



Pan-United Corporation Ltd
7 Temasek Boulevard
#16-01 Suntec Tower One
Singapore 038987
Tel (65) 6305 7373
Fax (65) 6305 7345
<http://www.panunited.com.sg>

PAN-UNITED CORPORATION LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 199106524G)

Board of Directors:

Ch'ng Jit Koon (Chairman/Independent Director)
Patrick Ng Bee Soon (Deputy Chairman)
Ng Bee Bee (Chief Executive Officer)
Jane Kimberly Ng Bee Kiok (Executive Director)
Lee Cheong Seng (Independent Director, w.e.f. 1 December 2012)
Cecil Vivian Richard Wong (Independent Director)
Phua Bah Lee (Independent Director)
Tay Siew Choon (Independent Director)

Registered office:

7 Temasek Boulevard
#16-01 Suntec Tower One
Singapore 038987

2 April 2013

To: The Shareholders of Pan-United Corporation Ltd

Dear Sir/Madam,

PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

1. INTRODUCTION

- 1.1 **AGM.** We refer to (a) the notice of AGM of the Company dated 2 April 2013 (the "**Notice of AGM**") convening the 21st AGM to be held on 18 April 2013, and (b) the Ordinary Resolution No. 10 under the heading "Special Business" set out in the Notice of AGM.
- 1.2 **Letter.** The purpose of this Letter is to provide Shareholders with information relating to the proposed renewal of the Share Buyback Mandate, details of which are set out in paragraph 2 of this Letter and to seek their approval in relation thereto at the AGM.
- 1.3 **SGX-ST.** The SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

- 2.1 **The Share Buyback Mandate.** Sections 76B, 76C, 76D, 76DA and 76E of the Companies Act allow a listed company to purchase its own shares. At the EGM held on 28 June 2001, the Shareholders had approved a mandate to enable the Company to purchase or otherwise acquire its issued Shares. This mandate was subsequently renewed at the EGMs of the Company held in years 2002 to 2006, and at the AGMs of the Company held in years 2007 to 2011 and on 19 April 2012 (the “**2012 AGM**”). The rationale for, the authority and limitations on, and the financial effects of the renewal of the mandate (the “**2012 Share Buyback Mandate**”) were set out in the Company’s Letter to Shareholders dated 28 March 2012.

The authority conferred pursuant to the 2012 Share Buyback Mandate may be exercised by the Directors at any time during the period commencing from the date of the 2012 AGM and expiring on the date when the next AGM of the Company is held, or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

Accordingly, the Directors shall seek the approval of the Shareholders for the renewal of the Share Buyback Mandate at the 21st AGM of the Company.

- 2.2 **Rationale.** A share buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced. Share buybacks 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. It will also provide the Directors with greater flexibility over the Company’s share capital structure with a view to enhancing the earnings and/or net asset value per Share. The Directors believe that share buybacks by the Company will also help mitigate short-term market volatility, offset the effects of short-term speculation and bolster shareholder confidence. In addition, share buybacks will also allow management to effectively manage and minimise the dilution impact (if any) associated with any employee share option scheme of the Company.

If and when circumstances permit, the Directors will decide whether to effect the share purchases via Market Purchases (hereinafter defined) or Off-Market Purchases (hereinafter defined), after taking into account the amount of cash available, the prevailing market conditions and the most cost-effective and efficient approach. The Directors do not propose to carry out purchases pursuant to the Share Buyback Mandate to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Company.

- 2.3 **Authority and Limits on the Share Buyback Mandate.** The authority and limitations placed on the Share Buybacks by the Company under the proposed Share Buyback Mandate, if renewed at the forthcoming AGM, are similar in terms to those previously approved by Shareholders at the 2012 AGM, and for the benefit of the Shareholders, are summarised below:

(a) ***Maximum number of Shares***

Only Shares which are issued and fully paid-up may be purchased by the Company. The total number of Shares that may be purchased is limited to that number of Shares representing not more than 10 per cent. of the total number of issued Shares (ascertained as at the date of the last AGM or at the date of the general meeting at which the renewal of the Share Buyback Mandate is approved, whichever is the higher, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of issued Shares of the Company shall

be taken to be the total number of issued Shares of the Company as altered). Any Shares which are held as treasury shares will be disregarded for the purposes of computing the 10 per cent. limit.

For illustrative purposes only, on the basis of 557,959,160 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the AGM, not more than 55,795,916 Shares (representing 10 per cent. of the total number of issued Shares as at that date) may be purchased by the Company pursuant to the proposed Share Buyback Mandate during the duration referred to in paragraph 2.3(b) below. As at the Latest Practicable Date, the Company does not hold any Shares as treasury shares.

