

CIRCULAR DATED 12 APRIL 2018

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold or transferred all your shares in the capital of Straco Corporation Limited (the “**Company**”), you should immediately forward this Circular and the enclosed Notice of Annual General Meeting and Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness or accuracy of any of the statements made, reports contained or opinions expressed in this Circular.



STRACO CORPORATION LIMITED

(Incorporated in Singapore on 25 April 2002)

(Company Registration Number: 200203482R)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

This Circular is issued to you together with the Annual Report 2017 of Straco Corporation Limited. The resolution proposed to be passed in relation to the above matter is set out in the Notice of Annual General Meeting attached to the Annual Report 2017.

CONTENTS

	Page
DEFINITIONS.....	3
LETTER TO SHAREHOLDERS.....	5
1. INTRODUCTION	5
2. PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE	5
2.1 BACKGROUND.....	5
2.2 RATIONALE FOR THE SHARE BUY-BACK MANDATE	6
2.3 AUTHORITY AND LIMITS ON THE SHARE BUY-BACK MANDATE	6
2.4 SOURCE OF FUNDS	8
2.5 STATUS OF PURCHASED SHARES AND FINANCIAL EFFECTS OF SHARE BUY-BACKS..	8
2.6 LISTING RULES.....	15
2.7 LISTING STATUS ON SGX-ST	16
2.8 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS	16
2.9 TAKE-OVER CODE IMPLICATIONS FROM SHARE BUY-BACKS.....	17
3. REPORTING REQUIREMENTS.....	18
4. DIRECTORS' RECOMMENDATION	18
5. DIRECTORS' RESPONSIBILITY STATEMENT	19
6. DOCUMENTS FOR INSPECTION.....	19

DEFINITIONS

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

“AGM”	:	The annual general meeting of the Company
“Annual Report 2017”	:	Annual report of the Company for the financial year ended 31 December 2017
“Circular”	:	This Circular dated 12 April 2018
“Company”	:	Straco Corporation Limited, a company incorporated in the Republic of Singapore
“Companies Act”	:	The Companies Act, Chapter 50, of Singapore
“Constitution”	:	The Memorandum and Articles of Association of the Company
“Controlling Shareholder”	:	A person who:- (a) holds directly or indirectly fifteen per cent. (15%) or more of the number of all voting shares in the Company; or (b) in fact exercises control over the Company
“Directors”	:	The directors of the Company as at the date of this Circular
“EPS”	:	Earnings Per Share
“Group”	:	The Company and its subsidiaries
“Listing Manual”	:	The Listing Manual of the SGX-ST, as the same may be amended, varied or supplemented from time to time
“Listing Rules”	:	The listing rules of the SGX-ST set out in the Listing Manual
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 26 March 2018
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“month”	:	A calendar month
“NTA”	:	Net tangible assets
“Registrar”	:	Registrar of Companies appointed under the Companies Act and includes any Deputy or Assistant Registrar of Companies
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

DEFINITIONS

“Shareholders”	:	Registered holders for the time being of the Shares (other than the Central Depository (Pte) Limited), or in the case of Depositors, Depositors who have shares entered against their name in the Depository Register
“Shares”	:	Ordinary shares in the capital of the Company
“Share Buy-Back”	:	The buy-back of Shares by the Company in accordance with the terms set out in this Circular as well as the rules and regulations set forth in the Companies Act and the Listing Manual
“Share Buy-Back Mandate”	:	A general mandate to be given by Shareholders to authorize the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Circular, the provisions of the Companies Act (including the rules and regulations promulgated thereunder) and the Listing Rules
“SIC”	:	Securities Industry Council of Singapore
“Substantial Shareholder”	:	A person who has an interest of not less than five per cent. (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
“S\$” and “cents”	:	Singapore dollars and cents respectively
“%” or “per cent”	:	Per centum or percentage

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Cap 289) of Singapore.

The term “**treasury shares**” shall have the meaning ascribed to it in section 4 of the Companies Act.

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, where applicable, include corporations.

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

Any reference to a time of a day in this Circular is a reference to Singapore time.

