**CIRCULAR DATED 16 NOVEMBER 2010**

**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 or other professional adviser immediately.

If you have sold or transferred all your ordinary shares (the "**Shares**") in the capital of Yoma Strategic Holdings Ltd. (the "**Company**") held through The Central Depository (Pte) Limited (the "**CDP**"), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares represented by physical share certificate(s), you should immediately forward this Circular and the Proxy Form to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") assumes no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained in this Circular.

YOMA
STRATEGIC HOLDINGS LTD.

# YOMA STRATEGIC HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 196200185E)

## CIRCULAR TO SHAREHOLDERS

**in relation to**

1. **THE MANAGEMENT AGREEMENT WITH FIRST MYANMAR INVESTMENT COMPANY LIMITED AND SUCCESSFUL GOAL TRADING CO., LTD. AS A SPECIFIC INTERESTED PERSON TRANSACTION;**

2. **THE ADDITIONAL SCOPE IN THE SHAREHOLDERS' MANDATE FOR RECURRING INTERESTED PERSON TRANSACTIONS; AND**

3. **THE PROPOSED DISPOSAL OF EQUITY INTERESTS IN FIRST MYANMAR CONSTRUCTION CO LTD, MYANMAR V-PILE CO LTD, MYANMAR PILING CO LTD AND V-PILE (SINGAPORE) PTE. LTD.**

Independent Financial Adviser to the Recommending Directors in respect of the Management Agreement and the Additional Scope in the Shareholders' Mandate

**nra** *capital*

**NRA CAPITAL PTE. LTD.**

(Incorporated in the Republic of Singapore)
(Company Registration No. 199904258C)

**IMPORTANT DATES AND TIMES**

| | | |
|---|---|---|
| Last date and time for lodgement of Proxy Form | : | 1 December 2010 at 2 p.m. |
| Date and time of Extraordinary General Meeting | : | 3 December 2010 at 2 p.m. |
| Place of Extraordinary General Meeting | : | Connection 1, Level 3, Amara Hotel<br>165 Tanjong Pagar Road<br>Singapore 088539 |

# CONTENTS

# DEFINITIONS

For the purpose of this Circular, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

***Companies within the YSH Group***

| | | |
|---|---|---|
| **"Company" or "YSH"** | : | Yoma Strategic Holdings Ltd. |
| **"Elite Matrix"** | : | Elite Matrix International Limited |
| **"FMC"** | : | First Myanmar Construction Co Ltd |
| **"Group"** | : | The Company and its subsidiaries, collectively |
| **"MVP"** | : | Myanmar V-Pile Co Ltd |
| **"Myanmar Piling"** | : | Myanmar Piling Co Ltd |
| **"V-Pile Singapore"** | : | V-Pile (Singapore) Pte. Ltd. (Company Registration No.: 200721773Z) |
| **"YCI"** | : | Yoma Construction Industries Pte. Ltd. (Company Registration No.: 200416222E) |

***Other companies, corporations and organisations***

| | | |
|---|---|---|
| **"CDP"** | : | The Central Depository (Pte) Limited |
| **"DFAC"** | : | Dongfeng Automobile Co., Ltd (东风汽车股份有限公司) |
| **"FMI"** | : | First Myanmar Investment Company Limited |
| **"GMG"** | : | Guangdong Machinery Imp. & Exp. Co., Ltd. (广东省机械进出口股份有限公司) |
| **"SGX-ST"** | : | Singapore Exchange Securities Trading Limited |
| **"SPA"** | : | Serge Pun & Associates (Myanmar) Limited |
| **"SPA Group"** | : | SPA and its subsidiaries, collectively |
| **"Successful Goal"** | : | Successful Goal Trading Co., Ltd. |

***General***

| | | |
|---|---|---|
| **"Additional Scope"** | : | The proposed additional scope in the Shareholders' Mandate as described in Section 3.4 of this Circular |
| **"Articles"** | : | The Articles of Association of the Company, as may be amended from time to time |
| **"Audit Committee"** | : | The audit committee of the Company as at the date of the Circular comprising Messrs Basil Chan (Chairman), Kyi Aye and Adrian Chan Pengee |
| **"Board" or "Directors"** | : | The directors of the Company as at the date of this Circular comprising Messrs Serge Pun (Chairman), Kyi Aye, Adrian Chan Pengee, Ng Fook Leong, Philip, Basil Chan and Cyrus Pun (as an Alternate Director to Serge Pun) |

| | | |
|---|---|---|
| **"Chief Executive Officer"** | : | The chief executive officer of the Company for the time being |
| **"Circular"** | : | This circular to Shareholders dated 16 November 2010 |
| **"Companies Act"** | : | The Companies Act, Chapter 50, of Singapore, as amended or modified from time to time |
| **"Disposal Agreement"** | : | The conditional share purchase agreement dated 20 July 2010 entered into between YCI and the Purchaser in relation to the sale by YCI to the Purchaser of the FMC Sale Shares and the MVP Sale Shares |
| **"Dongfeng Light Trucks"** | : | The Dongfeng brand light trucks with loading capacity exceeding three (3) tons |
| **"EGM"** | : | The Extraordinary General Meeting of the Company to be held on 3 December 2010, notice of which is set out in this Circular |
| **"EPS"** | : | Earnings per share |
| **"FOB"** | : | Freight on Board |
| **"FMC Sale Shares"** | : | The twenty-seven thousand five hundred (27,500) ordinary shares of a par value of Ks.1,000 each in FMC, representing fifty-five per cent. (55%) of the entire issued share capital of FMC |
| **"FY"** | : | Financial year ended or ending 31 March, as the case may be |
| **"FY2010"** | : | Financial year ended 31 March 2010 |
| **"Independent Directors"** | : | The independent Directors of the Company comprising Messrs Adrian Chan Pengee, Ng Fook Leong, Philip and Basil Chan for the time being |
| **"Independent Financial Adviser", "IFA" or "NRA Capital"** | : | The independent financial adviser in relation to the Management Agreement and the Additional Scope, being NRA Capital Pte. Ltd. |
| **"Interested Persons"** | : | The persons referred to in Section 2.2 of this Circular |
| **"Interested Person Transactions"** | : | The transactions referred to in Section 2.2 of this Circular |
| **"Latest Practicable Date"** | : | 10 November 2010, being the latest practicable date prior to the printing of this Circular |
| **"Listing Manual"** | : | The listing manual of the SGX-ST, as amended or modified from time to time |
| **"Management Agreement"** | : | The conditional management agreement dated 20 August 2010 entered into between Elite Matrix, FMI and Successful Goal (as supplemented by a supplemental agreement dated 1 November 2010) in relation to the provision of management services by Elite Matrix to Successful Goal |
| **"MVP Sale Shares"** | : | The two hundred and twenty (220) ordinary shares of a par value of Ks.1,000 each in MVP, representing fifty-five per cent. (55%) of the entire issued share capital of MVP |

| | | |
|---|---|---|
| **"Myanmar"** | : | Union of Myanmar |
| **"NTA"** | : | Net tangible assets |
| **"Opinion Letter"** | : | The IFA's letter to the Recommending Directors, annexed to this Circular as Appendix B |
| **"PRC" or "China"** | : | The People's Republic of China |
| **"Proposed Disposal"** | : | The proposed sale by YCI to the Purchaser of the FMC Sale Shares and the MVP Sale Shares pursuant to the Disposal Agreement |
| **"Proxy Form"** | : | The proxy form in respect of the EGM as set out in this Circular |
| **"Purchaser"** | : | Dr. Sone Han |
| **"Recommending Directors"** | : | The Directors who are deemed independent for the purposes of the Management Agreement and the Additional Scope in the Shareholders' Mandate, namely, Messrs Kyi Aye, Adrian Chan Pengee, Ng Fook Leong, Philip and Basil Chan |
| **"Shareholders"** | : | Persons who are registered as holders of the Shares in the Register of Members of the Company, or where CDP is the registered holder, the term ***Shareholders*** shall, in relation to such Shares, mean the Depositors who have Shares entered against their names in the Depository Register |
| **"Shareholders' Mandate"** | : | The general mandate for the Group to enter into certain types of transactions with specified classes of interested persons of the Company pursuant to Chapter 9 of the Listing Manual, as further described in Section 3 of this Circular |
| **"Shares"** | : | Ordinary shares in the capital of the Company |
| **"Strategic Co-operation Agreement"** | : | The conditional tripartite strategic co-operation agreement dated 8 June 2010 entered into between the Company, DFAC and GMG, in relation to the sales and distribution of Dongfeng Light Trucks in the automobile market in Myanmar |

***Currencies, Units of Measurement and Others***

| | | |
|---|---|---|
| **"Kyats" or "Ks."** | : | Myanmar Kyats, representing the lawful currency of Myanmar |
| **"SGD" or "S$" and "cents"** | : | Singapore dollars and cents respectively, representing the lawful currency of the Republic of Singapore |
| **"USD" or "US$"** | : | U.S. dollars, representing the lawful currency of the United States of America |
| **"%" or "per cent."** | : | Percentage or per centum |

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

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

Any reference in this 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 not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

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

# YOMA STRATEGIC HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 196200185E)

## LETTER TO SHAREHOLDERS

| **Board of Directors:-** | **Registered Office:-** |
|---|---|
| Mr. Serge Pun (Chairman & Chief Executive Officer)<br>Mr. Kyi Aye (Non-Executive Director)<br>Mr. Adrian Chan Pengee (Lead Independent Director)<br>Mr. Ng Fook Leong, Philip (Independent Director)<br>Mr. Basil Chan (Independent Director)<br>Mr. Cyrus Pun Chi Yam (Alternate Director to Mr. Serge Pun) | 80 Anson Road<br>Fuji Xerox Towers<br>#25-05<br>Singapore 079907 |

16 November 2010

**To: The Shareholders of Yoma Strategic Holdings Ltd.**

Dear Sir/Madam,

**(1) THE MANAGEMENT AGREEMENT WITH FIRST MYANMAR INVESTMENT COMPANY LIMITED AND SUCCESSFUL GOAL TRADING CO., LTD. AS A SPECIFIC INTERESTED PERSON TRANSACTION;**

**(2) THE ADDITIONAL SCOPE IN THE SHAREHOLDERS' MANDATE FOR RECURRING INTERESTED PERSON TRANSACTIONS; AND**

**(3) THE PROPOSED DISPOSAL OF EQUITY INTERESTS IN FIRST MYANMAR CONSTRUCTION CO LTD, MYANMAR V-PILE CO LTD, MYANMAR PILING CO LTD AND V-PILE (SINGAPORE) PTE. LTD.**

## 1. INTRODUCTION

1.1 The Directors are convening an EGM to be held at Connection 1, Level 3, Amara Hotel, 165 Tanjong Pagar Road, Singapore 088539 on 3 December 2010 at 2 p.m. to seek Shareholders' approval for the following proposals:

(a) the Management Agreement with FMI and Successful Goal as a specific interested person transaction;

(b) the additional scope in the shareholders' mandate for recurring interested person transactions; and

(c) the proposed disposal of equity interests in FMC, MVP, Myanmar Piling and V-Pile Singapore.

1.2 The purpose of this Circular is to provide Shareholders with relevant information pertaining to, and to seek Shareholders' approval for the above proposals at the EGM.

1.3 The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

## 2. THE MANAGEMENT AGREEMENT WITH FIRST MYANMAR INVESTMENT COMPANY LIMITED AND SUCCESSFUL GOAL TRADING CO., LTD. AS A SPECIFIC INTERESTED PERSON TRANSACTION

### 2.1 Background

On 11 June 2010, the Directors announced that the Company had, on 8 June 2010, entered into the Strategic Co-operation Agreement with DFAC and GMG. Pursuant to the Strategic Co-operation Agreement, the parties will co-operate to establish and develop the sales and distribution of Dongfeng Light Trucks in the automobile market in Myanmar. The Dongfeng Light Trucks are sold in more than a dozen countries, including China, Cambodia and Vietnam.

DFAC is a Chinese company listed on the Shanghai Stock Exchange and its business activities include, amongst others, the design, manufacture and sales of the Dongfeng series and Dongfeng Nissan series of light commercial vehicles.

GMG is a state-owned enterprise in China, specialising in foreign trade and economic cooperation. Its businesses include, amongst others, the import and export of automobiles and their spare parts.

On 20 August 2010, the Directors announced that, in connection with the Strategic Co-operation Agreement, Elite Matrix, a subsidiary of the Company, had, on 20 August 2010, entered into the conditional Management Agreement with FMI and Successful Goal (a wholly-owned subsidiary of FMI) to undertake the role and responsibilities of the Company in its strategic co-operation with DFAC and GMG. Both FMI and Successful Goal are subsidiaries of SPA. SPA is a company incorporated in Myanmar and together with its subsidiaries, has businesses in Myanmar's automobile sector and is the sole distributor and/or official supplier of certain brands of vehicles and spare parts in Myanmar. The SPA Group is currently involved in the sales, distribution and servicing of Suzuki brand two (2)-wheel and four (4)-wheel vehicles in Myanmar. It is also the owner of the Nissan auto dealership for Nissan sedan cars in Myanmar. The Company intends to rely and/or leverage on the expertise and existing network and sales channels of the SPA Group in the automobile market in Myanmar.

DFAC and GMG are not related to FMI. DFAC and GMG are also not related to any Interested Persons.

Pursuant to the Management Agreement, Elite Matrix will be appointed as the manager to manage Successful Goal and carry out its business of, *inter alia*, importing, selling, marketing, distributing and servicing of the Dongfeng Light Trucks in Myanmar. In consideration, Elite Matrix will receive an annual management fee, being equivalent to seventy per cent. (70%) of the annual net profit after tax of Successful Goal.

Further details of the Strategic Co-operation Agreement and the Management Agreement are set out in Section 2.4 and Section 2.5 of this Circular respectively.

All information contained in this Circular relating to DFAC, GMG and the SPA Group have been obtained from their respective websites as set out below:-

DFAC – http://www.dfac.com

GMG – http://www.gmg.com.cn

SPA Group – http://www.spa-myanmar.com

### 2.2 General information on Chapter 9 of the Listing Manual

Under Chapter 9 of the SGX-ST Listing Manual (the "**Listing Manual**"), where a listed company or any of its subsidiary companies or associated companies (as defined below) which is an "entity at risk" (as defined below) proposes to enter into a transaction (the "**Interested Person Transaction**") with the listed company's "interested persons" (as defined below), an immediate announcement, or an immediate announcement and shareholders' approval, will be required in respect of the transaction if the value of the transaction is equal to or exceeds the thresholds set out in Chapter 9 of the Listing Manual.

In particular, an immediate announcement is required where:

(a) the transaction is of a value equal to, or more than, three per cent. (3%) of the latest audited consolidated NTA of the listed company and its subsidiary companies; or

(b) the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to three per cent. (3%) or more of the latest audited consolidated NTA of the listed company and its subsidiary companies. An announcement will also have to be made immediately of the latest transaction and all future transactions entered into with the same interested person during the financial year; and

Shareholders' approval (in addition to an immediate announcement) is required where:

(a) the transaction is of a value equal to, or more than, five per cent. (5%) of the latest audited consolidated NTA of the listed company and its subsidiary companies; or

(b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, five per cent. (5%) of the latest audited consolidated NTA of the listed company and its subsidiary companies. The aggregation will exclude any transaction that has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders.

For the purposes of aggregation, any Interested Person Transaction which is below S$100,000 is to be excluded.

For illustration purposes, based on the audited consolidated accounts of the Group for FY2010, the audited consolidated NTA of the Group as at 31 March 2010 was S$129 million. Accordingly, in relation to the Group, for the purposes of Chapter 9 of the Listing Manual in the current financial year, Shareholders' approval will be required where:

(a) the transaction is of a value equal to, or more than, S$6.45 million, being five per cent. (5%) of the latest audited consolidated NTA of the Group; or

(b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, S$6.45 million, being five per cent. (5%) of the latest audited consolidated NTA of the Group.