While the Share Buyback Mandate would authorise a purchase or acquisition of Shares up to the 10 per cent. limit, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out up to the full 10 per cent. as authorised, or at all. In particular, no purchase or acquisition of the Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company.

(b) ***Duration of Authority***

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

- (i) the date on which the next AGM of the Company is held or required by law to be held;
- (ii) the date on which the Share Buybacks are carried out to the full extent mandated; or
- (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked.

The authority conferred on the Directors by the Share Buyback Mandate to purchase Shares may be renewed at the next AGM or at an EGM to be convened immediately after the conclusion or adjournment of the next AGM. When seeking the approval of the Shareholders for the Share Buyback Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the proposed Share Buyback Mandate made during the previous 12 months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

(c) ***Manner of Purchase***

Purchases of Shares may be made on the SGX-ST ("**Market Purchases**") and/or otherwise than on the SGX-ST, in accordance with an equal access scheme ("**Off-Market Purchases**").

Market Purchases refer to purchases of Shares by the Company effected through the SGX-ST's trading system, through one or more duly licensed stock brokers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases of Shares by the Company made under an equal access scheme or schemes for the purchase of Shares from Shareholders. The Directors may impose such terms and conditions, which are consistent with the Share Buyback Mandate, the Listing Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all of the following conditions:

- (i) offers made for the purchase or acquisition of issued shares shall be made to every person who holds issued shares to purchase or acquire the same percentage of their issued shares;
- (ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers are the same, except that there shall be disregarded:
 - (A) differences in consideration attributable to the fact that the offers relate to shares with different accrued dividend entitlements;
 - (B) (if applicable) differences in consideration attributable to the fact that the offers relate to shares with different amounts remaining unpaid; and
 - (C) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

In addition, pursuant to the Listing Rules, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;
- (3) the reasons for the proposed Share Buyback;
- (4) the consequences, if any, of Share Buybacks by the Company that will arise under the Take-over Code then in force or other applicable take-over rules;
- (5) whether the Share Buybacks, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (6) details of any Share Buybacks made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and
- (7) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

(d) **Maximum Purchase Price**

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. However, the purchase price must not exceed:

- (i) in the case of a Market Purchase, 105 per cent. of the Average Closing Market Price (hereinafter defined); and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120 per cent. of the Highest Last Dealt Price (hereinafter defined),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase.

For the above purposes:

"*Average Closing Market Price*" means the average of the closing market prices of a Share over the last five (5) Trading Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase (which is deemed to be adjusted for any corporate action that occurs after such five (5)-Trading Day period);

"*Highest Last Dealt Price*" means the highest price transacted for a Share as recorded on the Trading Day on which there were trades in the Shares immediately preceding the day of making of the offer pursuant to the Off-Market Purchase; and

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

(e) **Status of Purchased Shares**

Any Share which is purchased by the Company is deemed cancelled immediately on purchase (and all rights and privileges attached to that Share will expire on such cancellation), unless such Share is held by the Company as a treasury share. All Shares (excluding Shares held by Company as treasury shares) purchased by the Company will be automatically delisted by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased by the Company and which are not held as treasury shares. At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time.

(f) **Treasury Shares**

Under the Companies Act, Shares purchased 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:

(i) *Maximum Holdings*

The number of Shares held as treasury shares cannot at any time exceed 10 per cent. of the total number of issued Shares.

(ii) *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 subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(iii) *Disposal and Cancellation*

Where Shares are held as treasury shares, the Company may at any time:

- (A) sell the treasury shares for cash;
- (B) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (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 the Listing Manual, 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 comprised in the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage, and the value of the treasury shares if they are used for a sale or transfer or cancelled.

(g) **Reporting Requirements**

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Registrar.

The Company shall notify the Registrar within 30 days of a purchase of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchases, the total number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before the purchase of Shares and after the purchase of Shares, the amount of consideration paid by the Company for the purchases, whether the Shares were purchased out of profits or the capital of the Company and such other particulars as may be required in the prescribed form.

The Listing Rules specify that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares not later than 9.00 a.m.:

- (i) in the case of a Market Purchase, on the Trading Day following the day on which the Market Purchase was made, and
- (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second Trading Day after the close of acceptances of the offer for the Off-Market Purchase.

The notification of such purchases or acquisition of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

(h) **Source of Funds**

The Companies Act permits the Company to also purchase its Shares out of capital, as well as from its distributable profits so long as the Company is solvent.