LETTER TO SHAREHOLDERS

STRACO CORPORATION LIMITED

(Incorporated in Singapore)
(Company Registration Number: 200203482R)

Directors:

Mr Wu Hsioh Kwang (Executive Chairman)
Mr Li Weiqiang (Non-Executive Director)
Mr Xu Niansha (Non-Executive Director)
Mdm Chua Soh Har (Non-Executive Director)
Mr Tay Siew Choon (Lead Independent Director)
Mr Lim Song Joo (Independent Director)
Dr Choong Chow Siong (Independent Director)
Mr Hee Theng Fong (Independent Director)
Ms Wu Xiuyi (Alternate Director to Mr Wu Hsioh Kwang)
Mr Wu Xiuzhuan (Alternate Director to Mdm Chua Soh Har)

Registered Office:

10 Anson Road
#30-15 International Plaza
Singapore 079903

12 April 2018

To: **The Shareholders of Straco Corporation Limited**

Dear Sir/Madam

PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

1 INTRODUCTION

The Directors wish to refer to (i) the Notice of AGM dated 12 April 2018, accompanying the Annual Report 2017 to convene the AGM to be held on 27 April 2018; and (ii) the ordinary resolution to seek Shareholders' approval for the proposed renewal of the general mandate to be given for the purchase or acquisition by the Company of its own Shares (the "**Share Buy-Back Mandate**").

The purpose of this Circular is to provide the Shareholders with information relating to and to seek the approval of Shareholders at the AGM of the renewal of the Share Buy-Back Mandate as set out in this Circular.

2. PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE

2.1 Background

It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at a general meeting of its shareholders. It is also a requirement under the Listing Manual that an issuer which wishes to purchase its own shares has to obtain approval from its shareholders to do so at a general meeting. Shareholders approved the renewal of the Share Buy-Back Mandate on 28 April 2017 to enable the Company to purchase or acquire its issued Shares. This approval conferred on the Directors will, unless further renewed, be expiring at the forthcoming AGM to be held on 27 April 2018.

The Company proposes to renew the Share Buy-Back Mandate at the forthcoming AGM for the Company to make on-market and off-market buy-backs of Shares from time to time of up to ten per cent. (10%) of the total number of issued Shares of the Company in accordance with the terms set out below.

LETTER TO SHAREHOLDERS

Upon renewal, the Share Buy-Back Mandate shall, unless revoked or varied by the Shareholders in general meeting, continue in force until the date that the next AGM of the Company is held or is required by law to be held, whichever is the earlier.

2.2 Rationale for the Share Buy-Back Mandate

The proposed Share Buy-Back Mandate will give the Directors the flexibility to purchase or acquire Shares if and when circumstances permit. The Directors believe that Share Buy-Backs provide the Company and its Directors with a mechanism to facilitate the return of surplus cash over and above the Company's ordinary capital requirements, in an expedient and cost-efficient manner. The proposed Share Buy-Back Mandate would also allow the Directors to exercise greater control over the Company's share capital structure, dividend payout and cash reserves.

The Directors further believe that Shares purchases or acquisitions by the Company will help mitigate short-term market volatility in the Company's Share price, offset the effects of short-term speculation and bolster Shareholder confidence. The Share Buy-Backs will also allow the Directors to exercise control over the Company's share structure with a view to enhancing EPS and/or NTA per Share of the Company.

The Directors will only make Share Buy-Backs when they believe that it would benefit the Company and its Shareholders, taking into consideration factors such as market conditions and funding arrangements at the time.

2.3 Authority and Limits on the Share Buy-Back Mandate

The authority and limitations placed on the purchases and acquisitions of Shares by the Company pursuant to the proposed Share Buy-Back Mandate, are substantially the same as that previously approved by Shareholders, and for the benefit of Shareholders are summarised below:-

2.3.1 Maximum Number of Shares

Only Shares that are issued and fully paid-up may be purchased or acquired by the Company. Further, the total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate is limited to that number of Shares representing not more than ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of the forthcoming AGM at which approval for the renewal of the Share Buy-Back Mandate is being sought, Any Shares which are held as treasury shares will be disregarded for purposes of computing the ten per cent. (10%) limit.

For illustration purposes only, on the basis of 860,496,880 Shares in issue (excluding the 8,432,700 Shares held in treasury) as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the AGM, not more than 86,049,688 Shares (representing ten per cent. (10%) of the Shares in issue at that date excluding the 8,432,700 Shares held in treasury) may be purchased or acquired by the Company pursuant to the proposed Share Buy-Back Mandate during the period referred to in paragraph 2.3.2 below.