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

For the purposes of Chapter 9 of the Listing Manual:

(a) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual;

(b) an "**associate**" means:

(i) in relation to any director, chief executive officer or Controlling Shareholder (being an individual):

(1) his immediate family member (that is, the person's spouse, child, adopted child, step-child, sibling and parent);

(2) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

(3) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more;

(ii) in relation to a substantial shareholder or a Controlling Shareholder (being a company), means any other company which is its subsidiary or holding company or is a subsidiary company of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30%) or more;

(c) "**Control**" means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company;

(d) a "**Controlling Shareholder**" in relation to a listed company means a person who:

(i) holds directly or indirectly fifteen per cent. (15%) or more of the total number of issued shares excluding treasury shares in the company (unless the SGX-ST has determined such a person not to be a Controlling Shareholder of the company); or

(ii) in fact exercises Control over the company,

or such other definition as the SGX-ST may from time to time determine;

(e) an "**entity at risk**" means:

(i) the listed company;

(ii) a subsidiary company of the listed company that is not listed on the SGX-ST or an approved exchange; or

(iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has Control over the associated company;

(f) an "**interested person**" means:

(i) a director, chief executive officer or Controlling Shareholder of the listed company; or

(ii) an associate of such director, chief executive officer or Controlling Shareholder;

(g) an "**interested person transaction**" means a transaction between an entity at risk and an interested person; and

(h) a "**transaction**" includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

### 2.3 Details of Interested Persons

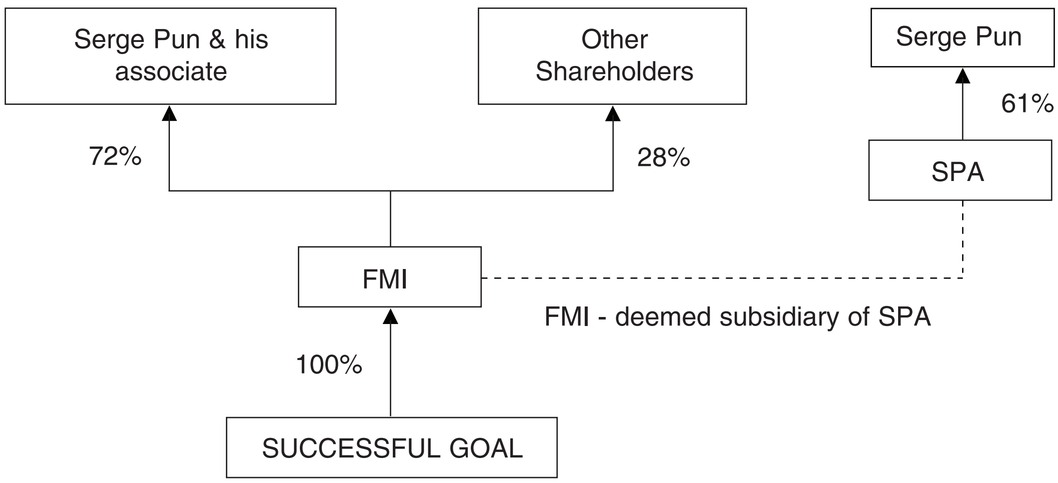
Mr. Serge Pun is a Director and the Chief Executive Officer and the Controlling Shareholder of the Company, holding an approximately fifty per cent. (50%) interest in the Company as at the Latest Practicable Date.

Successful Goal is a company newly incorporated under the laws of Myanmar on 16 June 2010 with its registered address at No. 969, Aungbawga Street, (28) Quarter, North Dagon Township. Successful Goal is one hundred per cent. (100%) owned by FMI and was incorporated with the sole purpose of carrying out the Business (as defined in Section 2.5.2).

FMI is a company incorporated under the laws of Myanmar in 1992 with its registered address at 10th & 11th Floors, FMI Centre, 380, Bogyoke Aung San Road, Pabedan Township, Yangon, Myanmar. It is a public company in Myanmar with more than four thousand (4,000) shareholders and currently has businesses in financial services, real estate, manufacturing, trading, automobile and agriculture.

As Mr. Serge Pun has an interest (direct and indirect) of more than thirty per cent. (30%) in FMI, both FMI and Successful Goal are considered Interested Persons of the Company under Chapter 9 of the Listing Manual. The Management Agreement entered into between Elite Matrix, FMI and Successful Goal is therefore an Interested Person Transaction under Chapter 9 of the Listing Manual.

The shareholding relationship between, *inter alia,* SPA, FMI, Successful Goal and Mr. Serge Pun is set out below. Mr. Serge Pun and his associates are the seventy-two per cent. (72%) shareholders of FMI. Mr. Serge Pun is also the sixty-one per cent. (61%) shareholder of SPA. SPA has a contractual right of absolute management control over FMI pursuant to an existing management agreement between SPA and FMI. Under Myanmar law, FMI is deemed to be a subsidiary of SPA as a result of the aforesaid management agreement between SPA and FMI.




Currently, the SPA Group does not distribute light trucks exceeding three (3) tons. In addition, the SPA Group has given a written undertaking to the Company and Elite Matrix that it and its subsidiaries shall not (directly or indirectly) by itself or collaborate with other automobile companies to sell or act as their agent to sell the automobiles which are same as or similar to Dongfeng Light Trucks with loading capacity exceeding three (3) tons in Myanmar.

Under Chapter 9 of the Listing Manual, where the Company proposes to enter into a transaction with an Interested Person, Shareholders' approval is required where the Interested Person Transaction is of a value equal to, or more than five per cent. (5%) of the Group's latest audited NTA.

The transaction value of the Management Agreement may exceed five per cent. (5%) of the Group's NTA, after taking into account the nature of the Management Fee payable to Elite Matrix, the GMG Financing and any other Third Party Financing (as defined in Section 2.5.8) to be procured by Elite Matrix and the Loan(s) and Subsequent Loan(s) to be extended by Elite Matrix, pursuant to the Management Agreement (as defined and further described in Sections 2.5.5, 2.5.7 and 2.5.8 below). As such, the Company is seeking approval from the Shareholders for the Management Agreement at the EGM.

## 2.4 Details of the Strategic Co-operation Agreement

Pursuant to the Strategic Co-operation Agreement, the Company, DFAC and GMG will co-operate to establish and develop the sales and distribution of Dongfeng Light Trucks in the automobile market in Myanmar. The Dongfeng Light Trucks are currently not distributed in Myanmar. The Strategic Co-operation Agreement will be valid for ten (10) years, unless terminated earlier in the event of a breach or in the event of a force majeure.

Under the Strategic Co-operation Agreement, DFAC will, through its wholly-owned subsidiary, provide a supply of Dongfeng Light Trucks for sale in Myanmar in accordance with the market demand and also provide the necessary product information and support. GMG will act as DFAC's export agent and facilitate the export and sales of the Dongfeng Light Trucks to and in Myanmar, including the provision of the necessary financing support. The Company will have sole and exclusive distribution rights to the Dongfeng Light Trucks in Myanmar and its role under the Strategic Co-operation Agreement includes, *inter alia*, procuring the necessary import permits from the relevant Myanmar authorities, establishing sales and post-sales service centres for the Dongfeng Light Trucks and marketing the Dongfeng brand in the automobile market in Myanmar.

The Strategic Co-operation Agreement is conditional upon, and shall take effect only after, the obtaining of Shareholders' approval for the Management Agreement by the Company.

## 2.5 Details of the Management Agreement

### 2.5.1 Background

Pursuant to the Management Agreement, Elite Matrix, FMI and Successful Goal (the "**Management Agreement Parties**") will jointly undertake the role and responsibilities of the Company in relation to the Strategic Co-operation Agreement. Elite Matrix will be appointed as the manager to manage Successful Goal and its business, on the terms and conditions set out in the Management Agreement.

As at the Latest Practicable Date, Successful Goal has no assets, liabilities and material contracts as it is a newly incorporated company. It will only commence operations when the Management Agreement becomes effective upon satisfaction of all the conditions precedent for the Management Agreement (as described in Section 2.5.10).

### 2.5.2 Business of Successful Goal

The business of Successful Goal shall, *inter alia*, be the import, sale, marketing, distribution and servicing of the Dongfeng Light Trucks in Myanmar and any other activities that are related, to the role and responsibilities of the Company under the Strategic Co-operation Agreement, including the establishment of sales and post-sales centres for the Dongfeng Light Trucks, the establishment of franchise stores and the marketing of the Dongfeng brand in the automobile market in Myanmar (the "**Business**").

Given the nature of its Business, the anticipated on-going operating costs of Successful Goal would include, *inter alia*, rental of showroom and office space, salaries, utilities and the usual operating overhead expenses. The parties to the Management Agreement currently do not envisage any making of capital investments by Successful Goal in the near future.

### 2.5.3 Appointment of Elite Matrix as the Manager

Pursuant to the Management Agreement, Elite Matrix is appointed as the manager of Successful Goal (the "**Manager**") on a sole and exclusive basis to manage and operate its Business for the duration of the term of the Management Agreement subject to the terms and conditions of the Management Agreement.

The services to be performed by Elite Matrix as the Manager (the "**Services**") include the following:

(a) managing and overseeing the sales, marketing and distribution of the Dongfeng Light Trucks and the promotion of the Dongfeng brand in Myanmar;

(b) managing and overseeing the post-sale services for the Dongfeng Light Trucks sold in Myanmar; and

(c) sourcing and arranging for any necessary third party financing for the operation of the Business.

### 2.5.4 Powers of Elite Matrix as the Manager

(a) Elite Matrix will have full decision-making powers, control and authority over the Business of Successful Goal including without limitation the following matters:

(i) the business plan and annual budget of Successful Goal, including but not limited to the volume of import and the buying and selling prices of the Dongfeng Light Trucks;

(ii) the placing of orders for the Dongfeng Light Trucks and their spare parts from DFAC;

(iii) the purchase of equipment, machinery and any other goods required for and in connection with the Business;

(iv) approval of any third party financing for the Business;

(v) determining all sales, marketing, publicity and similar promotion plans or programmes;

(vi) determining the operating policies, standards of operation and other procedures relating to the operation and management of the Business;

(vii) appointment of, and terms of payment to, any consultants, contractors, sub-contractors, agents, service providers and/or professional advisors for the Business; and

(viii) appointment or employment of staff for the Business (including the chief executive officer and chief financial officer or such other officer of equivalent rank or designation of Successful Goal) and the remuneration, benefits and terms and conditions of such appointment or employment.

(b) The market selling price of the Dongfeng Light Trucks applicable to all customers (including all Interested Persons) will be determined by the directors of Elite Matrix, having regard to, *inter alia*, the cost of the trucks, market sentiments and foreign exchange rates. Elite Matrix will formulate a list price with a discount structure which will set out the market selling price of the Dongfeng Light Trucks. The list price with the discount structure will be reviewed by the Audit Committee in every quarter. Additionally, all transactions in respect of the Dongfeng Light Trucks between Successful Goal with Interested Persons will be reviewed by the Audit Committee in every quarter.

(c) The Representatives of Elite Matrix (as defined below) will ensure that the list price with the discount structure will be implemented for all customers. If the customers are Interested Persons, a list setting out the selling price and the aggregate value of Interested Persons Transactions will be submitted to the Audit Committee in every quarter.

(d) As a general approach, it is intended that deposits for the Dongfeng Light Trucks will be collected from customers before Elite Matrix places order for the same with DFAC.

(e) Elite Matrix will also have full control, power and authority to enter into contracts and other obligations, in the name of and on behalf of Successful Goal, and generally to do and perform all acts and things to enable it to provide the Services.

(f) FMI and Successful Goal shall also do all acts and things and execute all documents as may be necessary to enable Elite Matrix to carry out the Services with full decision-making powers, control and authority over Successful Goal and the Business, including but not limited to, where relevant or necessary, the execution by Successful Goal of a new power of attorney in favour of any individual representative(s) of Elite Matrix, as and when required by Elite Matrix.

(g) Under the Management Agreement, FMI and Successful Goal will jointly and severally indemnify and keep Elite Matrix harmless against all actions, proceedings, claims and demands made and all liabilities, costs, expenses, losses and damages which may be suffered by Elite Matrix arising out of its appointment as the Manager and the performance of its obligations under the Management Agreement.

(h) In addition, the board of directors of Successful Goal will comprise not more than three (3) directors at all times, of which at least two (2) directors shall be appointed by Elite Matrix. The Company intends to nominate a non-executive Director of the Company, who is not an Interested Person, to be the director of Successful Goal. The right of appointment of director conferred on Elite Matrix shall include the right at any time and from time to time to remove from office any such person appointed by it, to replace any person who (for any reason whatsoever) ceases to be a director and to determine the period for which such person shall hold office as director. Further, the Company will appoint a new managing director for Elite Matrix and a non-executive Director of the Company as directors of Elite Matrix ("**Representative of Elite Matrix**").

### 2.5.5 Management Fee and Reimbursement of Costs and Expenses

In consideration of the provision of the Services, Elite Matrix will receive an annual management fee, being equivalent to seventy per cent. (70%) of the annual net profit after tax of Successful Goal (the "**Management Fee**"). The Management Fee will be determined based on the audited accounts of Successful Goal and shall be due and payable to Elite Matrix within forty-five (45) days from the date of such audited accounts. In computing the Management Fee for any fiscal year, any loss from a prior or subsequent fiscal year shall not be carried forward or backward from one fiscal year to another.

Elite Matrix shall be entitled to the reimbursement of all costs, charges, fees and out-of-pocket expenses incurred by it on a monthly basis as the Manager arising from its appointment and/or performance of its obligations under the Management Agreement, including without limitation, the salary, related expenses and fees of any advisors, agents, consultants and/or subcontractors engaged by Elite Matrix in the course of providing the Services.

Under the Management Agreement, Elite Matrix will have full control and authority over the Business of Successful Goal. This includes control of the expenses of Successful Goal which will affect the net profit after tax of Successful Goal and the amount of Management Fee to be received by Elite Matrix. For the control of expenses of Successful Goal, the Group intends to adopt the following internal control procedures:

(a) approval by the Chief Financial Officer (or such other officer of equivalent rank or designation of the Company for the time being) who is independent of Mr. Serge Pun will be required for any (i) single expense of an amount between S$10,000 and S$50,000 and (ii) aggregate expenses incurred payable to a single creditor or a related group of creditors of an amount between S$10,000 and S$50,000; and

(b) approval by the Chief Financial Officer (or such other officer of equivalent rank or designation of the Company for the time being) and a Director of the Company who are independent of Mr. Serge Pun will be required for any (i) single expense of an amount exceeding S$50,000 and (ii) aggregate expenses incurred payable to a single creditor or a related group of creditors of an amount exceeding S$50,000.

In the event that Successful Goal suffers a net loss after tax in any fiscal year as determined based on the audited accounts of Successful Goal for such fiscal year, FMI shall pay an amount equivalent to thirty per cent. (30%) of the net loss after tax of Successful Goal to Elite Matrix within forty-five (45) days from the date of such audited accounts. In computing the amount payable by FMI to Elite Matrix for any fiscal year, any profit from a prior or subsequent fiscal year shall not be carried forward or backward from one fiscal year to another.

In determining the amount of the Management Fee, the Company had considered, *inter alia*, the Group's lack of experience and capability in the automobile distribution business in Myanmar and that it would not be feasible for the Group to carry out the Business on its own in Myanmar without the assistance of the SPA Group.

**2.5.6 Operating Accounts**

Successful Goal may open banking accounts in Myanmar and/or elsewhere for the purpose of the conduct and operation of the Business (the "**Operating Accounts**"), and unless otherwise agreed between Elite Matrix and Successful Goal, all costs and expenses of the Business shall be paid out from, and all proceeds and revenue of, and relating to, the Business shall be paid into, the Operating Accounts.

All Operating Accounts shall be managed and operated at all times by Elite Matrix on behalf of Successful Goal and all withdrawals from the Operating Accounts are subject to the authorisation or approval of Elite Matrix. The authorised signatories of the Operating Accounts shall be the assigned personnel of Elite Matrix. Elite Matrix shall be entitled to pay itself, *inter alia*, the Management Fee and all other monies payable to the Manager under the Management Agreement out of the Operating Accounts.

All proceeds, collections and receipts from the sales and service revenue in respect of the Dongfeng Light Trucks shall be paid into the Operating Accounts and all withdrawals from any of the Operating Accounts shall only be utilised in meeting the payment obligations of the Business.

**2.5.7 Obligations of FMI and Successful Goal**

The obligations of FMI and Successful Goal under the terms of the Management Agreement in relation to the Business include, *inter alia*, the following:-

(a) obtain, maintain and renew all necessary permits, licences and/or customs clearance or approvals from the relevant Myanmar authorities for the import of the Dongfeng Light Trucks and any other related materials and spare parts;

(b) obtain, maintain and renew any other permits, licences, consents and/or approvals from the relevant Myanmar authorities or any third parties as may be required for the conduct and operation of the Business, including but not limited to the import of any equipment or instrument necessary for the Business and the remittance of funds in and out of Myanmar;

(c) obtain all necessary visas, stay permits and other immigration and customs approvals as and when required by Elite Matrix for any foreign personnel for the Business from time to time;

(d) liaise with all relevant Myanmar authorities for the proper conduct and operation of the Business;

(e) ensure that Successful Goal complies with all laws and regulations in Myanmar;

(f) at all times provide Elite Matrix and its assigned personnel with full access to and use of such of Successful Goal's premises, facilities, equipment and/or documents as may be required for the purpose of performing the Services; and

(g) agree to and do all acts and things that are necessary for the fulfilment of the Company's role and responsibilities under the Strategic Co-operation Agreement.

Other obligations of FMI and/or Successful Goal under the Management Agreement include, *inter alia*, the following:

(a) FMI shall, during the term of the Management Agreement:

  (i) not sell, transfer or dispose of, or create or permit to subsist any mortgage, charge, pledge, lien or other encumbrance of any nature whatsoever over its shares in Successful Goal; and

  (ii) ensure and/or procure that there shall be no mortgage, charge, pledge, lien or other encumbrance of any nature whatsoever over any assets of Successful Goal and there shall be no disposal by Successful Goal of any part of its business and assets.

(b) Successful Goal shall not, during the term of the Management Agreement, mortgage, charge, pledge or permit any lien or other encumbrance of any nature whatsoever over any of its assets, or dispose of any part of its business and assets.