The Company intends to use internal sources of funds, or a combination of internal resources and external borrowings, to finance purchases of Shares pursuant to the Share Buyback Mandate.

(i) **Financial Effects**

It is not possible for the Company to realistically calculate or quantify the impact of purchases of Shares that may be made pursuant to the Share Buyback Mandate on the net asset value and EPS as the resultant effect would depend on, *inter alia*, whether the purchase is made out of capital or profits, the price paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases and whether the Shares purchased are held in treasury or cancelled.

Under the Companies Act, purchases 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 of Shares is made out of profits, such consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) 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 of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Buyback Mandate to such extent that it would materially affect the working capital requirements or the gearing of the Company. The purchase of Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The proposed Share Buyback Mandate will be exercised with a view to enhancing the earnings and/or the NTA value per Share of the Group.

For illustrative purposes only, the financial effects of the Share Buyback Mandate on the Company and the Group, based on the audited financial accounts of the Group for the financial year ended 31 December 2012, are based on the assumptions set out below:

- (i) based on 557,959,160 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as treasury shares on or prior to the AGM, not more than 55,795,916 Shares (representing 10 per cent. of the total number of issued Shares of the Company as at that date) may be purchased by the Company pursuant to the proposed Share Buyback Mandate;
- (ii) in the case of Market Purchases by the Company and assuming that the Company purchases the 55,795,916 Shares at the Maximum Price of S\$0.98 for one (1) Share (being the price equivalent to 5 per cent. above the Average Closing Market Price of the Shares for the five (5) Trading Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase of the 55,795,916 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$55,000,000; and
- (iii) in the case of Off-Market Purchases by the Company and assuming that the Company purchases the 55,795,916 Shares at the Maximum Price of S\$1.13 for one (1) Share (being the price equivalent to 20 per cent. above the Highest Dealt Last Price of the Shares as recorded on the Trading Day on which there were trades in the Shares immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase of the 55,795,916 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$63,000,000.

For illustrative purposes only, and based on the assumptions set out in subparagraphs (i) to (iii) above and assuming that (A) the purchase of Shares is financed by internal sources of funds available as at 31 December 2012 and external borrowings; (B) the Share Buyback Mandate had been effective on 1 January 2012; and (C) the Company had purchased the 55,795,916 Shares (representing 10 per cent. of the total number of issued Shares of the Company as at the Latest Practicable Date) on 31 December 2012, the financial effects of the purchase of the 55,795,916 Shares by the Company pursuant to the Share Buyback Mandate:

- (1) by way of purchases made entirely out of capital and held as treasury shares; and
- (2) by way of purchases made entirely out of capital and cancelled,

on the audited financial accounts of the Company and the Group for the financial year ended 31 December 2012 are set out below:

(1) Purchases made entirely out of capital and held as treasury shares

(A) Market Purchases

| | <u>Group Before Share Buyback</u> | <u>Group After Share Buyback</u> | <u>Company Before Share Buyback</u> | <u>Company After Share Buyback</u> |
|--|---|--|---|--|
| As at 31 December 2012 | | | | |
| Profit after tax & non-controlling interests | S\$43,065,000 | S\$42,928,547 | S\$16,863,000 | S\$16,726,547 |
| Share capital | S\$88,323,000 | S\$88,323,000 | S\$88,323,000 | S\$88,323,000 |
| Other reserves | (S\$286,000) | (S\$286,000) | S\$1,240,000 | S\$1,240,000 |
| Accumulated profits | S\$231,867,000 | S\$233,683,404 | S\$64,309,000 | S\$66,125,404 |
| | S\$319,904,000 | S\$321,720,404 | S\$153,872,000 | S\$155,688,404 |
| Treasury shares | (S\$1,054,000) | (S\$54,800,294) | (S\$1,054,000) | (S\$54,800,294) |
| Shareholders' funds | S\$318,850,000 | S\$266,920,110 | S\$152,818,000 | S\$100,888,110 |
| NTA | S\$318,850,000 | S\$266,920,110 | S\$152,818,000 | S\$100,888,110 |
| Non-controlling interests | S\$40,798,000 | S\$40,798,000 | – | – |
| Current assets | S\$268,129,000 | S\$215,117,162 | S\$63,258,000 | S\$10,246,162 |
| Current liabilities | S\$127,585,000 | S\$127,557,052 | S\$2,354,000 | S\$2,326,052 |
| Total borrowings | S\$70,844,000 | S\$70,844,000 | – | – |
| Number of issued Shares | 556,479,160 | 557,959,160 | 556,479,160 | 557,959,160 |
| Number of treasury shares | 1,706,000 | 55,795,916 | 1,706,000 | 55,795,916 |
| <u>Financial ratios</u> | | | | |
| NTA/Share (cents) | 57.3 | 53.2 | 27.5 | 20.1 |
| Gearing ratio | 0.20 | 0.20 | – | – |
| Current ratio (times) | 2.1 | 1.7 | 26.9 | 4.4 |
| EPS (cents) | 7.7 | 8.5 | 3.0 | 3.3 |