2.3.2 Duration of Authority

Pursuant to the proposed Share Buy-Back Mandate, the Company may buy back Shares at any time and from time to time on and from the date of the forthcoming AGM up to the earlier of:-

- (i) the date on which the next AGM of the Company is held or required by law to be held;

LETTER TO SHAREHOLDERS

- (ii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the Shareholders in a general meeting; or
- (iii) the date on which the Share Buy-Back is fulfilled up to the full extent of the Share Buy-Back Mandate.

2.3.3 Manner of Share Buy-Backs

Share Buy-Backs may be made by way of:-

- (i) on-market purchases (“**On-Market Purchase**”) transacted on the SGX-ST through the SGX-ST’s trading system or, as the case may be, any other stock exchange on which the shares may for the time being be listed or quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (ii) off-market purchase (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme defined in Section 76C of the Companies Act, and otherwise be in accordance with all other laws and regulations and rules of the SGX-ST (“**Off-Market Purchase**”).

Under the Companies Act, an equal access scheme must satisfy all the following conditions:-

- (i) offers 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 those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers must 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 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.

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

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed Share Buy-Back;
- (iv) the consequences, if any, of Share Buy-Backs by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (v) whether the Share Buy-Back, if made, would have any effect on the listing of Shares on the SGX-ST; and

LETTER TO SHAREHOLDERS

- (vi) details of any Share Buy-Back made by the Company in the previous 12 months (whether On-Market Purchases or Off-Market Purchases), specifying the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases.

2.3.4 Maximum Price to be paid for the Shares

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price to be paid for a Share in the event of any Share Buy-Back, as determined by the Directors must not exceed:-

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

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

For the above purposes:-

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.

2.4 Source of funds

Under the Companies Act, any purchase of Shares pursuant to the Share Buy-Back Mandate may be made out of the Company’s capital and/or distributable profits that are available for payment as dividends. In addition, the Companies Act permits the Company to purchase its own Shares out of capital, as well as from its distributable profits as long as the Company is solvent. In addition, in the event that the Company elects to hold the Shares purchased pursuant to the Share Buy-Back Mandate as treasury shares, such treasury shares shall not be regarded for the purpose of computing the maximum number of Shares which the Company is able to buy-back under the Share Buy-Back Mandate.

The Company may use internal sources of funds (comprising cash and fixed deposits) or bank borrowings or a combination of both to finance purchases of its Shares.

Where the consideration paid by the Company for the Share Buy-Backs is made out of profits, such consideration will correspondingly reduce the amount of profits available for the distribution of cash dividends by the Company. However, where the consideration paid by the Company for the Share Buy-Backs is made out of capital, the amount of profits available for the distribution of cash dividends by the Company will not be reduced.

2.5 Status of Purchased Shares and Financial Effects of Share Buy-Backs

The Shares purchased or acquired by the Company under the Share Buy-Back shall be deemed to be cancelled immediately on purchase or acquisition unless held as treasury shares in accordance with Section 76H of the Companies Act. The number of Shares held as treasury shares cannot at any time

LETTER TO SHAREHOLDERS

exceed ten per cent. (10%) of the total number of shares issued by the Company and the Company shall be entered in the Register of Members or the Depository Register, as the case may be, as the member holding those Shares.

Where Shares purchased or acquired by the Company under the Share Buy-Back are held as treasury shares, the Company may at any time:-

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

Where Shares purchased or acquired by the Company under the Share Buy-Back are cancelled, such Shares will be automatically de-listed by the SGX-ST. Certificates in respect of such cancelled Shares will be cancelled and destroyed by the Company as soon as is reasonably practicable after the Shares have been acquired.

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 in respect of treasury shares 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 the 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 sub-division or consolidation is the same as before.

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Share Buy-Back Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the aggregate number of Shares purchased or acquired, the price at which such Shares are purchased or acquired, whether the Shares purchased or acquired are held as treasury shares or cancelled and the amount (if any) borrowed by the Company to fund the purchase or acquisition.

The financial effects on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2017, are based on the assumptions set out below.

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 profits and/or capital 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 (excluding related brokerage, goods and services tax, stamp duties and other related expenses) will correspondingly reduce the amount available for the distribution of

LETTER TO SHAREHOLDERS

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.

Maximum Price paid for Shares purchased or acquired

Based on 860,496,880 Shares in issue, excluding treasury shares held, as at the Latest Practicable Date and assuming that no further Shares are issued on or prior to the AGM at which approval for the renewal of the Share Buy-Back Mandate is being sought, the exercise in full of the proposed Share Buy-Back Mandate will result in the purchase or acquisition of 86,049,688 Shares, representing ten per cent. (10%) of the Shares in issue.