(c) FMI and Successful Goal will ensure that Successful Goal shall not, at any time during the term of the Management Agreement, (i) allot, issue, redeem or repurchase any shares in Successful Goal or (ii) declare, make or pay any dividends or any other distributions to FMI, except that Successful Goal may distribute up to thirty per cent. (30%) of its annual net profit after tax (if any, as determined based on Successful Goal's annual audited accounts) to FMI in the form of dividends.

(d) FMI and Successful Goal shall not do any acts or things, and shall procure that the directors of Successful Goal not do any acts or things or pass any resolutions, that may affect or prejudice in any way the rights and powers of Elite Matrix under the Management Agreement or result in any non-compliance with the terms of the Management Agreement or which may adversely affect the Business.

(e) FMI and Successful Goal will jointly and severally indemnify and keep Elite Matrix harmless against all actions, proceedings, claims and demands made and all liabilities, costs, expenses, losses and damages which may be suffered by Elite Matrix arising out of any breach by FMI and/or Successful Goal of any provisions of the Management Agreement.

In addition, FMI and Successful Goal have undertaken that they will take all such steps and execute all such documents as may be necessary, to effect the change in the memorandum and articles of association of Successful Goal to conform with the terms of the Management Agreement. In the event of any conflict between the provisions of the Management Agreement and the memorandum and/or articles of association of Successful Goal, the Management Agreement shall prevail.

### 2.5.8 Financing for the Business

Pursuant to the Strategic Co-operation Agreement, GMG will provide financial support to Elite Matrix including without limitation, loans, advances and/or credits, for the purchase of Dongfeng Light Trucks (the "**GMG Financing**"). GMG will make payment to DFAC on behalf of the Company when the Dongfeng Light Trucks are delivered FOB. Under the Management Agreement, Elite Matrix will procure the GMG Financing and extend financing to Successful Goal, on the same terms and conditions (including terms relating to credit period and interest) of the GMG Financing, as may be determined by Elite Matrix and agreed with GMG.

Elite Matrix will be entitled to pay the amounts payable to GMG out of Successful Goal's banking accounts and FMI and Successful Goal will jointly and severally indemnify and keep Elite Matrix harmless against all actions, proceedings, claims and demands made and all liabilities, costs, expenses, losses and damages which may be suffered by Elite Matrix arising out of its assumption of any payment obligations or liabilities towards GMG.

In the event that any Dongfeng Light Trucks bought using GMG Financing are not sold (the "**Unsold Trucks**") by the tenth (10th) day prior to the expiry of the credit/financing period granted by GMG, the Representatives of Elite Matrix will ensure that FMI shall, upon notice given by Successful Goal to FMI of such Unsold Trucks ("**Notice**"), purchase the Unsold Trucks from Successful Goal at the market selling price of the Unsold Trucks as determined by Elite Matrix and shall make full payment in cash for the Unsold Trucks to Successful Goal within three (3) days from the date of the Notice. FMI shall also pay for all fees and expenses incurred in respect of its purchase of the Unsold Trucks.

In addition, Successful Goal will, and FMI will procure that Successful Goal will, execute and deliver to Elite Matrix, blank and undated instruments of transfers in respect of all Dongfeng Light Trucks to be purchased by Successful Goal and all such other documents that are required for perfecting title to the Dongfeng Light Trucks. In the event that FMI fails to comply with its obligations to purchase and make full payment for the Unsold Trucks (as described in the immediately preceding paragraph), Elite Matrix shall be entitled to complete the instruments of transfers in respect of the Unsold Trucks, for the transfer to Elite Matrix. The transfer of the ownership to such Unsold Trucks to Elite Matrix will be completed and validated upon the stamping and filing of the instruments of transfer with the Vehicle Registration Department. Elite Matrix will have the right to sell or dispose of the Unsold Trucks in such manner and for such consideration as it may think fit, and Elite Matrix may apply the proceeds of such sale or disposal in or towards its payment obligations or liabilities towards GMG. Elite Matrix will not be liable for any loss arising out of the exercise of its rights and powers in relation to the Unsold Trucks. In addition, all fees and expenses incurred in respect of such transfers, registrations, sales and/or disposals of the Dongfeng Light Trucks will be borne by FMI.

Where any loans, advances and/or credits is obtained from any other third party financial institution or person (the "**Third Party Financier**") for the Business (the "**Third Party Financing**"), Elite Matrix shall be entitled to pay out of Successful Goal's banking accounts, the amounts payable to the Third Party Financier under the Third Party Financing. FMI and Successful Goal will jointly and severally indemnify and keep Elite Matrix harmless against all actions, proceedings, claims and demands made and all liabilities, costs, expenses, losses and damages which may be suffered by Elite Matrix arising out of its assumption of any payment obligations or liabilities towards any Third Party Financier.

**2.5.9 Loans by Elite Matrix**

During the first year of the term of the Management Agreement, Elite Matrix will grant interest-free loan(s) to Successful Goal of up to an aggregate of US$1.0 million (the "**Loan(s)**"), to be used by Elite Matrix, as manager of the Business and Successful Goal, towards working capital for its Business. Successful Goal shall make full repayment of the Loan(s) to Elite Matrix within five (5) years from the respective date of grant of each Loan, or when the accumulated cash reserve of Successful Goal is of an amount equivalent to or greater than US$6.0 million based on the quarterly accounts of Successful Goal, whichever is the earlier.

During the period from the start of the second year to the end of the fourth year of the term of the Management Agreement, Elite Matrix may, at its absolute discretion, grant further interest-free loan(s) to Successful Goal of up to an aggregate of US$4.0 million (the "**Subsequent Loan(s)**") for the purpose of its working capital to be used for the Business. Any Subsequent Loan(s) granted by Elite Matrix shall be repaid within five (5) years from the respective date of grant of each Subsequent Loan or when the accumulated cash reserve of Successful Goal is of an amount equivalent to or greater than US$6.0 million based on the quarterly accounts of Successful Goal, whichever is the earlier.

Notwithstanding the above, all Loan(s) and Subsequent Loan(s) shall become immediately due and payable by Successful Goal upon (a) the appointment of a liquidator, receiver and/or manager, judicial manager, trustee, administrator, agent or similar officer of Successful Goal or any part of its assets for whatever reason, or (b) any security over any part of Successful Goal's assets becoming enforceable or a distress, attachment, writ of seizure and sale, garnishee order, injunction or any form of execution being levied or enforced upon such assets, or (c) the termination of the Management Agreement.

Further, subject to the above, upon the termination of the Management Agreement in accordance with the terms therein, all Loan(s) and any Subsequent Loan(s) made by Elite Matrix to Successful Goal shall be repaid by Successful Goal to Elite Matrix immediately and prior to the repayment of any loans or satisfaction of any liabilities to any creditors of Successful Goal, subject to any applicable laws in Myanmar.

**2.5.10 Conditions Precedent**

The Management Agreement is conditional upon, *inter alia*, the following:

(a) Elite Matrix obtaining all necessary consents or approvals from its directors, shareholders, any third parties and any relevant governmental, regulatory or other authorities and bodies, and the approval by the Shareholders of the Company for the Management Agreement and all transactions contemplated thereunder;

(b) Elite Matrix having received from FMI and Successful Goal, within thirty (30) days from the date of the Management Agreement, (i) original duly signed written resolutions of Successful Goal's and FMI's board of directors approving the Management Agreement and all matters set out therein, in such form as is satisfactory to Elite Matrix and (ii) an original special power of attorney duly executed by Successful Goal in favour of Elite Matrix and/or its representative(s) to grant full authority, control and powers to Elite Matrix and/or its representative(s) to operate and manage the Business, in such form as is satisfactory to Elite Matrix; and

(c) Elite Matrix having received a satisfactory legal opinion from its counsel in Myanmar on, *inter alia*, the validity and enforceability of Elite Matrix's management and operating rights over Successful Goal and its Business under the Management Agreement, in such form as is acceptable to Elite Matrix in its sole and absolute discretion, prior to the general meeting to be convened by the Company to seek Shareholders' approval.

The Management Agreement will only come into force and effect upon satisfaction of all the conditions precedent as set out above, on and from the date that the Shareholders' approval is obtained for the Management Agreement (the "**Commencement Date**").

As at the Latest Practicable Date, save for the approval by the Shareholders of the Company for the Management Agreement, all the conditions set out above have been fulfilled.

**2.5.11 Term of the Management Agreement**

(a) The Management Agreement shall commence on the Commencement Date and shall, subject to earlier termination in accordance with the terms in Section 2.5.11(b) below, continue for a duration of ten (10) years from the Commencement Date, or such shorter or longer time period as the Management Agreement Parties may mutually agree in writing.

(b) Either Management Agreement Party may (without prejudice to its other rights) terminate the Management Agreement immediately by notice in writing to the other if:-

(i) a voluntary agreement is approved, or an administration order is made, or a receiver or administrative receiver is appointed over the other Management Agreement Party's assets or an undertaking or a resolution or petition to wind-up the other Management Agreement Party is passed or presented (other than for the purposes of amalgamation or reconstruction) or if any circumstances arise which entitle the courts or a creditor to appoint a receiver, administrative receiver or administrator or to present a winding-up petition or make a winding-up order or any similar event occurs;

(ii) the other Management Agreement Party defaults in the due performance or observance of any material obligation under the Management Agreement and, in the case of a remediable breach, fails to remedy the breach within thirty (30) days of receipt of notice so to do;

(iii) the other Management Agreement Party ceases to carry on business;

(iv) the other Management Agreement Party becomes unable to pay its debts as they fall due;

(v) any approval, licence, grant or consent which is required for the conduct or operation of the Business cannot be obtained or renewed or is revoked by the relevant authorities, which has a material adverse effect on the management or operation of the Business; or

(vi) the Strategic Co-operation Agreement expires or is terminated by the parties thereto.

#### 2.5.12 Governing Law

The Management Agreement shall be governed by and construed in accordance with the laws of Myanmar.

### 2.6 Rationale for, and benefits of, the Management Agreement

The Board undertook a strategic review of the Group's different businesses with the objective of positioning the Group for future sustainable growth. When the opportunity to distribute the Dongfeng Light Trucks in Myanmar arose after being approached by DFAC and GMG, Mr. Serge Pun decided to present this business opportunity to the Company. As the rules and regulations in Myanmar prescribe that only Myanmar companies are allowed to carry out the business of import and distribution of trucks in Myanmar, the Company chose to partner FMI and Successful Goal for this venture due to FMI's expertise and experience in the automobile industry in Myanmar and its good-standing with the local authorities.

In addition, in anticipation of an upturn in the economy in Myanmar, the Board believes that domestic demand and trading activity within Myanmar will increase, and consequently, the importance of land transportation will grow. As such, the Board believes that the Group's new venture into the automobile market in Myanmar is timely and will diversity the Group's business.

The Directors believe that the Management Agreement is in the interest of the Group for the following reasons:-

(a) the SPA Group, through its subsidiaries, has more than fifteen (15) years of experience in the automobile market in Myanmar and is the sole distributor and/or official supplier of certain brands of vehicles and spare parts in Myanmar;

(b) the SPA Group has an extensive automobile distribution network running across Myanmar. Apart from automobile distribution, the SPA Group also runs a number of automobile service centers across the country; and

(c) with the Management Agreement, Elite Matrix's will be able to rely and/or leverage on SPA Group's expertise and wide-ranging sales network in Myanmar's automobile market, in fulfilling the Company's role and responsibility under the Strategic Co-operation Agreement. Further, the Management Agreement with FMI and Successful Goal will enable Elite Matrix to penetrate and expand its presence in the Myanmar's automobile market.

## 3. THE ADDITIONAL SCOPE IN THE SHAREHOLDERS' MANDATE FOR RECURRING INTERESTED PERSON TRANSACTIONS

### 3.1 Background

At the extraordinary general meeting of the Company held on 10 September 2007, a Shareholders' Mandate was obtained for the Company and its subsidiary companies to enter into transactions falling within the categories of Interested Person Transactions described in the Company's circular to Shareholders dated 14 August 2007, with any party who is of the class or classes of Interested Persons described in the said circular, provided that such transactions are made on normal commercial terms in accordance with the guidelines and procedures for review and administration of the Interested Person Transactions as described in the said circular. The Shareholders' Mandate was renewed at the Company's previous annual general meetings held on 21 July 2008, 24 July 2009 and 29 July 2010 and will expire on the date of the forthcoming annual general meeting of the Company.

Pursuant to the Management Agreement, it is envisaged that the Group will in the ordinary course of business enter into recurring transactions with Successful Goal, being Interested Persons of the Company, which are not covered under the existing Shareholders' Mandate. These transactions are expected to occur with some degree of frequency and could arise at any time and from time to time. To facilitate such transactions, the Company proposes to expand the scope of the transactions covered by the existing Shareholders' Mandate by obtaining the approval of the

Shareholders at the EGM to include the Additional Scope in the existing Shareholders' Mandate, which will authorise the Group to enter into such transactions with Successful Goal. Details of the Additional Scope, including the rationale for, and the benefits to the Company, the review procedures for the Additional Scope and other general information relating to Chapter 9 of the Listing Manual are set out below.

**3.2 Scope in the Existing Shareholders' Mandate**

The scope in the existing Shareholders' Mandate and the reviews and procedures in respect of the Interested Person Transactions covered in the existing Shareholders' Mandate are set out in Appendix A of this Circular.

**3.3 Rationale for, and benefits of, the Additional Scope in the Shareholders' Mandate**

Pursuant to the Management Agreement (the rationale for, and benefits of which, are elaborated in Section 2.6 above), it is envisaged that, during the term of the Management Agreement, Elite Matrix (i) will procure the GMG Financing and extend financing to Successful Goal, on the same terms and conditions (including terms relating to credit period and interest) of the GMG Financing to fund the purchase of Dongfeng Light Trucks; (ii) may procure any other Third Party Financing for the Business of Successful Goal; and/or (iii) may provide Subsequent Loan(s) to Successful Goal for purpose of its working capital for the Business (as described in Sections 2.5.7 and 2.5.8). As such, the Company intends to seek the Shareholders' approval to include the Additional Scope in the existing Shareholders' Mandate pursuant to Chapter 9 of the Listing Manual.

If the inclusion of the Additional Scope in the existing Shareholders' Mandate is approved by the Shareholders at the EGM, the renewal of the existing Shareholders' Mandate with the Additional Scope (the "**Revised Shareholders' Mandate**") on an annual basis would eliminate the need for the Company to announce, or to announce and convene separate general meetings from time to time to seek Shareholders' prior approval as and when potential Interested Person Transactions with a specific class of Interested Persons arise, thereby reducing substantial administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group. In addition, this will considerably improve administrative efficacy.

The Revised Shareholders' Mandate is intended to facilitate the Interested Person Transactions in the ordinary course of business of the Group which the Directors envisage are likely to be transacted with some frequency from time to time with the Interested Persons, provided that they are carried out at arm's length and on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

**3.4 The Additional Scope**

The Additional Scope in the Shareholders' Mandate (the "**Additional Scope**") comprises the following financing transactions (the "**Financing Transactions**"):-

(a) the procurement and extension of financing to Successful Goal for the purchase of Dongfeng Light Trucks and the procurement of any other financing for the Business of Successful Goal pursuant to the Management Agreement and the enforcement or realization of any security given in respect of the Dongfeng Light Trucks to Elite Matrix in connection with such financing (the "**Procurement of Financing**") up to US$2 million; and

(b) the provision of discretionary interest-free loan(s) or financing (up to an aggregate of US$4 million) to Successful Goal for the purpose of its working capital to be used for the Business pursuant to the Management Agreement.

If approved by the Shareholders at the EGM, the above Financing Transactions will be included as a separate, new category of Interested Person Transactions in the existing Shareholders' Mandate.

Transactions with Interested Persons which do not come within the ambit of the Revised Shareholders' Mandate will be subject to applicable provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

**3.5 Validity period of the Revised Shareholders' Mandate**

If approved by Shareholders at the EGM, the inclusion of the Additional Scope in the existing Shareholders' Mandate will take effect from the date of receipt of Shareholders' approval at the EGM until the next annual general meeting of the Company, and shall apply in respect of Interested Person Transactions entered or to be entered into from the date of the EGM until the next annual general meeting of the Company, unless revoked or varied by the Company in general meeting. Thereafter, approval from Shareholders for the renewal of the Revised Shareholders' Mandate will continue to be sought at each subsequent annual general meeting of the Company, subject to the satisfactory review by the Audit Committee.

**3.6 Procedures and review of the Additional Scope**

To ensure that Interested Person Transactions are conducted at arm's length and on normal commercial terms consistent with the Group's usual business practices and on terms which are generally not more favourable than those extended to unrelated third parties, and will not be prejudicial to the interests of the Company and its minority Shareholders, the Group has adopted the following procedures for the review and approval of Interested Person Transactions in respect of the Additional Scope. Any reference to the "**Chief Financial Officer**" in the following review procedures shall mean the Chief Financial Officer or such other officer of equivalent rank or designation of the Company for the time being.