(B) Off-Market Purchases

| | Group Before Share Buyback | Group After Share Buyback | Company Before Share Buyback | Company After Share Buyback |
|--|---|--|---|--|
| As at 31 December 2012 | | | | |
| Profit after tax & non-controlling interests | S\$43,065,000 | S\$42,907,662 | S\$16,863,000 | S\$16,638,132 |
| Share capital | S\$88,323,000 | S\$88,323,000 | S\$88,323,000 | S\$88,323,000 |
| Other reserves | (S\$286,000) | (S\$286,000) | S\$1,240,000 | S\$1,240,000 |
| Accumulated profits | S\$231,867,000 | S\$233,662,519 | S\$64,309,000 | S\$66,036,989 |
| | S\$319,904,000 | S\$321,699,519 | S\$153,872,000 | S\$155,599,989 |
| Treasury shares | (S\$1,054,000) | (S\$63,188,094) | (S\$1,054,000) | (S\$63,188,094) |
| Shareholders' funds | S\$318,850,000 | S\$258,511,425 | S\$152,818,000 | S\$92,411,895 |
| NTA | S\$318,850,000 | S\$258,511,425 | S\$152,818,000 | S\$92,411,895 |
| Non-controlling interests | S\$40,798,000 | S\$40,798,000 | – | – |
| Current assets | S\$268,129,000 | S\$206,704,199 | S\$63,258,000 | S\$4,767,199 |
| Current liabilities | S\$127,585,000 | S\$127,552,774 | S\$2,354,000 | S\$5,321,774 |
| Total borrowings | S\$70,844,000 | S\$70,844,000 | – | S\$3,000,000 |
| Number of issued Shares | 556,479,160 | 557,959,160 | 556,479,160 | 557,959,160 |
| Number of treasury shares | 1,706,000 | 55,795,916 | 1,706,000 | 55,795,916 |
| Financial ratios | | | | |
| NTA/Share (cents) | 57.3 | 51.5 | 27.5 | 18.4 |
| Gearing ratio | 0.20 | 0.24 | – | 0.03 |
| Current ratio (times) | 2.10 | 1.62 | 26.87 | 0.90 |
| EPS (cents) | 7.7 | 8.5 | 3.0 | 3.3 |

(2) Purchases made entirely out of capital and cancelled

(A) Market Purchases

| | Group Before Share Buyback | Group After Share Buyback | Company Before Share Buyback | Company After Share Buyback |
|--|---|--|---|--|
| As at 31 December 2012 | | | | |
| Profit after tax & non-controlling interests | S\$43,065,000 | S\$42,928,547 | S\$16,863,000 | S\$16,726,547 |
| Share capital | S\$88,323,000 | S\$33,522,706 | S\$88,323,000 | S\$33,522,706 |
| Other reserves | (S\$286,000) | (S\$286,000) | S\$1,240,000 | S\$1,240,000 |
| Accumulated profits | S\$231,867,000 | S\$233,683,404 | S\$64,309,000 | S\$66,125,404 |
| | S\$319,904,000 | S\$266,920,110 | S\$153,872,000 | S\$100,888,110 |
| Treasury shares | (S\$1,054,000) | – | (S\$1,054,000) | – |
| Shareholders' funds | S\$318,850,000 | S\$266,920,110 | S\$152,818,000 | S\$100,888,110 |
| NTA | S\$318,850,000 | S\$266,920,110 | S\$152,818,000 | S\$100,888,110 |
| Non-controlling interests | S\$40,798,000 | S\$40,798,000 | – | – |
| Current assets | S\$268,129,000 | S\$215,117,162 | S\$63,258,000 | S\$10,246,162 |
| Current liabilities | S\$127,585,000 | S\$127,557,052 | S\$2,354,000 | S\$2,326,052 |
| Total borrowings | S\$70,844,000 | S\$70,844,000 | – | – |
| Number of issued Shares | 556,479,160 | 502,163,244 | 556,479,160 | 502,163,244 |
| Number of treasury shares | 1,706,000 | – | 1,706,000 | – |
| Financial ratios | | | | |
| NTA/Share (cents) | 57.3 | 53.2 | 27.5 | 20.1 |
| Gearing ratio | 0.2 | 0.2 | – | – |
| Current ratio (times) | 2.1 | 1.7 | 26.9 | 4.4 |
| EPS (cents) | 7.7 | 8.5 | 3.0 | 3.3 |

