of the view that: (i) the provision of the loan is not prejudicial to the interests of the Company and its minority Shareholders; (ii) the risks and rewards of the joint venture are in proportion to the equity of each of the joint venture partners; and (iii) the terms of the joint venture are not prejudicial to the interests of the Company and its minority Shareholders.

³ Pursuant to Rule 915(6) and Rule 915(7) of Chapter 9, the provision or receipt of financial assistance or services by or from a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business does not constitute an interested person transaction which would require compliance with Rules 905, 906 and 907 of Chapter 9. Rule 905 relates to the requirements for immediate announcement of interested person transactions, Rule 906 relates to the requirements for seeking shareholders' approval for interested person transactions, and Rule 907 relates to the requirements for disclosure of the aggregate value of interested person transactions in the listed company's annual report.

6.1.4 General Transactions

This category comprises the following types of transactions:

- (a) purchase of goods and services including vehicles, parts and accessories and after-sales services; and
- (b) leasing or rental of properties to or from Interested Persons.

7. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

7.1 In general, there are procedures established by the Group to ensure that Interested Person Transactions, which are reviewed and approved by the management, are undertaken on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and policies, are not prejudicial to the interests of the Company and its minority Shareholders and are on terms which are generally no more favourable to the Interested Persons than those extended to or received from unrelated third parties.

7.1.1 Industrial- and Consumer-related Transactions, Construction-related Transactions and General Transactions

All Interested Person Transactions (other than the Financial and Treasury Transactions covered in Section 7.1.2 below) are to be carried out at the published or prevailing rates/ prices of the service or product providers (including, where applicable, preferential rates/ prices/discounts accorded to a class or classes of customers or for bulk purchases where the giving of such preferential rates/prices/discounts is commonly practised within the applicable industry and may be similarly extended to unrelated third parties), on the service or product provider's usual commercial terms which may also be similarly extended to unrelated third parties, or otherwise in accordance with other applicable industry norms.

In addition, the HLA EAR Group will monitor the Interested Person Transactions (other than the Financial and Treasury Transactions covered in Section 7.1.2 below) as follows:

- (a) Industrial- and Consumer-related Transactions, Construction-related Transactions and General Transactions (other than the Interested Person Transactions covered under sub-paragraph (b) herein)

Interested Person Transactions under this sub-paragraph (a) shall be entered into, where applicable, (i) in the case of the provision of services or products by an Interested Person, based on tenders (with at least two bids from unrelated third parties to be obtained for comparison purposes) or comparison of rates and terms offered by or generally quoted by at least two unrelated third parties, who are engaged in providing similar services or products; and (ii) in the case of the provision of services or products to an Interested Person, based on comparison of rates and terms offered to at least two unrelated third parties, for transactions of a similar nature, size or complexity and after taking into account the availability of resources, expertise or manpower for the performance of such services or provision of such goods and the existence of any cost and/or time saving factors.

- (b) General Transactions comprising the leasing or rental of properties

Interested Person Transactions under this sub-paragraph (b) shall be entered into after comparison of rates quoted to at least two unrelated third parties (in the case of leases granted to Interested Persons) or comparison of rates quoted by or obtained from at least two unrelated third parties (in the case of leases granted by Interested Persons) and after taking into account the prevailing market rental rates for other properties within its vicinity of similar or comparable standing and facilities, the tenure of the lease, the area of the leased premises and any other factor which may affect the rental rates or terms of the lease.

- (c) In the event that such comparison quotations cannot be obtained in respect of the Interested Person Transactions covered under sub-paragraphs (a) and (b) above (for example, where there are no unrelated third party providers or users of such services or products, or where the service or product is a proprietary item or due to the nature, speciality or confidentiality of the service or product to be supplied), such Interested Person Transactions shall be entered into only after the senior management staff of the relevant company in the HLA EAR Group (having no interest, direct or indirect, in the Interested Person Transaction and having the authority in such company to approve the entering into of transactions of such nature and value) have evaluated and weighed the benefits of, and rationale for, transacting with the Interested Person and in their report submitted to the Audit and Risk Committee, confirmed that the price and terms offered to or by the Interested Person are fair and reasonable. In such evaluation and confirmation, the factors which may be taken into account include, but shall not be limited, to the following:
- (i) in relation to the sale of goods or services to the Interested Person, the terms of supply should be in accordance with the HLA EAR Group's usual business practice and consistent with the margins obtained by the HLA EAR Group in its business operations or the margins obtained for the same or substantially the same type of transactions;
 - (ii) in relation to the purchase of goods or services from the Interested Person, the terms of supply will be compared to those for the same or substantially the same type of transactions entered into between the Interested Person and unrelated third parties. The review procedures in such cases may include where applicable, reviewing the standard price lists provided by the Interested Person to its customers for such products or services;
 - (iii) the efficiencies and flexibilities derived by the HLA EAR Group in transacting with the Interested Person as compared with transacting with unrelated third parties; and
 - (iv) prevailing industry norms.

7.1.2 Financial and Treasury Transactions

(a) Placement of Funds

In relation to the placement with any Interested Person by the HLA EAR Group of its funds, the Company will require that quotations be obtained from such Interested Person and at least two principal bankers or financial institutions of the Group ("**Principal Bankers**") for rates offered by such Principal Bankers for deposits of an amount and currency and for a period equivalent to that of the funds to be placed by the HLA EAR Group. The HLA EAR Group will only place its funds with such Interested Person provided that the interest rate quoted is not less than the highest of the rates quoted by such Principal Bankers.