For illustrative purposes only, in the case of an On-Market Purchase by the Company and assuming that the Company purchases or acquires the 86,049,688 Shares at the Maximum Price of S\$0.815 for one Share (being the price equivalent to five per cent. (5%) above the average of the closing market prices of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 86,049,688 Shares is S\$70,130,496

For illustrative purposes only, in the case of Off-Market Purchase by the Company and assuming that the Company purchases or acquires the 86,049,688 Shares at the Maximum Price of S\$0.93 for one Share (being the price equivalent to twenty per cent. (20%) above the average of the closing market prices of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 86,049,688 Shares is S\$80,026,210

For illustrative purposes, on the basis of the foregoing assumptions, the financial effects of the purchase or acquisition of such Shares by the Company on the audited accounts of the Company and the Group for the financial year ended 31 December 2017, assuming that the Share Buy-Back Mandate had been effective on 1 January 2018 and that the Company had purchased or acquired all the 86,049,688 Shares (representing ten per cent. (10%) of the Shares in issue but excluding treasury shares) on 1 January 2018, are set out below:-

LETTER TO SHAREHOLDERS

2.5.1 ON-MARKET PURCHASES

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

	Company		Group	
	Before Share Buy-Back S\$'000	After Share Buy-Back S\$'000	Before Share Buy-Back S\$'000	After Share Buy-Back S\$'000
<u>As at 31 December 2017</u>				
Total equity	128,548	58,418	278,392	208,262
NTA	128,548	58,418	275,804	205,674
Current assets	24,951	(45,179)	199,557	129,427
Current liabilities	1,619	1,619	25,658	25,658
Total borrowings	-	-	49,900	49,900
Number of Shares ('000)	860,497	774,447	860,497	774,447
Weighted Average Number of Shares ('000)	860,497	774,447	860,497	774,447

Financial ratios

NTA per Share (cents)	14.94	7.54	32.05	25.56
Gearing (%)	-	-	17.92	23.96
Current Ratio (times)	15.41	n.m.	7.78	5.04
Earnings per Share (cents)	3.28	3.65	5.55	6.16

n.m. denotes not meaningful

Notes:-

- (1) The above is calculated on the assumption that the Share Buy-Back by the Group is funded by internal sources of funds.
- (2) NTA equals total equity less intangible assets.
- (3) Gearing equals total borrowings divided by total equity.
- (4) Current ratio equals current assets divided by current liabilities.
- (5) Earnings per Share equals net profit attributable to equity holders of the parent divided by weighted average number of Shares.
- (6) The volume weighted average number of shares after the Share Buy-Back excludes 86,049,688 Shares that are held as treasury shares and is computed based on ten per cent. (10%) of 860,496,880 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued on or prior to the AGM at which approval for the renewal of the Share Buy-Back Mandate is being sought.

LETTER TO SHAREHOLDERS

(B) Purchases made entirely out of capital and cancelled

	Company		Group	
	Before Share Buy-Back S\$'000	After Share Buy-Back S\$'000	Before Share Buy-Back S\$'000	After Share Buy-Back S\$'000
<u>As at 31 December 2017</u>				
Total equity	128,548	58,418	278,392	208,262
NTA	128,548	58,418	275,804	205,674
Current assets	24,951	(45,179)	199,557	129,427
Current liabilities	1,619	1,619	25,658	25,658
Total borrowings	-	-	49,900	49,900
Number of Shares ('000)	860,497	774,447	860,497	774,447
Weighted Average Number of Shares ('000)	860,497	774,447	860,497	774,447

Financial ratios

NTA per Share (cents)	14.94	7.54	32.05	25.56
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Earnings per Share (cents)	3.28	3.65	5.55	6.16

n.m. denotes not meaningful

Notes:-

- (1) The above is calculated on the assumption that the Share Buy-Back by the Group is funded by internal sources of funds.
- (2) NTA equals total equity less intangible assets.
- (3) Gearing equals total borrowings divided by total equity.
- (4) Current ratio equals current assets divided by current liabilities.
- (5) Earnings per Share equals net profit attributable to equity holders of the parent divided by weighted average number of Shares.
- (6) The volume weighted average number of shares after the Share Buy-Back excludes 86,049,688 Shares that are held as treasury shares and is computed based on ten per cent. (10%) of 860,496,880 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued on or prior to the AGM at which approval for the renewal of the Share Buy-Back Mandate is being sought.