(B) Off-Market Purchases

| | <u>Group Before Share Buyback</u> | <u>Group After Share Buyback</u> | <u>Company Before Share Buyback</u> | <u>Company After Share Buyback</u> |
|--|---|--|---|--|
| As at 31 December 2012 | | | | |
| Profit after tax & non-controlling interests | S\$43,065,000 | S\$42,907,662 | S\$16,863,000 | S\$16,638,132 |
| Share capital | S\$88,323,000 | S\$25,134,906 | S\$88,323,000 | S\$25,134,906 |
| Other reserves | (S\$286,000) | (S\$286,000) | S\$1,240,000 | S\$1,240,000 |
| Accumulated profits | S\$231,867,000 | S\$233,662,519 | S\$64,309,000 | S\$66,036,989 |
| | S\$319,904,000 | S\$258,511,425 | S\$153,872,000 | S\$92,411,895 |
| Treasury shares | (S\$1,054,000) | – | (S\$1,054,000) | – |
| Shareholders' funds | S\$318,850,000 | S\$258,511,425 | S\$152,818,000 | S\$92,411,895 |
| NTA | S\$318,850,000 | S\$258,511,425 | S\$152,818,000 | S\$92,411,895 |
| Non-controlling interests | S\$40,798,000 | S\$40,798,000 | – | – |
| Current assets | S\$268,129,000 | S\$206,704,199 | S\$63,258,000 | S\$4,767,199 |
| Current liabilities | S\$127,585,000 | S\$127,552,774 | S\$2,354,000 | S\$5,321,774 |
| Total borrowings | S\$70,844,000 | S\$70,844,000 | – | S\$3,000,000 |
| Number of issued Shares | 556,479,160 | 502,163,244 | 556,479,160 | 502,163,244 |
| Number of treasury shares | 1,706,000 | – | 1,706,000 | – |
| <u>Financial ratios</u> | | | | |
| NTA/Share (cents) | 57.3 | 51.5 | 27.5 | 18.4 |
| Gearing ratio | 0.20 | 0.24 | – | – |
| Current ratio (times) | 2.10 | 1.62 | 26.87 | 0.90 |
| EPS (cents) | 7.7 | 8.5 | 3.0 | 3.3 |

Shareholders should note that the financial effects set out above are purely for illustrative purposes only. Although the proposed Share Buyback Mandate would authorise the Company to purchase or acquire up to 10 per cent. 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 per cent. of the total number of issued Shares. In addition, the Company may cancel all or part of the Shares purchased or hold all or part of the Shares repurchased in treasury.

2.4 **Listing Rules of the SGX-ST.** Under the Listing Rules, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than 5 per cent. above the “average closing market price”, being the average of the closing market prices of a share over the last five (5) Trading Days on which transactions in the shares were recorded, before the day on which the purchases were made (which is deemed to be adjusted for any corporate action that occurs after such five (5)-Trading Day period). The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in paragraph 2.3(d) above, conforms to this restriction.

While the Listing Rules do not expressly prohibit purchase of shares by a listed company during any particular time or times, because the listed company would be considered an “insider” in relation to any buy back of its shares, the Company will not buy any Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares through Market Purchases during the period of two (2) weeks immediately preceding the announcement of the Company’s financial statements for each of the first three (3) quarters of its financial year, and one (1) month immediately preceding the announcement of the Company’s financial statement for the financial year, as the case may be.

Rule 723 of the Listing Rules requires a listed company to ensure that at least 10 per cent. of any class of its listed securities must be held by public shareholders. The “public”, as defined in the Listing Rules, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates (as defined in the Listing Rules) of such persons.

As at the Latest Practicable Date, there are 145,875,100 Shares in the hands of the public (as defined in the Listing Rules), representing approximately 26 per cent. of the issued Shares of the Company. Assuming that the Company purchases its Shares through Market Purchases up to the full 10 per cent. limit pursuant to the Share Buyback Mandate from the public (as defined in the Listing Rules), the number of Shares in the hands of the public would be reduced to 90,079,184 Shares, representing approximately 18 per cent. of the issued Shares of the Company.