**3.6.1 Procedures and review of the Additional Scope**

(a) Procurement of financing

(i) The following approval procedures will be adopted by the Company in respect of the Procurement of Financing pursuant to the Management Agreement:-

| **Value of Financing** | **Required Approval** |
|---|---|
| Less than US$60,000 | The approval of the managing director of Elite Matrix (who shall not be an Interested Person in respect of the Procurement of Financing) prior to making any commitment to the Procurement of Financing |
| Greater than or equal to US$60,000 but less than US$200,000 | The approval of the managing director of Elite Matrix (who shall not be an Interested Person in respect of the Procurement of Financing); and verification and confirmation by the Company's Chief Executive Officer or Director (who shall not be an Interested Person in respect of the Procurement of Financing) prior to making any commitment to the Procurement of Financing |
| Greater than or equal to US$200,000 | The approval of the managing director of Elite Matrix (who shall not be an Interested Person in respect of the Procurement of Financing); verification and confirmation by the Company's Chief Executive Officer or Director (who shall |

| Value of Financing | Required Approval |
|---|---|
| | not be an Interested Person in respect of the Procurement of Financing); and approval of one (1) Independent Director prior to making any commitment to the Procurement of Financing |
| Elite Matrix's financial controller shall submit a report to (i) the Chief Financial Officer on a monthly basis, and (ii) the Audit Committee on a quarterly basis, on all Procurement of Financing pursuant to the Management Agreement. | |

(ii) In approving the Procurement of Financing, the relevant authorising personnel shall have regard to all relevant factors including without limitation, the terms of the relevant financing, whether the Procurement of Financing will be prejudicial to the interests of minority Shareholders, the need for such Procurement of Financing, the status of the cash flow of Successful Goal and the market demand for Dongfeng Light Trucks.

(b) Provision of Subsequent Loan(s)

(i) The provision of any Subsequent Loan(s) shall be subject to the approval of the Board of Directors of the Company (excluding any Interested Person in respect of the Subsequent Loan(s)).

In approving any provision of Subsequent Loan(s), the relevant authorising personnel shall have regard to all relevant factors including without limitation, whether the provision of the Subsequent Loan(s) will be prejudicial to the interests of minority Shareholders, the need for such Subsequent Loan(s), the status of the cash flow of Successful Goal, Elite Matrix and the Company, and the business prospects of Successful Goal.

(ii) The following approval procedures will be adopted by the Company in respect of the drawdown of any provision of Subsequent Loan(s) to Successful Goal for the purpose of working capital to be used for the Business pursuant to the Management Agreement:-

| Value of Subsequent Loan(s) | Required Approval |
|---|---|
| Less than US$100,000 | The approval of the managing director of Elite Matrix (who shall not be an Interested Person in respect of the Subsequent Loan(s)) prior to making any commitment to the Subsequent Loan(s) |
| Greater than or equal to US$100,000 but less than US$250,000 | The approval of the managing director of Elite Matrix (who shall not be an Interested Person in respect of the Subsequent Loan(s)); and verification and confirmation by the Company's Chief Executive Officer or Director (who shall not be an Interested Person in respect of the Subsequent Loan(s)) prior to making any commitment to the Subsequent Loan(s) |

<table>
<tr><th>Value of Subsequent Loan(s)</th><th>Required Approval</th></tr>
<tr><td>Greater than or equal to US$250,000</td><td>The approval of the managing director of Elite Matrix (who shall not be an Interested Person in respect of the Subsequent Loan(s)); verification and confirmation by the Company's Chief Executive Officer or Director (who shall not be an Interested Person in respect of the Subsequent Loan(s)); and approval of one (1) Independent Director prior to making any commitment to the Subsequent Loan(s)</td></tr>
<tr><td colspan="2">Elite Matrix's financial controller shall submit a report to (i) the Chief Financial Officer on a monthly basis, and (ii) the Audit Committee on a quarterly basis, on all provisions of Subsequent Loan(s) to Successful Goal by Elite Matrix, including details on the quantum and purpose of the loan and, if applicable, the identity of the vendor of the goods or services for which the monies from the Subsequent Loan were applied to.</td></tr>
<tr><td colspan="2">The Representative of Elite Matrix who sits on the board of directors of Successful Goal shall be a signatory to all disbursements of the Subsequent Loan(s) by Successful Goal.</td></tr>
</table>

(iii) In approving the drawdown of any provision of Subsequent Loan(s), the relevant authorising personnel shall have regard to all relevant factors including without limitation, whether the provision of the Subsequent Loan(s) will be prejudicial to the interests of minority Shareholders, the need for such Subsequent Loan(s), the status of the cash flow of Successful Goal, Elite Matrix and the Company, and the business prospects of Successful Goal.

**3.6.2 Other procedures**

In addition to the review procedures set out above, the other general procedures that apply to all Interested Person Transactions under the existing Shareholders' Mandate (as set out in paragraph 4 of Appendix A) will similarly apply to the Additional Scope.

**3.7 Disclosure in the annual report**

If the inclusion of the Additional Scope in the existing Shareholders' Mandate is approved by the Shareholders at the EGM, in accordance with Chapter 9 of the Listing Manual, the Company will disclose the Revised Shareholders' Mandate and the aggregate value of the Financing Transactions conducted with Successful Goal pursuant to the Management Agreement in addition to the Interested Person Transactions falling under the existing Shareholders' Mandate, in the annual report of the Company for the current financial year, and in the annual reports for subsequent financial years during which the Revised Shareholders' Mandate is in force.

In addition, the Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the Revised Shareholders' Mandate for each relevant financial period which it is required to report on pursuant to the Listing Manual within the time required for the announcement of such report. These disclosures will be made in the form required under Chapter 9 of the Listing Manual.

## 4. THE PROPOSED DISPOSAL OF EQUITY INTERESTS IN FIRST MYANMAR CONSTRUCTION CO LTD, MYANMAR V-PILE CO LTD, MYANMAR PILING CO LTD AND V-PILE (SINGAPORE) PTE. LTD.

### 4.1 Background

On 21 July 2010, the Directors announced that YCI, a wholly-owned subsidiary of the Company, had, on 20 July 2010, entered into the Disposal Agreement with the Purchaser, pursuant to which YCI has agreed to sell and the Purchaser has agreed to purchase, (a) the FMC Sale Shares and (b) the MVP Sale Shares (collectively, the "**Sale Shares**").

Pursuant to Rule 1014 of the Listing Manual, as one of the relative figures as computed on the bases set out in Rule 1006 exceeds twenty per cent. (20%), the Proposed Disposal constitutes a 'major transaction' under Chapter 10 of the Listing Manual and is conditional upon the approval of shareholders in a general meeting.

If the Proposed Disposal is approved by the Shareholders, upon the completion of the Proposed Disposal, FMC, MVP, Myanmar Piling and V-Pile Singapore will cease to be subsidiaries of the Group.

### 4.2 Information about YCI

YCI is a wholly-owned subsidiary of Yoma Strategic Investment Ltd. (a wholly-owned subsidiary of the Company) incorporated in Singapore. YCI is an investment holding company having business in the provision of construction-related services through its subsidiaries, FMC and MVP.

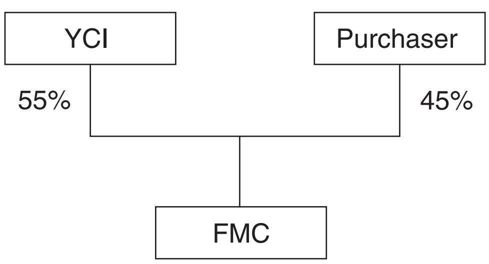
### 4.3 Information about FMC and MVP

Both FMC and MVP are companies incorporated in Myanmar and their principal activities are the carrying out of super-structure construction works and the provision of piling and construction services respectively. YCI owns fifty-five per cent. (55%) of the issued share capital of each of FMC and MVP. YCI acquired its equity interest in the issued share capital of MVP and FMC on 7 February 2005 and 1 April 2005 respectively. Subsequently, the Company injected approximately S$33,000 as share capital into FMC since its acquisition of interest in FMC. There was no subsequent capital injection by the Company into MVP since its acquisition of interest in MVP. The Purchaser owns the remaining forty-five per cent. (45%) of the issued share capital of each of FMC and MVP.

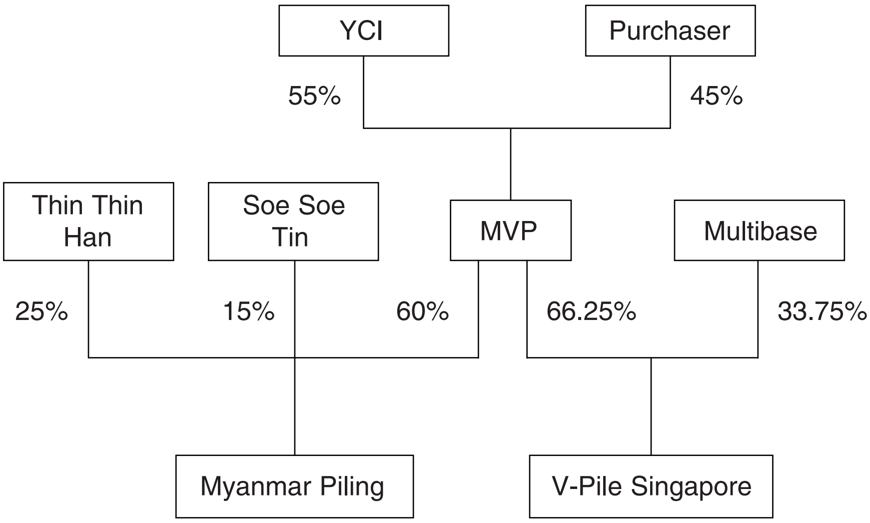
FMC does not own any equity interest in any company.

MVP in turn owns sixty per cent. (60%) of the issued share capital of Myanmar Piling and sixty-six and one quarter per cent. (66.25%) of the issued share capital of V-Pile Singapore, which businesses are also in the provision of piling and construction services. The remaining thirty-three and three quarter per cent. (33.75%) of the issued share capital of V-Pile Singapore is owned by Multibase Construction Pte Ltd (Company Registration No: 200003322W) ("**Multibase**") which is not related to the Company or its Directors and substantial Shareholders. The remaining forty per cent. (40%) of the issued share capital of Myanmar Piling are owned by Thin Thin Han (twenty-five per cent. (25%)) and Soe Soe Tin (fifteen per cent. (15%)), both of whom are not related to the Company or its Directors and substantial Shareholders.

A shareholding structure of FMC is set out below:



A shareholding structure of MVP, Myanmar Piling and V-Pile Singapore (the "**MVP Group**") is set out below:




**4.4 Information about Purchaser**

The Purchaser is Dr Sone Han, who is a Myanmar national and the managing director of MVP and V-Pile Singapore. The Purchaser owns the remaining forty-five per cent. (45%) of each of the issued share capital of FMC and MVP.

**4.5 Principal terms of the Disposal Agreement**

**4.5.1 Purchase Consideration**

Pursuant to the Disposal Agreement, the total cash consideration payable by the Purchaser for the Sale Shares is USD2.27 million (approximately SGD 3.13 million, based on the prevailing exchange rate of 1.3779 SGD/USD on or about the date of the Disposal Agreement) (the "**Purchase Consideration**"). The Purchase Consideration is payable by the Purchaser in the following manner:-

(a) an upfront payment of USD750,000.00 to be made within seven (7) days after the date of signing of the Disposal Agreement (the "**Deposit**");

(b) the remaining sum of USD1,520,000.00 to be paid in seven (7) installments (each, an "**Installment**") as follows:-

(i) first Installment of USD250,000.00 (the "**First Installment**") to be paid on the date of completion of the sale and purchase of the Sale Shares (the "**Completion Date**");

(ii) second Installment of USD220,000.00 (the "**Second Installment**") to be paid at the end of the three (3)-month period following the Completion Date (the "**Second Installment Payment Date**"); and

(iii) five (5) subsequent Installments of USD210,000.00 each (the "**Subsequent Installments**") to be paid every three (3) months, with the first Subsequent Installment (the "**Third Installment**") being due and payable at the end of the first three (3)-month period following the Second Installment Payment Date.

Under the terms of the Disposal Agreement, in the event that the Purchaser fails to make payment of the Second Installment or the Third Installment, the Purchaser shall remedy such failure within certain period(s) of time, and shall pay default interest on the unpaid sums, as prescribed by the Disposal Agreement. After such prescribed period(s), YCI may immediately proceed to exercise any rights, powers or remedies available to it against the Purchaser, including but not limited to the enforcement of the Share Charges (as defined in paragraph 4.5.3 of this Circular).

As at the date of this Circular, the Purchaser has made full payment for the Deposit.

If the Purchaser fails to make payment of any of the Subsequent Installments (other than the Second Installment and the Third Installment), YCI may, at its absolute discretion, grant the Purchaser such period of time as YCI may determine to remedy such failure and charge default interest on the unpaid sums, or immediately proceed to exercise any rights, powers or remedies available to it against the Purchaser, including but not limited to the enforcement of the Share Charges.

In the event, *inter alia*, that the Disposal Agreement is terminated or the completion of the sale and purchase of the Sale Shares (the "**Completion**") does not occur by the Completion Date as prescribed under the Disposal Agreement due to a default by the Purchaser of his obligations under the Disposal Agreement, the Deposit (together with any and all interest accrued thereon) shall be forfeited and the Purchaser shall not be entitled to any refund of the Deposit.

In the event that Completion does not occur by the Completion Date not by reason of any fault or default by both parties, YCI shall refund the Deposit without any interest accrued thereon to the Purchaser.

The Purchase Consideration was arrived at by YCI and the Purchaser on a willing-seller willing-buyer basis.

**4.5.2 Material Conditions Precedent**

Under the Disposal Agreement, the completion of the sale and purchase of the Sale Shares is conditional upon, *inter alia*, the following:

(a) YCI having obtained all the necessary consents or approvals in relation to the sale of the Sale Shares to the Purchaser, including from the board of directors and/or shareholders of YCI and the Company, and from any third parties, governmental, regulatory or other authorities including the SGX-ST; and

(b) the Purchaser having obtained all the necessary consents or approvals in relation to the sale of the Sale Shares to the Purchaser, including any necessary consents or approvals from any third party vendors of FMC, MVP and their subsidiaries, prior to the extraordinary general meeting to be convened by the Company to seek Shareholders' approval for the sale of the Sale Shares.

Under the Corporate Guarantees (as defined below), the consent of ORIX Leasing (as defined below) is required in the event that there is a change in control of V-Pile Singapore. As such, the completion of the sale and purchase of the Sale Shares is conditional upon, *inter alia*, the Purchaser having obtained the consent of ORIX Leasing in relation to the sale of the Sale Shares to the Purchaser from ORIX Leasing.

Subject to the fulfillment of the conditions precedent set out in the Disposal Agreement, Completion is expected to take place within seven (7) days from the date on which approval from the Shareholders for the Proposed Disposal is obtained or such other date as may be agreed in writing between YCI and the Purchaser.

#### 4.5.3 Other Salient Terms

*Share Charges*

As security for the payment and discharge of all obligations and liabilities of the Purchaser under the Disposal Agreement, including the payment of the Installments and the Purchaser's obligations in connection with the Deed of Indemnity (as defined below) relating to the Corporate Guarantees (as defined below), the Purchaser has agreed to execute and deliver to YCI at Completion, two (2) share charges in favour of YCI in respect of the entire FMC Sale Shares and MVP Sale Shares that are transferred to the Purchaser pursuant to the Proposed Disposal (the "**Share Charges**").

*Corporate Guarantees and Indemnities*

As at the date of the Disposal Agreement, Orix Leasing Singapore Limited (the "**ORIX Leasing**") had granted two (2) revolving credit facilities of up to an aggregate amount of S$1.73 million to V-Pile Singapore (the "**Hire Purchase Facilities**"). The Company had given two (2) corporate guarantees (the "**Corporate Guarantees**") to Orix Leasing in respect of the Hire Purchase Facilities.

Under the terms of the Agreement, YCI has agreed with the Purchaser that it shall procure that the Company will not withdraw the Corporate Guarantees until the discharge or termination of the Corporate Guarantees in accordance with the terms thereunder, provided that if there is a breach of any provisions in the Agreement and the Share Charges by the Purchaser, the Corporate Guarantees may be terminated or withdrawn immediately by the Company upon such breach.

In consideration of YCI procuring the non-withdrawal of the Corporate Guarantees, the Purchaser has agreed and undertaken to execute a deed of indemnity, to fully indemnify the Company from and against any claims, demands, liabilities and costs etc. which it may suffer at any time from the Completion Date in connection with or arising from the Corporate Guarantees (the "**Deed of Indemnity**").

The Purchaser has also agreed and undertaken to fully indemnify YCI and the Company against all claims, demands, liabilities and costs etc. which they may suffer in connection with or arising out of any breach by the Purchaser of any provisions in the Disposal Agreement and the Share Charges.

### 4.6 Rationale for, and the benefits of, the Proposed Disposal

The Proposed Disposal is pursuant to an offer to purchase received by YCI from the Purchaser. The Directors had carefully deliberated the offer and have reached the opinion that it would be in the interest of the Company to accept the offer for the following reasons:

(a) Though MVP and FMC are fifty-five per cent. (55%)-owned subsidiaries of the Group, the Company's effective interest in the subsidiaries of MVP, namely Myanmar Piling and V-Pile Singapore are only thirty-three per cent. (33%) and thirty-six per cent. (36%) respectively. The prospects of the Company gaining majority interest in these subsidiaries are limited.