As illustrated above, the Share Buy-Back will:-

- (i) reduce the number of issued Shares of the Company if the Shares bought-back are cancelled;
- (ii) decrease the consolidated NTA per Share of the Group; and
- (iii) increase the consolidated earnings per Share of the Group.

LETTER TO SHAREHOLDERS

2.5.2 OFF-MARKET PURCHASES

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

	Company		Group	
	Before Share Buy-Back S\$'000	After Share Buy-Back S\$'000	Before Share Buy-Back S\$'000	After Share Buy-Back S\$'000
<u>As at 31 December 2017</u>				
Total equity	128,548	48,522	278,392	198,366
NTA	128,548	48,522	275,804	195,778
Current assets	24,951	(55,075)	199,557	119,531
Current liabilities	1,619	1,619	25,658	25,658
Total borrowings	-	-	49,900	49,900
Number of Shares ('000)	860,497	774,447	860,497	774,447
Weighted Average Number of Shares ('000)	860,497	774,447	860,497	774,447

Financial ratios

NTA per Share (cents)	14.94	6.27	32.05	25.28
Gearing (%)	-	-	17.92	25.16
Current Ratio (times)	15.41	n.m.	7.78	4.66
Earnings per Share (cents)	3.28	3.65	5.55	6.16

n.m. denotes not meaningful

Notes:-

- (1) The above is calculated on the assumption that the Share Buy-Back by the Group is funded by internal sources of funds.
- (2) NTA equals total equity less intangible assets.
- (3) Gearing equals total borrowings divided by total equity.
- (4) Current ratio equals current assets divided by current liabilities.
- (5) Earnings per Share equals net profit attributable to equity holders of the parent divided by weighted average number of Shares.
- (6) The volume weighted average number of shares after the Share Buy-Back excludes 86,049,688 Shares that are held as treasury shares and is computed based on ten per cent. (10%) of 860,496,880 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued on or prior to the AGM at which approval for the renewal of the Share Buy-Back Mandate is being sought.

LETTER TO SHAREHOLDERS

(B) Purchases made entirely out of capital and cancelled

	Company		Group	
	Before Share Buy-Back S\$'000	After Share Buy-Back S\$'000	Before Share Buy-Back S\$'000	After Share Buy-Back S\$'000
<u>As at 31 December 2017</u>				
Total equity	128,548	48,522	278,392	198,366
NTA	128,548	48,522	275,804	195,778
Current assets	24,951	(55,075)	199,557	119,531
Current liabilities	1,619	1,619	25,658	25,658
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Weighted Average Number of Shares ('000)	860,497	774,447	860,497	774,447

Financial ratios

NTA per Share (cents)	14.94	6.27	32.05	25.28
Gearing (%)	-	-	17.92	25.16
Current Ratio (times)	15.41	n.m.	7.78	4.66
Earnings per Share (cents)	3.28	3.65	5.55	6.16

n.m. denotes not meaningful

Notes:-

- (1) The above is calculated on the assumption that the Share Buy-Back by the Group is funded by internal sources of funds.
- (2) NTA equals total equity less intangible assets.
- (3) Gearing equals total borrowings divided by total equity.
- (4) Current ratio equals current assets divided by current liabilities.
- (5) Earnings per Share equals net profit attributable to equity holders of the parent divided by weighted average number of Shares.
- (6) The volume weighted average number of shares after the Share Buy-Back excludes 86,049,688 Shares that are held as treasury shares and is computed based on ten per cent. (10%) of 860,496,880 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued on or prior to the AGM at which approval for the renewal of the Share Buy-Back Mandate is being sought.

As illustrated above, the Share Buy-Back will:-

- (i) reduce the number of issued Shares of the Company if the Shares bought-back are cancelled;
- (ii) decrease the consolidated NTA per Share of the Group; and
- (iii) increase the consolidated earnings per Share of the Group.

LETTER TO SHAREHOLDERS

The actual impact will depend on the number and price of the Shares bought back. The Directors do not propose to exercise the Share Buy-Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Company. The purchase of Shares will only be effected after assessing the relative impact of a Share Buy-Back taking into consideration both financial factors (such as cash surplus, debt position and working capital requirements) and non-financial factors (such as share market conditions and performance of the Shares).