In undertaking any purchase of its Shares through Market Purchases, the Directors will use their best efforts to ensure that a sufficient number of Shares remain in public hands so that the Share Buybacks will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.5 **Take-over Implications arising from Share Buyback.**

Requirement to make a general offer

Under Rule 14 of the Take-over Code, a person will be required to make a general offer for a public company if:

- (a) he acquires 30 per cent. or more of the voting rights of the company; or
- (b) he holds between 30 per cent. and 50 per cent. of the voting rights of the company and he increases his voting rights in the company by more than 1 per cent. in any six (6) month period.

If the proportionate shareholding in the voting capital of the company of a shareholder and persons acting in concert with him increases as a result of the company buying back its shares, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in the shareholder and persons acting in concert with him obtaining or consolidating effective control of the company, they may be obliged to make a take-over offer under Rule 14 of the Take-over Code.

Under the Take-over Code, the following persons are deemed to be acting in concert unless the contrary is established:

- (i) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, any company whose associated companies include any of the above companies and 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;
- (ii) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (iii) a company with any of its pension funds and employee share schemes;
- (iv) a person with any investment company, unit trust or other fund in respect of the portion which the person manages on a discretionary basis;
- (v) a financial or other professional advisor, with its client in respect of the shareholdings of the advisor and the persons controlling, controlled by or under the same control as the advisor; and all the funds which the advisor manages on a discretionary basis, where the shareholdings of the advisor and any of those funds in the client total 10 per cent. or more of the client's equity share capital;
- (vi) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a *bona fide* offer for their company may be imminent;
- (vii) partners; and
- (viii) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the above persons and 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 per cent. but not more than 50 per cent. of the equity share capital of the 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 under Appendix 2 of the Take-over Code.

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring the Shares, the voting rights of such Directors and their

concert parties would increase to 30 per cent. or more, or in the event that such Directors and their concert parties hold between 30 per cent. and 50 per cent. of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1 per cent. in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder who is not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company buying back its own Shares, the voting rights of the Shareholder will increase to 30 per cent. or more, or, if he holds between 30 per cent. and 50 per cent. of the Company's voting rights, his voting rights increase by more than 1 per cent. in any period of six (6) months as a result of the Company buying back its Shares.

In addition, under Appendix 2 of the Take-over Code, a Shareholder and persons acting in concert with him will incur an obligation to make a take-over offer after a Share Buyback if, *inter alia*, their voting rights increase to 30 per cent. or more as a result of a Share Buyback by the Company and they acquire any Shares between the date of the notice of resolution to authorise the Share Buyback Mandate and the next AGM of the Company, or, if they already hold between 30 per cent. and 50 per cent. of the Company's voting rights and as a result of a Share Buyback by the Company their voting rights increase by more than 1 per cent. in any period of six (6) months and they acquire Shares between the date of the notice of resolution to authorise the Share Buyback Mandate and the next AGM of the Company.

Based on the substantial shareholder notifications received by the Company as at the Latest Practicable Date from the substantial Shareholders as set out in paragraph 3 below, none of the substantial Shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of any purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate of the maximum limit of 10 per cent. of the total number of issued Shares as at the Latest Practicable Date.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the proposed Share Buyback Mandate are advised to consult their professional advisors and/or the Securities Industry Council of Singapore before they acquire any Shares during the period when the proposed Share Buyback Mandate is in force.

2.6 Details of previous Share Buybacks. As at the Latest Practicable Date, the Company had purchased or acquired in the preceding 12 months an aggregate of 8,490,000 Shares representing approximately 1.5 per cent. of the total number of issued Shares as at the Latest Practicable Date by way of Market Purchases pursuant to the 2012 Share Buyback Mandate. The highest and lowest price was S\$0.5089 and S\$0.69 per Share respectively. The total consideration paid for all of the purchases was approximately S\$4,939,659 including commission, brokerage and goods and services tax. Such Shares purchased or acquired by the Company were held as treasury shares which as at the Latest Practicable Date, have been used as follows:

- (a) 5,000,000 treasury shares were sold to CIMB Securities (Singapore) Pte. Ltd. on 5 October 2012 (the "**Sale**"), an independent third party; and
- (b) the remaining treasury shares were transferred to Option holders pursuant to the exercise of Options granted under the Scheme 2002.