(b) The businesses have been run independently under the stewardship of the Purchaser since their inception and the Purchaser has for some time expressed his desire to gain ownership of the businesses. In addition, the business directions of the Purchaser and the management of the Company have increasingly diverged in recent years.

(c) The offer received is a reasonable offer providing the Company with an attractive return for its investment over the years. The Company's initial cost of investment in the Sale Shares[1] is S$1.64 million and hence the excess of the Purchase Consideration over the initial cost of

1 The Company's initial cost of investment in MVP Sale Shares and FMC Sale Shares are S$1.35 million and $$0.29 million respectively.

investment is S$1.49 million. In addition, as stated in Section 4.10 below, the approximate gain to the Company on disposal will be S$0.05 million in the Group's consolidated financial statements.

(d) Revenue generated from the Group's construction related activities in the first quarter ended 30 June 2010 was S$2.35 million, a decrease of S$0.97 million as compared to the S$3.32 million in the previous corresponding quarter.[2] Based on the quarter ended 30 June 2010, MVP and FMC only contributed profit of S$6,000 as compared to S$188,000 in the previous corresponding quarter.[3] If the Proposed Disposal occurred during FY2008 and FY2009, the Group would still have been profitable.

(e) The Proposed Disposal will not have a significant impact on the principal activities of the Group as the subsidiaries proposed to be disposed are independent business units. During the financial year ended 31 March 2010, there were no dividends received from MVP Group and FMC nor were there intercompany balances for cash balances received from MVP Group and FMC. The cash flow needs of the Group came mainly from Lion Century Properties Ltd ("**LCP**"), a subsidiary of the Company which deals in the sale of land development rights in Myanmar. During the financial year ended 31 March 2010, the total cash balance received from LCP amounted to S$2.02 million. As such, the cash flows of the Group's existing businesses have not been dependent on the MVP Group and FMC. The Proposed Disposal is unlikely to affect the cash flow needs of the Group.

(f) The Group would be able to utilise the sales proceeds and focus its investments into businesses where the Group will have greater control.

(g) The Group would have additional working capital for such other businesses contemplated in the near future.

**4.7 Use of Proceeds**

The Company intends to utilise the proceeds from the Proposed Disposal for the Group's general working capital purpose.

**4.8 Relative Figures under Rule 1006 of the Listing Manual**

Based on the audited consolidated results of the Company for FY2010, the relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

| | | **Relative figures (%)** |
|---|---|---|
| Rule 1006(a) | Net asset value of assets to be disposed of, as compared with the Group's net asset value. This basis is not applicable to an acquisition of assets | 2.40 |
| Rule 1006(b) | Net profits attributable to the assets disposed of, as compared with net profits of the Group(1) | 181.18 |
| Rule 1006(c) | Aggregate value of consideration received for the Proposed Disposal, compared with the Company's market capitalisation(2) based on the total number of issued shares excluding treasury shares | 8.47 |

2 Based on the quarter ended 30 June 2010, MVP and FMC contributed revenue of S$1.77 million and S$0.41 million respectively. Based on the quarter ended 30 June 2009, MVP and FMC contributed revenue of S$2.12 million and S$0.84 million respectively.

3 Based on the quarter ended 30 June 2010, MVP and FMC contributed loss of S$14,000 and profit of S$20,000 respectively. Based on the quarter ended 30 June 2009, MVP and FMC contributed profit of S$107,000 and S$81,000 respectively.

| | | Relative figures (%) |
|---|---|---|
| Rule 1006(d) | The number of equity securities to be issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue | Not applicable |

Notes:-

(1) The consolidated net profit of the Company for FY2010 was S$526,000.

(2) The Company's market capitalisation of approximately S$36.94 million is based on its total number of issued shares of 527,647,342 and the weighted average traded price of S$0.07 per share on 20 July 2010, being the market day immediately preceding the date of the Disposal Agreement.

As the relative figure under Rule 1006 (b) above exceeds twenty per cent. (20%), the Proposed Disposal constitutes a 'major transaction' under Chapter 10 of the Listing Manual and the Company is seeking approval from the Shareholders for the Proposed Disposal at the EGM.

### 4.9 Value of Sale Shares and excess of Purchase Consideration over book value

Based on the latest audited financial results of FMC and MVP for their FY2010: (a) the aggregate book value of the Sale Shares is S$2.64 million and the aggregate NTA value of the Sale Shares is S$2.62 million; (b) the book value of the FMC Sale Shares is S$0.58 million and the NTA value of the FMC Sale Shares is S$0.58 million; and (c) the book value of the MVP Sale Shares is S$2.05 million and the NTA value of the MVP Sale Shares is S$2.05 million.

The excess of the Purchase Consideration over the aggregate book value of the Sale Shares is approximately S$0.5 million.

### 4.10 Net profits attributable to Sale Shares and gain on the Proposed Disposal

Based on the latest audited financial results of FMC and MVP for their FY2010: (a) the aggregate net profit attributable to the Sale Shares is approximately S$0.95 million; (b) the net profit attributable to the FMC Sale Shares is approximately S$0.46 million; and (c) the net profit attributable to the MVP Sale Shares is approximately S$0.49 million.

The Company is expected to recognise a gain of approximately S$0.05 million on the disposal of the Sale Shares in the Group's consolidated financial statements.

### 4.11 Financial effects of the Proposed Disposal

#### 4.11.1 Assumptions

The pro forma financial effects of the Proposed Disposal presented below are for illustration purposes only and do not reflect the actual financial results of the Group after completion of the Proposed Disposal.

The following pro forma financial effects have been prepared based on the audited consolidated financial statements of the Company for FY2010, and assuming that the Proposed Disposal had been completed:

(a) at the end of FY2010, for illustrating the financial effect on the consolidated NTA per share of the Company; and

(b) at the beginning of FY2010, for illustrating the financial effect on the consolidated EPS of the Company.

#### 4.11.2 NTA

| | Before Proposed Disposal | After Proposed Disposal |
|---|---|---|
| NTA (S$'000) | 129,104 | 127,509 |
| Number of Shares ('000) | 527,647 | 527,647 |
| NTA per Share (cents) | 24.47 | 24.17 |

The NTA attributable to FMC at the Group's consolidated financial statement is approximately S$0.82 million. The NTA attributable to MVP at the Group's consolidated financial statement is approximately S$1.85 million.

#### 4.11.3 EPS

| | Before Proposed Disposal | After Proposed Disposal |
|---|---|---|
| Earnings (S$'000) | 525 | (373) |
| Weighted Average Number of Shares ('000) | 485,648 | 485,648 |
| EPS (cents) | 0.11 | (0.08) |

The Earnings attributable to FMC is approximately S$0.46 million. The Earnings attributable to MVP is approximately S$0.49 million.

#### 4.11.4 Revenue and Cash and Bank Balances

| | Before Proposed Disposal | After Proposed Disposal |
|---|---|---|
| Revenue (S$'000) | 17,178 | 4,645(1) |
| Cash and bank balances ('000) | 2,804 | 4,426(2) |

The revenue and cash and bank balances attributable to FMC are approximately S$2.86 million and S$0.01 million respectively. The revenue and cash and bank balances attributable to MVP are approximately S$9.67 million and S$1.50 million respectively.

Notes:-

(1) After deducting revenue amounting to S$12.53 million generated by MVP Group and FMC.

(2) After adding Purchase Consideration of US$2.27 million (approximately S$3.13 million) and deducting cash and bank balances amounting to S$1.51 million held by MVP Group and FMC.

### 4.12 Service contracts

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any person in connection with the Proposed Disposal.

## 5. OPINION OF THE IFA

5.1 NRA Capital has, in accordance with Chapter 9 of the Listing Manual, been appointed as the independent financial adviser to advise the Recommending Directors on:

(a) whether the terms of the Management Agreement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders; and

(b) whether the review procedures for the Additional Scope, if adhered to and applied properly at all times, are sufficient to ensure that the Financing Transactions under the Additional Scope will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

5.2 Based on their considerations and subject to the qualifications and assumptions set out in the Opinion Letter, the IFA is of the opinion that:

(a) the terms of the Management Agreement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders; and

(b) the review procedures set up by the Company for the Additional Scope, if adhered to and applied properly at all times, are sufficient to ensure that the Financing Transactions under the Additional Scope will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

5.3 The Opinion Letter of the IFA dated 16 November 2010 is reproduced and appended as Appendix B of this Circular. Shareholders are advised to read the Opinion Letter carefully.

## 6. STATEMENT OF THE AUDIT COMMITTEE

### 6.1 Management Agreement

The Audit Committee has reviewed the terms, rationale and benefits of the Management Agreement and the Opinion Letter of the IFA in relation to the Management Agreement and is of the view that the Management Agreement is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

### 6.2 Additional Scope in the Shareholders' Mandate

The Audit Committee has reviewed the Additional Scope and the Opinion Letter of the IFA in relation to the Additional Scope and is satisfied that the review methods or procedures for the Additional Scope are sufficient to ensure that such Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or manner in which, the business activities of the Group are conducted, the Company will seek the Shareholders' approval for a fresh mandate based on new guidelines and review procedures to ensure that Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

## 7. DIRECTORS' RECOMMENDATION

### 7.1 Management Agreement

After having considered, *inter alia*, the terms, rationale for and benefits of the Management Agreement, the Opinion Letter of the IFA and the statement of the Audit Committee, the Directors (except for Mr. Serge Pun who is interested in, and who will abstain from making any recommendation in respect of the Management Agreement) are of the opinion that the

Management Agreement is in the interest of the Company and is not prejudicial to the interests of its minority Shareholders. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 1 relating to the Management Agreement as set out in the Notice of EGM.

### 7.2 Additional Scope

After having considered, *inter alia*, the terms, rationale for and benefits of the Additional Scope, the Opinion Letter of the IFA and the statement of the Audit Committee, the Directors (except for Mr. Serge Pun who is interested in, and who will abstain from making any recommendation in respect of the Additional Scope) are of the opinion that it is in the interest of the Company to include the Additional Scope in the existing Shareholders' Mandate and that such inclusion of the Additional Scope is not prejudicial to the interests of its minority Shareholders. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 2 relating to the Additional Scope as set out in the Notice of EGM.

### 7.3 Proposed Disposal

After having considered, *inter alia*, the terms, rationale for and benefits of the Proposed Disposal, the Directors are of the opinion that the Proposed Disposal is in the interest of the Company. Accordingly, they recommend that Shareholders vote in favour of the Ordinary Resolution 3 relating to the Proposed Disposal as set out in the Notice of EGM.

## 8. OVERVIEW OF GROUP AFTER THE PROPOSED DISPOSAL

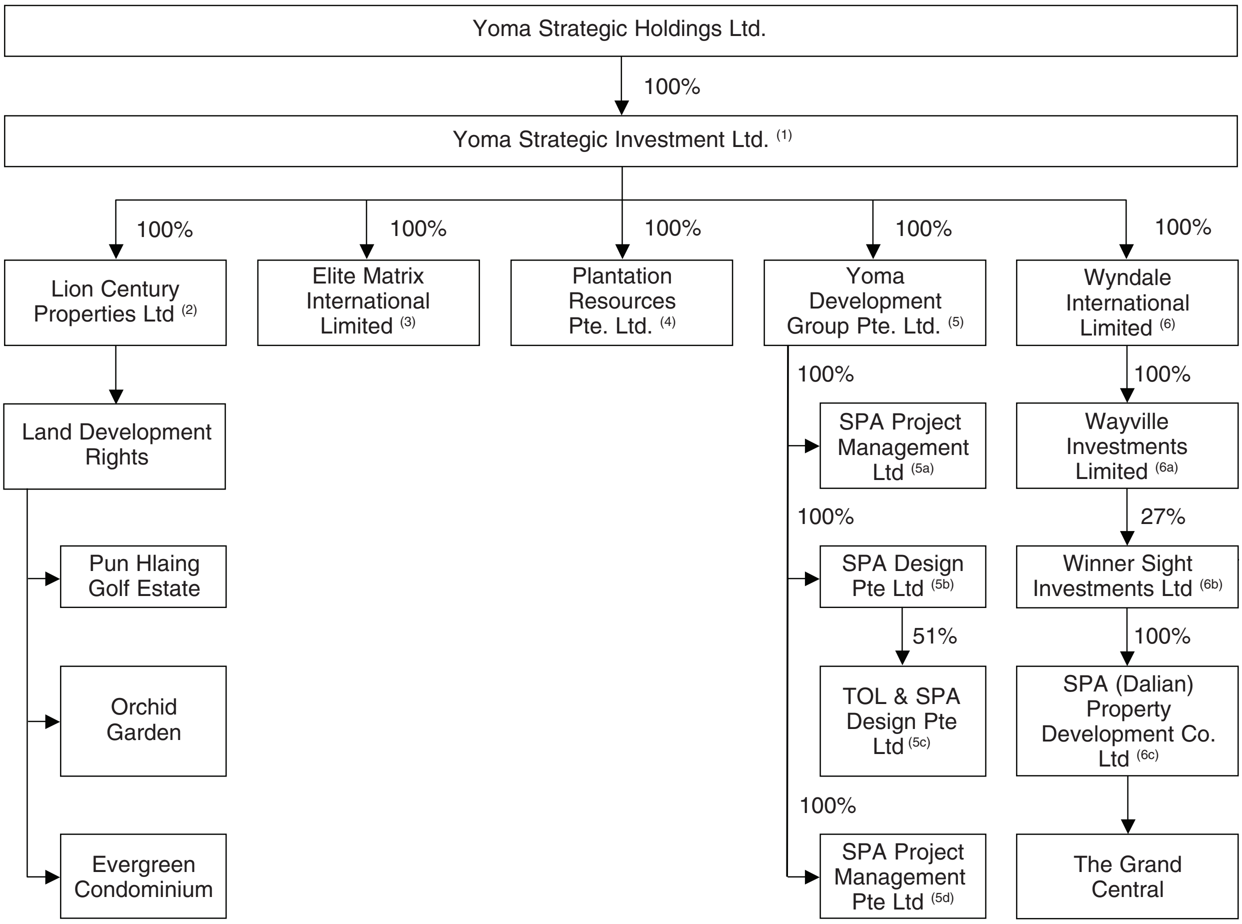
Assuming that Shareholders approve the Proposed Disposal and it is completed, the principal businesses of the Group will remain as real estate development, provision of architectural, design and project management services and agricultural activities. The Group has identified the proposed automobile business in Myanmar as a business to expand into as it believes that, in anticipation of an upturn in the economy of Myanmar in the coming years, transportation of goods and commerce by land is likely to remain the main mode of commercial transport in Myanmar given the absence of extensive infrastructure for air and water transport. The Group hopes to capitalise on this opportunity by preparing and investing in the appropriate resources now. The Group will also continue to actively pursue business opportunities as they arise in China and Myanmar.

Assuming that Shareholders approve the Management Agreement, Additional Scope in the Shareholders' Mandate and the Proposed Disposal, the Group structure and the remaining business activities of the Group will be as set out below:

*The remaining portion of this page has been intentionally left blank.*

## GROUP CORPORATE STRUCTURE

(Assuming completion of Proposed Disposal and obtaining of Shareholders' approval of the Management Agreement and the Additional Scope in the Shareholders' Mandate)




Notes:-

| | **Name of Subsidiaries** | **Principal Activities** |
|---|---|---|
| (1) | Yoma Strategic Investment Ltd. | Investment holding |
| (2) | Lion Century Properties Ltd | Property development rights holding |
| (3) | Elite Matrix International Limited | Manager of automobile business |
| (4) | Plantation Resources Pte. Ltd. | Agricultural activities |
| (5) | Yoma Development Group Pte. Ltd. | Investment holding |
| (5a) | SPA Project Management Ltd | Property development, management, architectural and design services |
| (5b) | SPA Design Pte Ltd | Design services |
| (5c) | TOL & SPA Design Pte Ltd | Design services |
| (5d) | SPA Project Management Pte Ltd | Project management services |
| (6) | Wyndale International Limited | Investment holding |
| (6a) | Wayville Investments Limited | Investment holding |
| (6b) | Winner Sight Investments Ltd | Investment holding |
| (6c) | SPA (Dalian) Property Development Co. Ltd | Investment holding |

## 9. INTERESTS OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDER

9.1 Save as disclosed in this Circular, none of the Directors or the Controlling Shareholder of the Company (other than in their capacity as directors or shareholders of the Company) has any interest, direct or indirect, in the Management Agreement or the Proposed Disposal.