Shareholders should note that the financial effects illustrated above are for illustration purposes only. In particular, it is important to note that the above analysis is based on the audited accounts of the Company and the Group as at 31 December 2017, and is not necessarily representative of the future financial performance of the Group. Although the proposed Share Buy-Back Mandate would authorize the Company to buy back up to ten per cent. (10%) of the Company's issued Shares, the Company may not necessarily buy back or be able to buy back all ten per cent. (10%) of the issued Shares in full. In particular, the Company will not exercise the Share Buy-Back 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 or the Group. In addition, the Company may cancel all or part of the Shares repurchased or holds all or part of the Shares repurchased as treasury shares.

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.

2.6 Listing Rules

2.6.1 The Listing Rules specify that a listed company shall report to the SGX-ST not later than 9.00 a.m.:-

- (i) in the case of an On-Market Purchase, on the Market Day following the day of 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 must include details of the total number of shares purchased, number of shares cancelled, number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares and total consideration (including stamp duties, clearing charges, etc.) paid or payable for the shares, as applicable.

2.6.2 While the Listing Rules do 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 shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Buy-Back Mandate at any time after a price sensitive matter or development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the Listing Rule 1207(18) of the Listing Manual, the Company will not purchase or acquire any Shares pursuant to the proposed Share Buy-Back Mandate during the period commencing two weeks before the announcement of the Company's financial statements for the first and third quarters of its financial year and one month before the announcement of the Company's second quarter and full year financial statements, as the case may be.

LETTER TO SHAREHOLDERS

2.7 Listing Status on SGX-ST

The Listing Rules require a listed company to ensure that at least ten per cent. (10%) of its shares are at all times held by public Shareholders.

As at the Latest Practicable Date, approximately 14.72% of the issued Shares of the Company are held in the hands of the public. Assuming that (a) the Company purchases a maximum of ten per cent. (10%) of the issued Shares from such public Shareholders and the Shares bought back are cancelled and (b) the Shares held by the Substantial Shareholders of the Company and the Directors remain unchanged, the resultant percentage of the issued Shares held by public Shareholders would be reduced to approximately 5.24%. Accordingly, the Company would not purchase or acquire more than 45,000,000 Shares (or 5.23% of the issued Shares (excluding Treasury Shares)) pursuant to the Share Buy-Back Mandate. The Company will not purchase or acquire Shares such that the number of Shares remaining in the hands of the public will fall below ten per cent. (10%) as to cause market illiquidity or adversely affect the orderly trade of the Shares or the listing status of the Company.

2.8 Interests of Directors and Substantial Shareholders

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders of the Company based on the Register of Directors' Shareholdings pursuant to Section 164 of the Companies Act and the Register of Substantial Shareholders pursuant to Section 88 of the Companies Act are as follows:-

	Direct Interest	%	Deemed Interest	%
Directors				
Mr Li Weiqiang	330,000	0.04	-	-
Mr Tay Siew Choon	1,490,000	0.17	-	-
Mr Lim Song Joo	1,224,000	0.14	-	-
Dr Choong Chow Siong	1,490,000	0.17	-	-
Ms Wu Xiuyi (<i>Alternate Director to Mr Wu Hsioh Kwang</i>)	34,005,000	3.95	-	-
Mr Wu Xiuzhuan (<i>Alternate Director to Mdm Chua So Har</i>)	27,256,000	3.17	-	-
Substantial Shareholders				
Straco Holding Pte Ltd	314,885,440	36.59	-	-
China Poly Group Corporation	189,803,600	22.06	-	-
Straco (HK) Limited	143,990,540	16.73	-	-
Mr Wu Hsioh Kwang	7,888,000	0.92	470,349,980	54.66
Mdm Chua Soh Har	11,474,000	1.33	466,763,980	54.24

Note:-

- 1) Mr Wu Hsioh Kwang and Mdm Chua Soh Har together collectively beneficially own one hundred per cent. (100%) of the issued share capital of Straco Holding Pte Ltd and Straco (HK) Limited and are therefore deemed interested by virtue of Section 7 of the Companies Act in the Shares held by these said companies in the capital of the Company.
- 2) As at the Latest Practicable Date, the direct interest of Mr Wu Hsioh Kwang comprises of 3,988,000 Shares representing 0.46% of the total number of issued Shares (excluding treasury shares) held by his nominee, UOB Kay Hian Pte Ltd.
- 3) As at the Latest Practicable Date, the direct interest of Mdm Chua Soh Har comprises of 10,844,000 Shares representing 1.26% of the total number of issued Shares (excluding treasury shares) held by her nominee, DBS Vickers Securities (S) Pte Ltd.
- 4) As at the Latest Practicable Date, the direct interest of Ms Wu Xiuyi comprises of 32,865,000 Shares representing 3.82% of the total number of issued Shares (excluding treasury shares) held by her nominee, UOB Kay Hian Pte Ltd.