None of the treasury shares sold pursuant to the Sale were placed out to any of the persons set out as restricted persons under Rule 812(1) of the Listing Rules. For more information on the Sale, please refer to the Company's announcement dated 5 October 2012 on the SGXNET in relation to the use of treasury shares.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The Directors who have an interest in the share capital of the Company and in Options as at the Latest Practicable Date are as follows:

| Directors | Direct | | Deemed ⁽²⁾⁽³⁾⁽⁴⁾ | | Number of outstanding Options |
|--|------------------|---|-----------------------------|---|-------------------------------|
| | Number of Shares | % of total issued Shares ⁽¹⁾ | Number of Shares | % of total issued Shares ⁽¹⁾ | |
| Ch'ng Jit Koon | 998,000 | 0.18 | Nil | Nil | 300,000 |
| Patrick Ng Bee Soon ⁽²⁾ | 23,420,030 | 4.20 | 318,600,000 | 57.10 | Nil |
| Ng Bee Bee ⁽³⁾ | Nil | Nil | 326,750,002 | 58.56 | Nil |
| Jane Kimberly Ng Bee Kiok ⁽⁴⁾ | Nil | Nil | 326,700,002 | 58.55 | Nil |
| Lee Cheong Seng | 2,300,000 | 0.41 | Nil | Nil | 150,000 |
| Cecil Vivian Richard Wong | 450,000 | 0.08 | Nil | Nil | 300,000 |
| Phua Bah Lee | 990,000 | 0.18 | Nil | Nil | 300,000 |
| Tay Siew Choon | 530,000 | 0.09 | Nil | Nil | 300,000 |

Notes:

- (1) As a percentage of the issued share capital of the Company, comprising 557,959,160 Shares.
- (2) The deemed interests of Patrick Ng Bee Soon comprise the shareholdings of OCBC Trustee Limited held under nominee's account (165,600,000 Shares), Shares in the joint names of Henry Ng Han Whatt, Patrick Ng Bee Soon, Jane Kimberly Ng Bee Kiok and Ng Bee Bee (153,000,000 Shares).
- (3) The deemed interests of Ng Bee Bee comprise the shareholdings of OCBC Trustee Limited held under nominee's account (165,600,000 Shares), Shares in the joint names of Henry Ng Han Whatt, Patrick Ng Bee Soon, Jane Kimberly Ng Bee Kiok and Ng Bee Bee (153,000,000 Shares), Shares held by nominees (8,100,002 Shares) and Shares held by her spouse (50,000 Shares).
- (4) The deemed interests of Jane Kimberly Ng Bee Kiok comprise the shareholdings of OCBC Trustee Limited held under nominee's account (165,600,000 Shares), Shares in the joint names of Henry Ng Han Whatt, Patrick Ng Bee Soon, Jane Kimberly Ng Bee Kiok and Ng Bee Bee (153,000,000 Shares) and Shares held by nominees (8,100,002 Shares).

The interests of the Company's substantial Shareholders in the share capital of the Company and in Options as at the Latest Practicable Date are as follows:

| Substantial Shareholders | Direct | | Deemed ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ | | Number of outstanding Options |
|--|------------------|---|--------------------------------|---|-------------------------------|
| | Number of Shares | % of total issued Shares ⁽¹⁾ | Number of Shares | % of total issued Shares ⁽¹⁾ | |
| Patrick Ng Bee Soon ⁽²⁾ | 23,420,030 | 4.20 | 318,600,000 | 57.10 | Nil |
| Henry Ng Han Whatt ⁽³⁾ | 5,400,000 | 0.97 | 336,560,030 | 60.32 | Nil |
| Ng Bee Bee ⁽⁴⁾ | Nil | Nil | 326,750,002 | 58.56 | Nil |
| Jane Kimberly Ng Bee Kiok ⁽⁵⁾ | Nil | Nil | 326,700,002 | 58.55 | Nil |

Notes:

- (1) As a percentage of the issued share capital of the Company, comprising 557,959,160 Shares.
- (2) The deemed interests of Patrick Ng Bee Soon comprise the shareholdings of OCBC Trustee Limited held under nominee's account (165,600,000 Shares), Shares in the joint names of Henry Ng Han Whatt, Patrick Ng Bee Soon, Jane Kimberly Ng Bee Kiok and Ng Bee Bee (153,000,000 Shares).
- (3) The deemed interests of Henry Ng Han Whatt comprise the shareholdings of OCBC Trustee Limited held under nominee's account (165,600,000 Shares), Shares in the joint names of Henry Ng Han Whatt, Patrick Ng Bee Soon, Jane Kimberly Ng Bee Kiok and Ng Bee Bee (153,000,000 Shares) and Shares held by nominees (17,960,030 Shares).