9.2 The interests of the Directors and the substantial Shareholder of the Company as at the Latest Practicable Date, as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained under the provisions of the Companies Act (Cap. 50), were as follows:

| | **Direct Interest** | | **Deemed Interest** | |
|---|---|---|---|---|
| | **No. of Shares** | **% of total issued Shares (%)** | **No. of Shares** | **% of total issued Shares (%)** |
| **Directors** | | | | |
| Mr. Serge Pun(1) | 247,687,409 | 46.94 | 16,248,108 | 3.13 |
| Mr. Kyi Aye | – | – | – | – |
| Mr. Adrian Chan Pengee | – | – | – | – |
| Mr. Ng Fook Leong, Philip | – | – | – | – |
| Mr. Basil Chan | – | – | – | – |
| Mr. Cyrus Pun (Alternate Director to Mr. Serge Pun) | – | – | – | – |
| **Substantial Shareholder** | | | | |
| Mr. Serge Pun(1) | 247,687,409 | 46.94 | 16,248,108 | 3.13 |

Note:

(1) Mr. Serge Pun is deemed to be interested in the thirty-eight thousand one hundred and sixty-six (38,166) Shares (one hundredth per cent. (0.01%)) held by Mr. Serge Pun's wife, sixteen million two hundred thousand nine hundred and ten (16,200,910) Shares (three and eleven hundredth per cent. (3.11%)) held by Pun Holdings Pte Ltd in which Mr. Serge Pun holds one hundred per cent. (100%) and the nine thousand and thirty-two (9,032) Shares (less than one hundredth per cent. (0.01%)) held by SPA in which Mr. Serge Pun holds approximately sixty-one per cent. (61%).

## 10. ACTION TO BE TAKEN BY SHAREHOLDERS

### 10.1. Appointment of proxies

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular, a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company not less than forty-eight (48) hours before the time fixed for the EGM. The completion and lodgement of the Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so.

### 10.2. When Depositor regarded as Shareholder

A Depositor will not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register as at forty-eight (48) hours before the EGM.

## 11. ABSTENTION FROM VOTING

Rule 919 of the Listing Manual requires that the Interested Person and any associates of such Interested Person must not vote on the resolution relating to the Interested Person Transaction.

Mr. Serge Pun, who is an Interested Person in relation to the Management Agreement and the Additional Scope, will abstain and has undertaken to ensure that his associates will abstain, from voting at the EGM in respect of Ordinary Resolutions 1 and 2 relating to the Management Agreement and the Additional Scope in Shareholders' Mandate respectively.

Also, Mr. Serge Pun will not be accepting nominations to act as proxy, corporate representative or attorney to vote in respect of Ordinary Resolutions 1 and 2 relating to the Management Agreement and the Additional Scope respectively as set out in the Notice of EGM on page 62 of this Circular unless the Shareholders appointing him has indicated clearly how votes are to be cast in respect of the said resolution.

## 12. CONSENT OF THE IFA

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the Opinion Letter and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

## 13. EGM

The EGM will be held at Connection 1, Level 3, Amara Hotel, 165 Tanjong Pagar Road, Singapore 088539 on 3 December 2010 at 2 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the resolutions set out in the Notice of EGM relating to the Management Agreement, the Additional Scope and the Proposed Disposal.

## 14. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Management Agreement, the Additional Scope and the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any material facts the omission of which would make any statement in this Circular misleading.

Where any information contained in this Circular has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources or, as the case may be, reflected or reproduced in this Circular.

## 15. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 80 Anson Road, Fuji Xerox Towers #25-05, Singapore 079907 during normal business hours from the date of this Circular up to and including the date of the EGM:

(a) Strategic Co-operation Agreement;

(b) Management Agreement;

(c) Disposal Agreement;

(d) Opinion Letter of the IFA;

(e) Letter of consent of the IFA; and

(f) the audited consolidated financial statements of the Company and of the Group for the financial year ended 31 March 2010.

Yours faithfully

Serge Pun
Chairman and Chief Executive Officer
For and on behalf of the Board of Directors of
**Yoma Strategic Holdings Ltd.**

16 November 2010

# THE SCOPE IN THE EXISTING SHAREHOLDERS' MANDATE

The scope in the existing Shareholders' Mandate and the reviews and procedures in respect of the Interested Person Transactions covered in the existing Shareholders' Mandate are set out below.

The Shareholders' Mandate will not cover any Interested Person Transaction which has a value below S$100,000 as the threshold and aggregate requirements of Chapter 9 of the Listing Manual do not apply to such transactions.

Transactions with Interested Persons which do not come within the ambit of the proposed renewal of the Shareholders' Mandate will be subject to applicable provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

## A. Classes of Interested Persons

The existing Shareholders' Mandate applies to the Interested Person Transactions to be carried out between any company within the Group and the following classes of Interested Persons:-

(a) SPA Group; and

(b) Directors, Chief Executive Officer and Controlling Shareholders of the Company and their respective associates.

## B. Categories of Interested Person Transactions

The existing Shareholders' Mandate covers a range of transactions between the Group and Interested Persons arising in the ordinary course of business operations of the Group as set out below:

## 1. General Transactions

This category is in respect of general transactions (the "**General Transactions**") by the Group relating to the provision to, or the obtaining from, Interested Persons of the following products and services in the normal course of business of the Group;

(a) piling services including pile production and foundation piling works;

(b) construction services including supply of raw materials for construction, finishing works, interior decoration, doors, windows and trusses;

(c) design and architectural services including landscape, design, architecture, structure and building services;

(d) project management services in respect of residential, commercial and industrial properties;

(e) supply and purchase and/or distribution of raw materials and finished goods (which would include the supply of Jatropha Curcas or such other plantation produce which may be produced by Myanmar Agri-Tech Ltd. ("**MAGT**") under the Crop and Produce Supply Agreement dated 25 July 2007 entered into between MAGT and the Company's subsidiary, Plantation Resources Pte. Ltd.);

(f) rental of office space and land;

(g) vehicular repair and maintenance services;

(h) information technology services including computer repair and maintenance;

(i) security services;

(j) hotel services (including room rental and sale and purchase of food and beverages); and

(k) such other products and/or services which are incidental to or in connection with the provision, or the obtaining of the products and/or services listed above.

By providing such products and services, the Group will derive additional sources of revenue. In addition, when receiving such products and services, the Group will also benefit from having access to competitive quotes from its Interested Persons in addition to obtaining quotes from, or transacting with, non-Interested Persons.

**2. Treasury Transactions**

This category is in respect of treasury transactions (the "**Treasury Transactions**") which are principally the placement of funds with Interested Persons.

The Group deposits cash with Yoma Bank, a member of the SPA Group. Yoma Bank is a privately-owned commercial bank with one of the largest network in Myanmar.

**3. Land Development Rights Transactions**

This category is in respect of transactions relating to land development rights (the "**Land Development Rights Transactions**") and comprise the following:-

(a) the receipt by Interested Persons on behalf of the Group of the sale proceeds of land development rights; and

(b) the payment of marketing commission by the Group to Interested Persons in relation to the sale of land development rights.

The Land Development Rights Transactions are carried out directly between the SPA Group and the end-buyers. The SPA Group will receive the sale proceeds from the end-buyers before remitting the Group's share of its net proceeds to the Group.

The marketing department of SPA provides marketing services to the Group's property development projects.

**C. Review and approval procedures**

The Group had adopted the following procedures for the review and approval of Interested Person Transactions under the existing Shareholders' Mandate. Any reference to the "**Chief Financial Officer**" in the following review procedures shall mean the Chief Financial Officer or such other officer of equivalent rank or designation of the Company for the time being.

**1. General Transactions**

(a) All Interested Person Transactions are to be carried out:-

(i) at the prevailing market rates/prices of the services or product providers (including, where applicable, preferential prices/rates/discounts accorded to a class of customers or for bulk purchases, where the giving of such preferential rates/prices/discounts are commonly practised within the applicable industry and may be extended to unrelated third parties, provided that there is no difference in terms of preferential rates/prices/discounts accorded to unrelated third parties *vis-à-vis* Interested Persons), or otherwise in accordance with applicable industry norms; and

(ii) on terms which, in relation to services or products to be provided to an Interested Person, are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties; or in relation to services or products to be obtained from an Interested Person, are no more favourable than those extended to the Group by unrelated third parties.

(b) In terms of sale of products or services:-

(i) selling prices will be determined with reference to a standard price list in relation to the sales of such products or the provision of such services to unrelated third parties (the "**Standard Price**"). Should there be any variation between the selling price and the Standard Price, the extent to which the selling price deviates from the Standard Price and the reasons for such variation will be analysed and shall be subject to the approval of a director of the relevant company of the Group (who has no interest, direct or indirect, in the transaction); and

(ii) where the Standard Price is not available due to the unique nature of the product to be sold or service to be provided, a director of the relevant company of the Group (who has no interest, direct or indirect, in the transaction) and subject to the relevant required approvals as set out in sub-section (d) below, will determine the pricing of such products to be sold or services to be provided to an Interested Person in accordance with industry norms and consistent with the usual business practices and pricing policies of the relevant company of the Group.

(c) In terms of purchases of products or services:-

(i) in determining whether the price and terms offered by the Interested Person are fair and reasonable and comparable to those offered by unrelated third parties to the Group for the same or substantially similar type of product or service, the management of the relevant company in the Group will obtain at least two (2) other quotations from unrelated third party vendors or suppliers for similar or substantially similar type of product or service as bases for comparison. The management will then submit the recommendation to a director of the relevant company of the Group (who has no interest, direct or indirect, in the transactions) for approval; and

(ii) where it is impractical or not possible for such quotations to be obtained (for example, there are no unrelated third party vendors or suppliers of similar type of product or service, or the product or service is proprietary), a director of the relevant company of the Group (who has no interest, direct or indirect, in the transaction) will ensure that the price and terms offered to the Group are fair and reasonable and that the terms of supply from the Interested Person will (where applicable) be in accordance with industry norms.

(d) In addition to the above procedures, the following review and approval procedures have been implemented to supplement the existing internal control procedures for General Transactions:-

| **Value of each transaction** | **Required Approval** |
|---|---|
| Less than S$100,000 (or US$65,000) | The approval of the managing director of the relevant company in the Group (who shall not be an Interested Person in respect of the particular transaction) |
| Greater than or equal to S$100,000 (or US$65,000) but less than or equal to three per cent. (3%) of the Company's latest audited consolidated NTA | The approval of the managing director of the relevant company in the Group; verification and confirmation by the Company's Chief Executive Officer or Director (who shall not be an Interested Person in respect of the particular transaction) prior to making any commitment to the transaction; and approval of one (1) Independent Director |

| Value of each transaction | Required Approval |
|---|---|
| Greater than three per cent. (3%) but less than or equal to five per cent. (5%) of the Company's latest audited consolidated NTA | The approval of the Company's Chief Executive Officer or Director (who shall not be an Interested Person in respect of the particular transaction) and a majority of the members of the Audit Committee (excluding any person who shall be an Interested Person in respect of the particular transaction) prior to making any commitment to the transaction |
| Greater than five per cent. (5%) of the Company's latest audited consolidated NTA | The approval of the majority of the members of the Audit Committee and the Board of Directors (excluding any person who shall be an Interested Person in respect of the particular transaction) prior to making any commitment to the transaction |

**2. Treasury Transactions**

(a) The Company had on 27 June 2006 given an undertaking to the SGX-ST that:-

(i) the Group will not obtain any loans from Yoma Bank which is an Interested Person; and

(ii) the Group will not deposit more than US$500,000 in aggregate with Yoma Bank.

(b) The following approval procedures have been adopted by the Company in respect of Treasury Transactions, in particular, the placement of the funds with Yoma Bank:-

| Value of each cash deposit | Required Approval |
|---|---|
| Less than S$30,000 (or US$20,000) | The approval of the managing director of the relevant company in the Group (who shall not be an Interested Person) |
| Greater than or equal to S$30,000 (or US$20,000) | The approval of the managing director of the relevant company in the Group and verification and confirmation by the Company's Chief Executive Officer or Director (who shall not be an Interested Person) |

(c) The accounts department of each company in the Group will submit a report on its bank balance with Yoma Bank to the Chief Financial Officer on a daily basis. The Chief Financial Officer will ensure that the bank balance with Yoma Bank will not exceed the stipulated amount of US$500,000 at all times.

**3. Land Development Rights**

(a) The Chief Financial Officer shall ensure that the sale proceeds of the land development rights received on behalf by the Interested Persons are transferred to the Group within three (3) business days of the collection date from the end-buyers.

(b) The Company's financial controller in its Yangon office shall review and approve, and report to the Chief Financial Officer on a monthly basis, any payment of marketing commission to Interested Persons in relation to the sale of land development rights.

(c) The Company shall record all Land Development Rights Transactions in the register of Interested Person Transactions together with all the supporting documents such as sale contracts and receipt vouchers issued by Interested Persons to end-buyers.

## 4. Other Procedures

In addition to the review procedures set out above, the following are also implemented:-

(a) The Company's financial controller in its Yangon office will maintain a register of transactions carried out with Interested Persons pursuant to the existing Shareholders' Mandate. Details such as the names of Interested Persons, the date, value and basis of Interested Person Transactions on which they were entered into, including the quotations obtained or sale invoices raised to support such basis, shall be recorded in the register, together with any original review documents.

(b) The Company shall, on a quarterly basis, report to the Audit committee on all Interested Person Transactions and the basis of such transactions, entered into with Interested Persons during the preceding quarter. The Audit Committee shall review such Interested Person Transactions at its quarterly meetings except where any Interested Person Transactions require the approval of the Audit Committee prior to the transaction.

(c) The Company's annual internal audit plan shall incorporate a review of all Interested Person Transactions, including the established review procedures for monitoring of such Interested Person Transactions, entered into during the current financial year.

(d) The Audit Committee will conduct periodic reviews of not less than half-yearly of the review procedures for the Interested Person Transactions. If during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the guidelines and review procedures for Interested Person Transactions have become inappropriate or insufficient in the event of changes to the nature of, or the manner in which, the business activities of the Group or the Interested Persons are conducted, new guidelines and procedures will be set so that Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

(e) For the purpose of the above review and approval process, any Director, who has an interest in the Interested Person Transaction under review and is not considered independent, will abstain from voting on any resolution relating to the Interested Person Transaction and/or abstain from participating in the Audit Committee's decision during its review of the established review procedures for the Interested Person Transactions or during its review or approval of any Interested Person Transaction.

## D. Validity period of the existing Shareholders' Mandate

The existing Shareholders' Mandate took effect from 29 July 2010 and will (unless revoked or varied by the Company in general meeting) continue in force until the next annual general meeting of the Company.

# LETTER FROM NRA CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS OF YOMA STRATEGIC HOLDINGS LTD.

16 November 2010

The Recommending Directors
Yoma Strategic Holdings Ltd.
80 Anson Road
Fuji Xerox Towers #25-05
Singapore 079907

Dear Sirs

**THE MANAGEMENT AGREEMENT WITH FIRST MYANMAR INVESTMENT COMPANY LIMITED AND SUCCESSFUL GOAL TRADING CO., LTD. AS A SPECIFIC INTERESTED PERSON TRANSACTION AND THE ADDITIONAL SCOPE IN THE SHAREHOLDERS' MANDATE FOR RECURRING INTERESTED PERSON TRANSACTIONS**

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 16 November 2010 issued by Yoma Strategic Holdings Ltd. to its Shareholders (the "***Circular***") shall have the same meanings herein.*

## 1. INTRODUCTION

### 1.1 Background

<u>The Strategic Co-operation Agreement with DFAC and GMG</u>

On 11 June 2010, the Directors announced that the Company had, on 8 June 2010, entered into the Strategic Co-operation Agreement with DFAC and GMG. Pursuant to the Strategic Co-operation Agreement, the parties will co-operate to establish and develop the sales and distribution of Dongfeng Light Trucks in the automobile market in Myanmar. The Dongfeng Light Trucks are currently not distributed in Myanmar.

Under the Strategic Co-operation Agreement, DFAC will, through its wholly-owned subsidiary, provide a supply of Dongfeng Light Trucks for sale in Myanmar in accordance with the market demand and also provide the necessary product information and support. GMG will act as DFAC's export agent and facilitate the export and sale of the Dongfeng Light Trucks to and in Myanmar, including the provision of the necessary financing support. The Company will have sole and exclusive distribution rights to the Dongfeng Light Trucks in Myanmar and its role under the Strategic Co-operation Agreement includes, *inter alia*, procuring the necessary import permits from the relevant Myanmar authorities, establishing sales and post-sales service centres for the Dongfeng Light Trucks and marketing the Dongfeng brand in the automobile market in Myanmar.

The Strategic Co-operation Agreement is conditional upon, and shall take effect only after the obtaining of Shareholders' approval for the Management Agreement by the Company.

<u>The Management Agreement with FMI and Successful Goal</u>

On 20 August 2010, the Directors announced that, in connection with the Strategic Co-operation Agreement, Elite Matrix, a subsidiary of the Company had, on 20 August 2010, entered into the conditional Management Agreement with FMI and Successful Goal (a wholly-owned subsidiary of FMI) to undertake the role and responsibilities of the Company in its strategic co-operation with DFAC and GMG.

Both FMI and Successful Goal are subsidiaries of SPA. SPA is a company incorporated in Myanmar and together with its subsidiaries, has businesses in Myanmar's automobile sector and is the sole distributor and/or official supplier of certain brands of vehicles and spare parts in Myanmar. The SPA Group is currently involved in the sales, distribution and servicing of Suzuki brand 2-wheel and 4-wheel vehicles in Myanmar and it is also the owner of the Nissan auto dealership for Nissan sedan cars in Myanmar. The Company intends to rely and/or leverage on the expertise and existing network and sales channels of the SPA Group in the automobile market in Myanmar.