(b) Borrowing of Funds

In relation to the borrowing of funds from any Interested Person by a company within the HLA EAR Group, the Company will require that quotations be obtained from such Interested Person and at least two bankers of the borrowing company within the HLA EAR Group for rates offered by such bankers for loans of an amount and currency and for a period equivalent to that of the funds to be borrowed by such borrowing company within the HLA EAR Group. The HLA EAR Group will only borrow funds from such Interested Person provided that the interest rate quoted is not more than the lowest of the rates quoted by such bankers.

(c) Foreign Exchange, Swaps and Options

In relation to the foreign exchange, swap and option transactions with any Interested Person by the HLA EAR Group, the Company will require that rate quotations be obtained from such Interested Person and at least two Principal Bankers of the Group. The HLA EAR Group will only enter into such foreign exchange, swap and option transactions with such Interested Person provided that such rates quoted are no less favourable than the rates quoted by such Principal Bankers.

(d) Subscription of Debt Securities

In relation to the subscription by the HLA EAR Group of debt securities issued by Interested Persons, the HLA EAR Group will only enter into the subscription of such debt securities provided that the price(s) at which the HLA EAR Group subscribes for such debt securities will not be higher than the price(s) at which such debt securities are subscribed for by unrelated third parties.

In relation to the issue of debt securities by the HLA EAR Group to Interested Persons, the HLA EAR Group will only issue such debt securities to Interested Persons provided that the price(s) at which the HLA EAR Group issues such debt securities will not be lower than the price(s) at which such debt securities are issued to unrelated third parties.

In addition to the foregoing, the following threshold limits will be applied to ensure further monitoring by the Group of the Financial and Treasury Transactions entered into by the HLA EAR Group:

Placement of Funds and Subscription of Debt Securities

Where the aggregate of the outstanding principal amount of the funds placed with, and debt securities subscribed from, the same Interested Person (as such term is construed under Chapter 9) shall at any time exceed the equivalent of 10 per cent. of the consolidated shareholders' funds of the Group (based on its latest audited accounts), each subsequent placement of funds with, or subscription of debt securities from, the same Interested Person shall require the prior approval of the Audit and Risk Committee.

Where the aggregate of the outstanding principal amount of funds placed with, and debt securities subscribed from, the same Interested Person does not at any time exceed the limit set out above, the placement of funds with, and subscription of debt securities from, that Interested Person will not require the prior approval of the Audit and Risk Committee but shall be reviewed by the Audit and Risk Committee at its meetings.

- 7.2 A register is maintained by the Group to record all Interested Person Transactions (and the basis including the quotations, if any and where relevant, obtained to support such basis on which they are entered into) which are entered into pursuant to the IPT Mandate.
- 7.3 As part of the internal audit plan, the internal auditors of HLA report, on a regular basis, to the Audit and Risk Committee on all Interested Person Transactions, and the basis of such transactions, entered into with Interested Persons during the financial period under review. The Audit and Risk Committee reviews such Interested Person Transactions at its meetings except where such Interested Person Transactions are required under the review procedures to be approved by the Audit and Risk Committee prior to the entry thereof.
- 7.4 The annual internal audit plan incorporates a review of the established review procedures for the monitoring of Interested Person Transactions entered into pursuant to the IPT Mandate.

- 7.5 The Audit and Risk Committee reviews the internal audit report on Interested Person Transactions to ascertain that the established review procedures to monitor Interested Person Transactions have been complied with. If during a review by the Audit and Risk Committee, the Audit and Risk Committee is of the view that the established review procedures are not sufficient or have become inappropriate, in view of changes to the nature of, or the manner in which, the business activities of the HLA EAR Group are conducted, it will take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that future transactions of a similar nature are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, and the Company will revert to Shareholders for a fresh mandate based on new review procedures for transactions with Interested Persons.
- 7.6 For the purpose of the review process, if a member of the Audit and Risk Committee has an interest in the transaction to be reviewed by the Audit and Risk Committee, he will abstain from any decision-making by the Audit and Risk Committee in respect of that transaction. Accordingly, where two members of the Audit and Risk Committee each has an interest in the transaction to be reviewed by the Audit and Risk Committee, the review of that transaction will be undertaken by the remaining member(s) of the Audit and Risk Committee.

8. EXPIRY AND RENEWAL OF THE IPT MANDATE

- 8.1 The IPT Mandate which was adopted at the 2003 EGM is subject to renewal on an annual basis at the annual general meeting of the Company (unless revoked or varied by the Company in general meeting). The IPT Mandate that was renewed at the last annual general meeting of the Company held on 26 April 2019 is currently in force until the next annual general meeting of the Company, being the 59th Annual General Meeting ("Forthcoming AGM"), which is to be held on 18 June 2020, and if renewed at the Forthcoming AGM, will take effect until the next annual general meeting of the Company to be held in year 2021. Approval from Shareholders will be sought for the annual renewal of the IPT Mandate subject to review by the Audit and Risk Committee of its continued application to the Interested Person Transactions.
- 8.2 If the Audit and Risk Committee is of the view that the review procedures under the IPT Mandate are not sufficient to ensure that the Interested Person Transactions are transacted on normal commercial terms and will be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from Shareholders based on new review procedures for Interested Person Transactions.

9. DISCLOSURE

In accordance with Chapter 9, the Company will disclose in its annual report the aggregate value of the Interested Person Transactions conducted pursuant to the IPT Mandate during the financial year (as well as in the Company's annual reports for subsequent financial years that the IPT Mandate continues to be in force). In addition, the Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the IPT Mandate for the financial periods which it is required to report on (pursuant to Rule 705 of the Listing Manual) within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Listing Manual.