- (4) The deemed interests of Ng Bee Bee comprise the shareholdings of OCBC Trustee Limited held under nominee's account (165,600,000 Shares), Shares in the joint names of Henry Ng Han Whatt, Patrick Ng Bee Soon, Jane Kimberly Ng Bee Kiok and Ng Bee Bee (153,000,000 Shares), Shares held by nominees (8,100,002 Shares) and Shares held by her spouse (50,000 Shares).
- (5) The deemed interests of Jane Kimberly Ng Bee Kiok comprise the shareholdings of OCBC Trustee Limited held under nominee's account (165,600,000 Shares), Shares in the joint names of Henry Ng Han Whatt, Patrick Ng Bee Soon, Jane Kimberly Ng Bee Kiok and Ng Bee Bee (153,000,000 Shares) and Shares held by nominees (8,100,002 Shares).

4. ANNUAL GENERAL MEETING

The 21st AGM of the Company, notice of which is set out on pages 85 to 88 of the 2012 Annual Report, will be held on Thursday, 18 April 2013 at Ficus Ballroom, Jurong Country Club, 9 Science Centre Road, Singapore 609078 at 11.00 a.m. for the purpose of, *inter alia*, considering and if thought fit, passing with or without modifications, the resolution on the renewal of the Share Buyback Mandate as set out in the Notice of AGM.

5. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company and recommend that Shareholders vote in favour of the Ordinary Resolution No. 10 as set out in the Notice of AGM.

6. 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 renewal of the Share Buyback Mandate, the Company and its Subsidiaries, 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.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours up to and including the date of the AGM:

- (a) the Memorandum and Articles of the Company; and
- (b) the 2012 Annual Report.

Yours faithfully,
For and on behalf of the Board of Directors of
PAN-UNITED CORPORATION LTD

Ch'ng Jit Koon
Chairman

SCHEDULE – DEFINITIONS

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

| | | |
|----------------------------------|---|--|
| <i>“2012 Annual Report”</i> | : | The Annual Report of the Company for the financial year ended 31 December 2012 |
| <i>“AGM”</i> | : | The annual general meeting of the Company |
| <i>“Articles”</i> | : | The Articles of Association of the Company |
| <i>“CDP”</i> | : | The Central Depository (Pte) Limited |
| <i>“Companies Act”</i> | : | The Companies Act (Chapter 50 of Singapore), as amended or modified from time to time |
| <i>“Company”</i> | : | Pan-United Corporation Ltd |
| <i>“Director”</i> | : | A director of the Company as at the date of this Letter |
| <i>“EGM”</i> | : | The extraordinary general meeting of the Company |
| <i>“EPS”</i> | : | Earnings per Share |
| <i>“Group”</i> | : | The Company and its Subsidiaries |
| <i>“Latest Practicable Date”</i> | : | 18 March 2013, being the latest practicable date prior to the printing of this Letter |
| <i>“Listing Manual”</i> | : | The Listing Manual of the SGX-ST, as amended and modified from time to time |
| <i>“Listing Rules”</i> | : | The listing rules of the SGX-ST as set out in the Listing Manual |
| <i>“Memorandum”</i> | : | The Memorandum of Association of the Company |
| <i>“NTA”</i> | : | Net tangible assets |
| <i>“Option”</i> | : | A share option to subscribe for new Shares granted pursuant to the Scheme 2002 |
| <i>“Registrar”</i> | : | The Registrar of Companies |
| <i>“Relevant Period”</i> | : | The period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date the resolution relating to the Share Buyback Mandate is passed |

| | | |
|-------------------------|---|--|
| “Scheme 2002” | : | The Pan-United Share Option Scheme which was adopted by Shareholders on 19 April 2002, and as amended and extended on 19 April 2012 |
| “SGX-ST” | : | Singapore Exchange Securities Trading Limited |
| “Share Buyback” | : | Buyback of Shares by the Company pursuant to the Share Buyback Mandate |
| “Share Buyback Mandate” | : | A general mandate given by Shareholders to authorise the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Letter as well as the rules and regulations set forth in the Companies Act and the Listing Rules |
| “Shareholders” | : | Registered holders for the time being of the Shares (other than the CDP), or in the case of depositors, depositors who have Shares entered against their name in the Depository Register |
| “Shares” | : | Ordinary shares in the share capital of the Company |
| “Subsidiary” | : | A company which is for the time being a subsidiary of the Company as defined by Section 5 of the Companies Act |
| “Take-over Code” | : | The Singapore Code on Take-overs and Mergers, as amended or modified from time to time |
| “Trading Day” | : | A day on which the Shares are traded on the SGX-ST |
| “S\$” and “cents” | : | Singapore dollars and cents, respectively |
| “%” or “per cent.” | : | Percentage or per centum |

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

The term “controlling shareholder” shall have the meaning ascribed to it in the Listing Manual.

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

Any reference in this Letter to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in this Letter shall have the meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of a day in this Letter shall be a reference to Singapore time unless otherwise stated.