FMI is a company incorporated under the laws of Myanmar and is a public company with more than 4,000 shareholders. It currently has businesses in financial services, real estate, manufacturing, trading, automobile and agriculture.

Successful Goal is a company newly incorporated under the laws of Myanmar, wholly-owned by FMI, with the sole purpose of carrying on the Business. As at the Latest Practicable Date, Successful Goal has no assets, liabilities and material contracts and will only commence operations when the Management Agreement becomes effective.

**1.2 The proposed interested person transactions**

Pursuant to the Management Agreement, Elite Matrix will be appointed as the manager to manage Successful Goal and carry out its business of, *inter alia*, importing, selling, marketing, distributing and servicing of the Dongfeng Light Trucks in Myanmar.

FMI and Successful Goal are deemed to be associates of Mr. Serge Pun (who is a Director and the Chief Executive Officer and the Controlling Shareholder of the Company) and are thus considered Interested Persons of the Company under Chapter 9 of the Listing Manual. The shareholding relationship between, *inter alia*, SPA, FMI, Successful Goal and Mr. Serge Pun is set out in Section 2.3 of the Circular.

The Directors are proposing to seek the approval of the independent Shareholders at the EGM pursuant to Chapter 9 of the Listing Manual for:

(a) the Management Agreement. As the transaction value of the Management Agreement may exceed 5% of the Group's NTA, after taking into account the nature of the Management Fee payable to Elite Matrix, the GMG Financing and any other Third Party Financing to be procured by Elite Matrix and the Loan(s) and the Subsequent Loan(s) to be extended by Elite Matrix, pursuant to the Management Agreement, the independent Shareholders' approval for the Management Agreement is required; and

(b) the Additional Scope in the Shareholders' Mandate for recurring interested person transactions, comprising the following Financing Transactions:

    (i) the procurement and extension of financing to Successful Goal for the purchase of Dongfeng Light Trucks and the procurement of any other financing for the Business of Successful Goal pursuant to the Management Agreement (i.e. the GMG Financing and the Third Party Financing) and the enforcement or realisation of any security given in respect of the Dongfeng Light Trucks to Elite Matrix in connection with such financing of up to US$2 million; and

    (ii) the provision of discretionary interest-free loan(s) or financing (up to an aggregate of US$4 million) to Successful Goal for the purpose of its working capital to be used for the Business pursuant to the Management Agreement i.e. the Subsequent Loan(s).

**1.3 Appointment of NRA Capital Pte. Ltd. ("NRA Capital")**

NRA Capital has, in accordance with Chapter 9 of the Listing Manual, been appointed as the independent financial adviser to advise the Recommending Directors on:

(a) whether the terms of the Management Agreement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders; and

(b) whether the review procedures for the Additional Scope, if adhered to and applied properly at all times, are sufficient to ensure that the Financing Transactions under the Additional Scope will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

This letter (the "**Letter**") forms part of the Circular which provides, *inter alia*, details of the Management Agreement and the Additional Scope and the recommendations of the Recommending Directors thereon.

## 2. TERMS OF REFERENCE

The objective of this Letter is to provide an independent opinion, for the purposes of Chapter 9 of the Listing Manual, on (a) whether the terms of the Management Agreement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders; and (b) whether the review procedures for the Additional Scope, if adhered to and applied properly at all times, are sufficient to ensure that the Financing Transactions under the Additional Scope will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

We were neither a party to the negotiations entered into by the Company in relation to the Strategic Co-operation Agreement or the Management Agreement nor were we involved in the deliberations leading up to the decision of the Directors to enter into the Strategic Co-operation Agreement or the Management Agreement and/or to seek the approval of independent Shareholders for the Management Agreement and the Additional Scope. We do not, by this Letter, warrant the merits of the Management Agreement and the Additional Scope other than to form an opinion for the purposes of Chapter 9 of the Listing Manual.

It is not within our terms of reference, nor have we been requested to evaluate or comment on the commercial merits and/or associated risks, whether legal, commercial, strategic, financial or otherwise, of the Management Agreement and the Additional Scope, and as such, we do not express an opinion thereon. It is also not within our terms of reference to compare the merits of the Management Agreement to any alternative transactions that was or may have been available to the Group. We have not conducted an independent and comprehensive review of the business, operations or financial condition of the Company or the Group. The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects or earnings potential of the Company or the Group. In addition, we are not expressing any view herein as to the future financial performance of the Group after entering into the Management Agreement. Such evaluation or comments are and remain the sole responsibility of the Directors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary and appropriate by us) in arriving at our opinion.

In the course of our evaluation of the Management Agreement and the Additional Scope, we have held discussions with the Directors and the management of the Company (the "**Management**"). We have also examined the information contained in the Circular as well as publicly available information collated by us and information provided to us by the Directors and the Management. We have not independently verified such information furnished by the Directors and the Management or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy, completeness or adequacy of such information, representation or assurance. Nevertheless, the Directors and the Management have confirmed to us that, to the best of their knowledge and belief, the information provided to us (whether written or verbal) as well as the information contained in the Circular constitutes full and true disclosure, in all material respects, of all material facts relating to the Group, the Management Agreement and the Additional Scope, and there is no other material information or fact, the omission of which would cause any of the information contained herein or in the Circular to be inaccurate, incomplete or misleading in any material respect. Whilst care has been exercised in reviewing the information on which we have relied, we have not independently verified the information but nevertheless have made reasonable enquiries and used our judgment in assessing the information as was deemed necessary and have found no reason to doubt the reliability of the information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry.

Our view as set forth in this Letter is based on prevailing market, industry, monetary, regulatory, economic and other applicable conditions subsisting on, and the information made available to us as of the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.

Our opinion is solely for the use and benefit of the Recommending Directors in their deliberation on the Management Agreement and the Additional Scope. The recommendations made by the Recommending Directors shall remain the responsibility of the Recommending Directors. In preparing this opinion, we have not had regard to specific investment objectives, financial situation, tax position, risk profile or unique needs and constraints of any Shareholder. As each Shareholder would have different investment objectives and consideration, we would advise the Recommending Directors to recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). Accordingly, we take no responsibility for and state no views, express or implied, on the contents of the Circular (other than this Letter).

**Our opinion in relation to the Management Agreement and the Additional Scope should be considered in the context of the entirety of this Letter and the Circular.**

## 3. SALIENT TERMS OF THE MANAGEMENT AGREEMENT

Pursuant to the Management Agreement, Elite Matrix, FMI and Successful Goal will jointly undertake the role and responsibilities of the Company in relation to the Strategic Co-operation Agreement. Details of the Management Agreement are set out in Section 2.5 of the Circular. We recommend that the Recommending Directors advise independent Shareholders to read this section of the Circular carefully.

A summary of the key terms of the Management Agreement is set out below.

### 3.1 Conditions precedent

The Management Agreement is conditional upon, *inter alia*, the following:

(a) Elite Matrix having obtained all necessary consents or approvals from its directors, shareholders, any third parties and any relevant governmental, regulatory or other authorities and bodies, and the approval by the Shareholders of the Company for the Management Agreement and all transactions contemplated thereunder;

(b) Elite Matrix having received from FMI and Successful Goal, within 30 days from the date of the Management Agreement, (i) original duly signed written resolutions of Successful Goal's and FMI's board of directors approving the Management Agreement and all matters set out therein, in such form as is satisfactory to Elite Matrix and (ii) an original special power of attorney duly executed by Successful Goal in favour of Elite Matrix and/or its representative(s) to grant full authority, control and powers to Elite Matrix and/or its representative(s) to operate and manage the Business, in such form as is satisfactory to Elite Matrix; and

(c) Elite Matrix having received a satisfactory legal opinion from its counsel in Myanmar on, *inter alia*, the validity and enforceability of Elite Matrix's management and operating rights over Successful Goal and its Business under the Management Agreement, in such form as is acceptable to Elite Matrix in its sole and absolute discretion, prior to the general meeting to be convened by the Company to seek Shareholders' approval.

The Management Agreement will only come into force and effect upon satisfaction of all the conditions precedent as set out above, on and from the date that the Shareholders' approval is obtained for the Management Agreement.

As at the Latest Practicable Date, save for the approval by the Shareholders of the Company for the Management Agreement, all the conditions precedent set out above have been fulfilled.

**3.2 Duration and termination terms of the Management Agreement**

(a) The Management Agreement shall commence on the Commencement Date and shall, subject to earlier termination in accordance with the terms in Section 3.2(b) of this Letter, continue for a duration of 10 years from the Commencement Date, or such shorter or longer time period as the Management Agreement Parties may mutually agree in writing.

(b) Either Management Agreement Party may (without prejudice to its other rights) terminate the Management Agreement immediately by notice in writing to the other if:

(i) a voluntary agreement is approved, or an administration order is made, or a receiver or administrative receiver is appointed over the other Management Agreement Party's assets or an undertaking or a resolution or petition to wind-up the other Management Agreement Party is passed or presented (other than for the purposes of amalgamation or reconstruction) or if any circumstances arise which entitle the courts or a creditor to appoint a receiver, administrative receiver or administrator or to present a winding-up petition or make a winding-up order or any similar event occurs;

(ii) the other Management Agreement Party defaults in the due performance or observance of any material obligation under the Management Agreement and, in the case of a remediable breach, fails to remedy the breach within 30 days of receipt of notice so to do;

(iii) the other Management Agreement Party ceases to carry on business;

(iv) the other Management Agreement Party becomes unable to pay its debts as they fall due;

(v) any approval, licence, grant or consent which is required for the conduct or operation of the Business cannot be obtained or renewed or is revoked by the relevant authorities, which has a material adverse effect on the management or operation of the Business; or

(vi) the Strategic Co-operation Agreement expires or is terminated by the parties thereto.

**3.3 Business of Successful Goal**

The Business of Successful Goal shall, *inter alia*, be the import, sale, marketing, distribution and servicing of the Dongfeng Light Trucks in Myanmar and any other activities that are related to the role and responsibilities of the Company under the Strategic Co-operation Agreement, including the establishment of sales and post-sales centres for the Dongfeng Light Trucks, the establishment of franchise stores and the marketing of the Dongfeng brand in the automobile market in Myanmar.

### 3.4 Appointment of Elite Matrix as the Manager of Successful Goal

Pursuant to the Management Agreement, Elite Matrix is appointed as the Manager of Successful Goal on a sole and exclusive basis to manage and operate its Business for the duration of the term of the Management Agreement subject to the terms and conditions of the Management Agreement.

The Services to be performed by Elite Matrix as the Manager include the following:

(a) managing and overseeing the sales, marketing and distribution of the Dongfeng Light Trucks and the promotion of the Dongfeng brand in Myanmar;

(b) managing and overseeing the post-sale services for the Dongfeng Light Trucks sold in Myanmar; and

(c) sourcing and arranging for any necessary third party financing for the operation of the Business.

### 3.5 Powers of Elite Matrix as the Manager

Elite Matrix will have full decision-making powers, control and authority over the Business of Successful Goal including without limitation the following matters:

(a) the business plan and annual budget of Successful Goal, including but not limited to the volume of import and the buying and selling prices of the Dongfeng Light Trucks;

(b) the placing of orders for the Dongfeng Light Trucks and their spare parts from DFAC;

(c) the purchase of equipment, machinery and any other goods required for and in connection with the Business;

(d) approval of any third party financing for the Business;

(e) determining all sales, marketing, publicity and similar promotion plans or programmes;

(f) determining the operating policies, standards of operation and other procedures relating to the operation and management of the Business;

(g) appointment of, and terms of payment to, any consultants, contractors, sub-contractors, agents, service providers and/or professional advisors for the Business; and

(h) appointment or employment of staff for the Business (including the chief executive officer and chief financial officer or such other officer of equivalent rank or designation of Successful Goal) and the remuneration, benefits and terms and conditions of such appointment or employment.

Elite Matrix will also have full control, power and authority to enter into contracts and other obligations, in the name of and on behalf of Successful Goal, and generally to do and perform all acts and things to enable it to provide the Services.

FMI and Successful Goal shall also do all acts and things and execute all documents as may be necessary to enable Elite Matrix to carry out the Services with full decision-making powers, control and authority over Successful Goal and the Business, including but not limited to, where relevant or necessary, the execution by Successful Goal of a new power of attorney in favour of any individual representative(s) of Elite Matrix, as and when required by Elite Matrix.

Under the Management Agreement, FMI and Successful Goal will jointly and severally indemnify and keep Elite Matrix harmless against all actions, proceedings, claims and demands made and all liabilities, costs, expenses, losses and damages which may be suffered by Elite Matrix arising out of its appointment as the Manager and the performance of its obligations under the Management Agreement.

In addition, the board of directors of Successful Goal will comprise not more than 3 directors at all times, of whom at least 2 directors shall be appointed by Elite Matrix. The right of appointment of director conferred on Elite Matrix shall include the right at any time and from time to time to remove from office any such person appointed by it, to replace any person who (for any reason whatsoever) ceases to be a director and to determine the period for which such person shall hold office as director.

### 3.6 Obligations of FMI and Successful Goal

The obligations of FMI and Successful Goal under the terms of the Management Agreement in relation to the Business include, *inter alia*, the following:

(a) obtain, maintain and renew all necessary permits, licences and/or customs clearance or approvals from the relevant Myanmar authorities for the import of the Dongfeng Light Trucks and any other related materials and spare parts;

(b) obtain, maintain and renew any other permits, licences, consents and/or approvals from the relevant Myanmar authorities or any third parties as may be required for the conduct and operation of the Business, including but not limited to the import of any equipment or instrument necessary for the Business and the remittance of funds in and out of Myanmar;

(c) obtain all necessary visas, stay permits and other immigration and customs approvals as and when required by Elite Matrix for any foreign personnel for the Business from time to time;

(d) liaise with all relevant Myanmar authorities for the proper conduct and operation of the Business;

(e) ensure that Successful Goal complies with all laws and regulations in Myanmar;

(f) at all times provide Elite Matrix and its assigned personnel with full access to and use of such of Successful Goal's premises, facilities, equipment and/or documents as may be required for the purpose of performing the Services; and

(g) agree to and do all acts and things that are necessary for the fulfilment of the Company's role and responsibilities under the Strategic Co-operation Agreement.

Other obligations of FMI and/or Successful Goal under the Management Agreement include, *inter alia*, the following:

(a) FMI shall, during the term of the Management Agreement:

   (i) not sell, transfer or dispose of, or create or permit to subsist any mortgage, charge, pledge, lien or other encumbrance of any nature whatsoever over its shares in Successful Goal; and

   (ii) ensure and/or procure that there shall be no mortgage, charge, pledge, lien or other encumbrance of any nature whatsoever over any assets of Successful Goal and there shall be no disposal by Successful Goal of any part of its business and assets;

(b) Successful Goal shall not, during the term of the Management Agreement, mortgage, charge, pledge or permit any lien or other encumbrance of any nature whatsoever over any of its assets, or dispose of any part of its business and assets;

(c) FMI and Successful Goal will ensure that Successful Goal shall not, at any time during the term of the Management Agreement, (i) allot, issue, redeem or repurchase any shares in Successful Goal or (ii) declare, make or pay any dividends or any other distributions to FMI, except that Successful Goal may distribute up to 30% of its annual net profit after tax (if any, as determined based on Successful Goal's annual audited accounts) to FMI in the form of dividends;

(d) FMI and Successful Goal shall not do any acts or things, and shall procure that the directors of Successful Goal not do any acts or things or pass any resolutions, that may affect or prejudice in any way the rights and powers of Elite Matrix under the Management Agreement or result in any non-compliance with the terms of the Management Agreement or which may adversely affect the Business; and

(e) FMI and Successful Goal will jointly and severally indemnify and keep Elite Matrix harmless against all actions, proceedings, claims and demands made and all liabilities, costs, expenses, losses and damages which may be suffered by Elite Matrix arising out of any breach by FMI and/or Successful Goal of any provisions of the Management Agreement.

In addition, FMI and Successful Goal have undertaken that they will take all such steps and execute all such documents as may be necessary, to effect the change in the memorandum and articles of association of Successful Goal to conform with the terms of the Management Agreement. In the event of any conflict between the provisions of the Management Agreement and the memorandum and/or articles of association of Successful Goal, the Management Agreement shall prevail.

**3.7 Management Fee and reimbursement of costs and expenses**

In consideration of the provision of the Services, Elite Matrix will receive an annual Management Fee, being equivalent to 70% of the annual net profit after tax of Successful Goal. The Management Fee will be determined based on the audited accounts of Successful Goal and shall be due and payable to Elite Matrix within 45 days from the date of such audited accounts. In computing the Management Fee for any fiscal year, any loss from a prior or subsequent fiscal year shall not be carried forward or backward from one fiscal year to another.

Elite Matrix shall be entitled to the reimbursement of all costs, charges, fees and out-of-pocket expenses incurred by it on a monthly basis as the Manager arising from its appointment and/or performance of its obligations under the Management Agreement, including without limitation, the salary, related expenses and fees of any advisors, agents, consultants and/or subcontractors engaged by Elite Matrix in the course of providing the Services.