LETTER TO SHAREHOLDERS

- 5) As at the Latest Practicable Date, the direct interest of Mr Wu Xiuzhuan comprises of 26,956,000 Shares representing 3.13% of the total number of issued Shares (excluding treasury shares) held by his nominee, DBS Vickers Securities (S) Pte Ltd.

2.9 Take-over Code implications from Share Buy-Backs

2.9.1 Obligations to make a Take-over Offer

Under Appendix 2 of the Take-over Code, an increase of a Shareholder's proportionate interest in the voting rights of the Company resulting from a Share Buy-Back by the Company will be treated as an acquisition for the purpose of Rule 14 of the Take-over Code ("**Rule 14**").

Pursuant to Rule 14, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory take-over offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to thirty per cent. (30%) or more or, if they, together holding between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, increase their voting rights in the Company by more than one per cent. (1%) in any period of 6 months.

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 following persons will be presumed to be acting in concert, namely (a) a company with any of its directors; and (b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other 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 purpose of voting rights. For this purpose, ownership or control of at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the voting rights of a company will be regarded as the test of associated company status. Consequently, a Director and persons acting in concert (as defined in the Takeover Code) with him could, depending on the level of increase in his or their interest in the Company, become obliged to make a mandatory offer in accordance with Rule 14 as a result of the Company's Share Buy-Back.

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 its Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more, or if the voting rights of such Directors and their concert parties fall between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months.

Under Appendix 2 of the Takeover 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 the Shares, the voting rights of such Shareholders would increase to thirty per cent. (30%) or more or, if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorizing the Share Buy-Back Mandate.

LETTER TO SHAREHOLDERS

Based on the shareholdings of the Directors and Substantial Shareholders of the Company as at the Latest Practicable Date, the proposed Share Buy-Back Mandate is not expected to result in any Director or Substantial Shareholder incurring an obligation to make a general offer for the Shares of the Company under Rule 14.

The interests of the Directors and Substantial Shareholders of the Company as at the Latest Practicable Date are set out above in paragraph 2.8 of this Circular.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory takeover offer under the Take-over Code as a result of Share Buy-Backs by the Company are advised to consult their professional advisers and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity.

2.9.2 Shares bought by the Company in the previous 12 months

The Company purchased a total of 925,100 Shares in the 12 months preceding the Latest Practicable Date at a range of between S\$0.81 to S\$0.86 per Share. The total consideration paid was S\$796,423. These Shares are held in treasury.

3. REPORTING REQUIREMENTS

- 3.1 Within thirty (30) days of the passing of a Shareholders' resolution to approve or renew the Share Buy-Back Mandate, the Company shall lodge a copy of such resolution with the Registrar.
- 3.2 The Company shall lodge with the Registrar a notice of the Share Buy-Back within thirty (30) days of such Share Buy-Back. Such notification shall include the date of the purchases, the number of Shares purchased by the Company, the number of Shares cancelled, the number of treasury shares held, the Company's issued share capital before and after the purchases, the amount of consideration paid by the Company for the purchases, whether the Shares were purchased out of the profits or the capital of the Company and such other particulars as may be required in the prescribed form.
- 3.3 Within thirty (30) days of the cancellation or disposal of treasury shares in accordance with the Companies Act, the Company shall lodge with the Registrar a notice of the cancellation or disposal of treasury shares with such particulars as may be required in the prescribed form.

4. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Buy-Back Mandate is in the interests of the Company and accordingly recommend that Shareholders vote in favour of Resolution 9 set out in the Notice of AGM dispatched to Shareholders together with the Annual Report 2017 of the Company.

LETTER TO SHAREHOLDERS

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Share Buy-Back 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 Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

6. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at 10 Anson Road, #30-15 International Plaza, Singapore 079903 during normal business hours on weekday for a period of three (3) months from the date of this Circular:-

- (a) the Constitution of the Company; and
- (b) Annual Report 2017.

Yours faithfully
For and on behalf of the Board of Directors of
STRACO CORPORATION LIMITED

Wu Hsioh Kwang
Executive Chairman