In the event that Successful Goal suffers a net loss after tax in any fiscal year as determined based on the audited accounts of Successful Goal for such fiscal year, FMI shall pay an amount equivalent to 30% of the net loss after tax of Successful Goal to Elite Matrix within 45 days from the date of such audited accounts. In computing the amount payable by FMI to Elite Matrix for any fiscal year, any profit from a prior or subsequent fiscal year shall not be carried forward or backward from one fiscal year to another.

**3.8 Loans by Elite Matrix to Successful Goal**

(a) Loan(s) of up to an aggregate of US$1 million

During the first year of the term of the Management Agreement, Elite Matrix will grant interest-free Loan(s) to Successful Goal of up to an aggregate of US$1 million, to be used by Elite Matrix, as manager of the Business and Successful Goal, towards working capital for its Business.

Successful Goal shall make full repayment of the Loan(s) to Elite Matrix within 5 years from the respective date of grant of each Loan, or when the accumulated cash reserve of Successful Goal is of an amount equivalent to or greater than US$6 million based on the quarterly accounts of Successful Goal, whichever is the earlier.

(b) Subsequent Loan(s) of up to an aggregate of US$4 million

During the period from the start of the second year to the end of the fourth year of the term of the Management Agreement, Elite Matrix may, at its absolute discretion, grant further interest-free loan(s) to Successful Goal of up to an aggregate of US$4 million for the purpose of its working capital to be used for the Business. Any Subsequent Loan(s) granted by Elite Matrix shall be repaid within 5 years from the respective date of grant of each Subsequent Loan or when the accumulated cash reserve of Successful Goal is of an amount equivalent to or greater than US$6 million based on the quarterly accounts of Successful Goal, whichever is the earlier.

Notwithstanding the above, all Loan(s) and Subsequent Loan(s) shall become immediately due and payable by Successful Goal upon (a) the appointment of a liquidator, receiver and/or manager, judicial manager, trustee, administrator, agent or similar officer of Successful Goal or any part of its assets for whatever reason, or (b) any security over any part of Successful Goal's assets becoming enforceable or a distress, attachment, writ of seizure and sale, garnishee order, injunction or any form of execution being levied or enforced upon such assets, or (c) the termination of the Management Agreement.

Further, subject to the above, upon the termination of the Management Agreement in accordance with the terms therein, all Loan(s) and any Subsequent Loan(s) made by Elite Matrix to Successful Goal shall be repaid by Successful Goal to Elite Matrix immediately and prior to the repayment of any loans or satisfaction of any liabilities to any creditors of Successful Goal, subject to any applicable laws in Myanmar.

**3.9 Financing for the Business**

Pursuant to the Strategic Co-operation Agreement, GMG will provide financial support to Elite Matrix including without limitation, loans, advances and/or credits, for the purchase of Dongfeng Light Trucks. GMG will make payment to DFAC on behalf of the Company when the Dongfeng Light Trucks are delivered FOB. Under the Management Agreement, Elite Matrix will procure the GMG Financing and extend financing to Successful Goal, on the same terms and conditions (including terms relating to credit period and interest) of the GMG Financing, as may be determined by Elite Matrix and agreed with GMG.

Elite Matrix will be entitled to pay the amounts payable to GMG out of Successful Goal's banking accounts and FMI and Successful Goal will jointly and severally indemnify and keep Elite Matrix harmless against all actions, proceedings, claims and demands made and all liabilities, costs, expenses, losses and damages which may be suffered by Elite Matrix arising out of its assumption of any payment obligations or liabilities towards GMG.

In the event that any Dongfeng Light Trucks bought using GMG Financing are not sold by the 10th day prior to the expiry of the credit/financing period granted by GMG, FMI shall, upon Notice given by Successful Goal to FMI of such Unsold Trucks, purchase the Unsold Trucks from Successful Goal at the market selling price of the Unsold Trucks as determined by Elite Matrix and shall make full payment in cash for the Unsold Trucks to Successful Goal within 3 days from the date of the Notice. FMI shall also pay for all fees and expenses incurred in respect of its purchase of the Unsold Trucks.

In addition, Successful Goal will, and FMI will procure that Successful Goal will, execute and deliver to Elite Matrix, blank and undated instruments of transfers in respect of all Dongfeng Light Trucks to be purchased by Successful Goal and all such other documents that are required for perfecting title to the Dongfeng Light Trucks. In the event that FMI fails to comply with its obligations to purchase and make full payment for the Unsold Trucks, Elite Matrix shall be entitled to complete the instruments of transfers in respect of the Unsold Trucks, for the transfer to Elite Matrix. The transfer of the ownership of such Unsold Trucks to Elite Matrix will be completed and validated upon the stamping and filing of the instruments of transfer with the Vehicle Registration Department. Elite Matrix will have the right to sell or dispose of the Unsold Trucks in such manner and for such consideration as it may think fit, and Elite Matrix may apply the proceeds of such sale or disposal in or towards its payment obligations or liabilities towards GMG. Elite Matrix will not be liable for any loss arising out of the exercise of its rights and powers in relation to the Unsold Trucks. In addition, all fees and expenses incurred in respect of such transfers, registrations, sales and/or disposals of the Dongfeng Light Trucks will be borne by FMI.

Where any loans, advances and/or credits is obtained from any Third Party Financier for the Business, Elite Matrix shall be entitled to pay out of Successful Goal's banking accounts, the amounts payable to the Third Party Financier under the Third Party Financing. FMI and Successful Goal will jointly and severally indemnify and keep Elite Matrix harmless against all actions, proceedings, claims and demands made and all liabilities, costs, expenses, losses and damages which may be suffered by Elite Matrix arising out of its assumption of any payment obligations or liabilities towards any Third Party Financier.

**3.10 Operating Accounts**

Successful Goal may open banking accounts in Myanmar and/or elsewhere for the purpose of the conduct and operation of the Business, and unless otherwise agreed between Elite Matrix and Successful Goal, all costs and expenses of the Business shall be paid out from, and all proceeds and revenue of, and relating to, the Business shall be paid into, the Operating Accounts.

All Operating Accounts shall be managed and operated at all times by Elite Matrix on behalf of Successful Goal and all withdrawals from the Operating Accounts are subject to the authorisation or approval of Elite Matrix. The authorised signatories of the Operating Accounts shall be the assigned personnel of Elite Matrix. Elite Matrix shall be entitled to pay itself, *inter alia*, the Management Fee and all other monies payable to the Manager under the Management Agreement out of the Operating Accounts.

All proceeds, collections and receipts from the sales and service revenue in respect of the Dongfeng Light Trucks shall be paid into the Operating Accounts and all withdrawals from any of the Operating Accounts shall only be utilised in meeting the payment obligations of the Business.

## 4. EVALUATION OF THE MANAGEMENT AGREEMENT

In our evaluation of the Management Agreement, we have given due consideration to, *inter alia*, the following:

(a) rationale for, and benefits of, the Management Agreement;

(b) financial terms of the Management Agreement;

(c) safeguards to Elite Matrix based on the terms of the Management Agreement; and

(d) procedures to be adopted by the Group in relation to Elite Matrix.

**4.1 Rationale for, and benefits of, the Management Agreement**

The rationale for, and benefits of, the Management Agreement are set out in Section 2.6 of the Circular.

We make the following key observations on the rationale for, and benefits of, the Management Agreement:

(a) the current principal activities of the Group include the development of land, sale of private residential properties, agriculture, construction, piling, as well as design and project management for real estate developments in Myanmar and the People's Republic of China. The Group's long term vision is to be a multinational corporation with a diversified portfolio of businesses across the Asia Pacific;

(b) the Board undertook a strategic review of the Group's different businesses with the objective of positioning the Group for future sustainable growth. In anticipation of an upturn in the economy in Myanmar, the Board believes that domestic demand and trading activity within Myanmar will increase, and consequently, the importance of land transportation will grow. As such, the Board believes that the Group's new venture into the automobile market in Myanmar, via the Strategic Co-operation Agreement and the Management Agreement, is timely and will diversify the Group's business;

(c) the SPA Group, through its subsidiaries, has more than 15 years of experience in the automobile market in Myanmar and is the sole distributor and/or official supplier of certain brands of vehicles and spare parts in Myanmar. The SPA Group has an extensive automobile distribution network running across Myanmar. Apart from automobile distribution, the SPA Group also runs a number of automobile service centers across Myanmar.

As the rules and regulations in Myanmar prescribe that only Myanmar companies are allowed to carry out the business of import and distribution of trucks in Myanmar, the Company chose to partner FMI and Successful Goal for this venture due to FMI's expertise and experience in the automobile industry in Myanmar and its good-standing with the Myanmar authorities; and

(d) with the Management Agreement, the Group, via Elite Matrix, will be able to rely and/or leverage on the SPA Group's expertise and wide-ranging sales network in Myanmar's automobile market, in fulfilling the Company's role and responsibility under the Strategic Co-operation Agreement. Further, the Management Agreement with FMI and Successful Goal will enable Elite Matrix to penetrate and expand its presence in the automobile market in Myanmar.

**4.2 Financial terms of the Management Agreement**

Pursuant to the Strategic Co-operation Agreement and the Management Agreement, the ownership of the sole and exclusive distribution rights in respect of the Dongfeng Light Trucks in Myanmar vests with the Group. In undertaking the Business, the Group will have to provide the necessary investment and working capital necessary to develop the Business.

Under the Management Agreement, the Company, through Elite Matrix will provide/procure the investment and working capital required to develop the Business comprising the Loan(s), the Subsequent Loan(s), the GMG Financing and the Third Party Financing, to Successful Goal, the Myanmar company carrying out the Business. The arrangements between the Company, via Elite Matrix and the SPA Group (via FMI and Successful Goal), under the Management Agreement, also enable the Company to rely and/or leverage on the SPA Group's expertise and wide-ranging sales network in the automobile market in Myanmar, in fulfilling the Company's role and responsibility under the Strategic Co-operation Agreement.

This is evidenced by the obligations of FMI and Successful Goal under the terms of the Management Agreement as set out in Section 3.6 of this Letter. In particular, we understand from Management that the regulatory environment in Myanmar is such that certain operational matters of the Business, in particular, those relating to:

(i) the necessary permits, licences and/or customs clearance or approvals from the relevant Myanmar authorities for the import of the Dongfeng Light Trucks and any other related materials and spare parts;

(ii) any other permits, licences, consents and/or approvals from the relevant Myanmar authorities or any third parties as may be required for the conduct and operation of the Business, including but not limited to the import of any equipment or instrument necessary for the Business and the remittance of funds in and out of Myanmar;

(iii) the necessary visas, stay permits and other immigration and customs approvals as and when required by Elite Matrix for any foreign personnel for the Business from time to time; and

(iv) liaison with all relevant Myanmar authorities for the proper conduct and operation of the Business,

are more effectively undertaken by a Myanmar company, with local expertise in these areas. Accordingly, the aforementioned matters had been included as part of the obligations of FMI and Successful Goal under the Management Agreement and highlighted in Section 3.6(a) to (d) of this Letter.

In return for the fulfilment of FMI's and Successful Goal's obligations under the Management Agreement as well as the Group's leveraging on the SPA Group's expertise in the automobile sector in Myanmar, the Group and the SPA Group would share the annual net profit after tax of Successful Goal in the proportion of 70% and 30% respectively, with Elite Matrix receiving its share of the profits by way of the annual Management Fee of 70% of the annual net profit after tax of Successful Goal as provided in the Management Agreement.

In reviewing the structure and financial terms of the Management Agreement, we note that:

<u>Structure of the Management Agreement with Successful Goal carrying out the Business</u>

(a) The Management Agreement does not constitute a sub-licence, assignment or transfer in any way of the distribution rights in respect of the Dongfeng Light Trucks by the Company and/or Elite Matrix and the ownership of such distribution rights shall remain that of the Company and/or Elite Matrix at all times;

(b) The Myanmar legal counsel appointed by Elite Matrix has opined that Elite Matrix's management and operating rights over Successful Goal and its Business under the Management Agreement is valid and enforceable under the laws of Myanmar;

(c) Elite Matrix will have full decision-making powers, control and authority over the Business of Successful Goal pursuant to the Management Agreement which will also include, *inter alia,* the determination of market selling price of the Dongfeng Light Trucks applicable to all customers (including all Interested Persons) and the management and operation of all Operating Accounts of Successful Goal. Further, Elite Matrix will have full control, power and authority to enter into contracts and other obligations, in the name of and on behalf of Successful Goal, and generally to do and perform all acts and things to enable it to provide the Services;

(d) Such "management arrangement" structure for tie-ups between foreign companies (without the local industry expertise) and local Myanmar companies to carry out investments and businesses in Myanmar is not uncommon;

(e) The SPA Group does not distribute light trucks exceeding 3 tons. In addition, the SPA Group has given a written undertaking to the Company and Elite Matrix that it and its subsidiaries shall not (directly or indirectly) by itself or collaborate with other automobile companies to sell or act as their agent to sell the automobiles which are same as or similar to Dongfeng Light Trucks with loading capacity exceeding 3 tons in Myanmar;

<u>The Loan(s)</u>

(f) The Loan(s) of up to an aggregate of US$1 million which will be granted by Elite Matrix to Successful Goal will be used, *inter alia*, as working capital for the Business, for deposits with banks for the import licences and to set up the sales and post-sales service centres for the Dongfeng Light Trucks;

(g) The Loan(s) which is to be disbursed during the first year of the term of the Management Agreement as working capital for its Business does not involve substantial investment being made by the Group to venture into the automobile business in Myanmar;

<u>The Subsequent Loan(s)</u>

(h) We understand from the Directors that it is envisaged that the Subsequent Loan(s) of up to an aggregate of US$4 million which may, at Elite Matrix's absolute discretion, be granted by Elite Matrix to Successful Goal will be used to further develop the Business (i.e. investment for the assembly of the Dongfeng Light Trucks in Myanmar), which the Group intends to embark on once they have established building the Dongfeng brand in Myanmar;

(i) The Subsequent Loan(s) which may be granted by Elite Matrix to Successful Goal during the period from the start of the second year to the end of the fourth year of the term of the Management Agreement:

  (1) will be granted at the absolute discretion of Elite Matrix and will be subject to procedures and review process as set out in Sections 5.3.2 and 5.4 of this Letter; and

  (2) the Group would have the benefit of the actual market trends and demands for the Dongfeng Light Trucks and the performance of the first year of the operations of the Business in deciding whether to expand its investment in the Business and to proceed with the assembly phases of Dongfeng Light Trucks in Myanmar in making decisions on whether to grant the Subsequent Loan(s);

<u>The GMG Financing and the Third Party Financing</u>

(j) Pursuant to the Strategic Co-operation Agreement, GMG will provide financial support to Elite Matrix including without limitation, loans, advances and/or credits, for the purchase of Dongfeng Light Trucks. GMG will make payment to DFAC on behalf of the Company when the Dongfeng Light Trucks are delivered FOB. Under the Management Agreement, Elite Matrix will procure the GMG Financing and extend financing to Successful Goal, on the same terms and conditions (including terms relating to credit period and interest) of the GMG Financing, as may be determined by Elite Matrix and agreed with GMG. In addition, Elite Matrix may procure Third Party Financing for the Business of Successful Goal. We note that such financing risks borne by Elite Matrix are mitigated given that:

  (1) we understand from the Directors that it is envisaged that Dongfeng Light Trucks will generally be ordered from DFAC based on the demand for the Dongfeng Light Trucks and that as a general approach, it is intended that deposits for the Dongfeng Light Trucks will be collected from customers before Elite Matrix places order for the same with DFAC;

  (2) any GMG Financing obtained in the name of Elite Matrix for the purpose of the purchase of Dongfeng Light Trucks by Successful Goal and any Third Party Financing obtained for the Business will be subject to procedures and review process as set out in Sections 5.3.1 and 5.4 of this Letter;

  (3) where any GMG Financing is obtained for the purchase of any Dongfeng Light Trucks or any Third Party Financing is obtained for the Business, Elite Matrix is entitled to pay out of the banking accounts of Successful Goal, the amounts payable to GMG and the Third Party Financier, as the case may be;

  (4) pursuant to the Management Agreement, FMI and Successful Goal will jointly and severally indemnify and keep Elite Matrix harmless against all actions, proceedings, claims and demands made and all liabilities, costs, expenses, losses and damages which may be suffered by Elite Matrix arising out of its assumption of any payment obligations or liabilities towards GMG or any Third Party Financier;

  (5) for Unsold Trucks, by the 10th day prior to the expiry of the credit/financing period granted by GMG, the Representatives of Elite Matrix will ensure that FMI shall, upon Notice given by Successful Goal to FMI, purchase the Unsold Trucks from Successful Goal at the market selling price of the Unsold Trucks as determined by Elite Matrix and shall make full payment in cash for the Unsold Trucks to Successful Goal within 3 days from the date of the Notice. FMI shall also pay for all fees and expenses incurred in respect of its purchase of the Unsold Trucks;

  (6) Successful Goal will, and FMI will procure that Successful Goal will, execute and deliver to Elite Matrix, blank and undated instruments of transfers in respect of all Dongfeng Light Trucks to be purchased by Successful Goal and all such other documents that are required for perfecting title to the Dongfeng Light Trucks; and

(7) in the event that FMI fails to comply with its obligations to purchase and make full payment for the Unsold Trucks, Elite Matrix shall be entitled to complete the instruments of transfers in respect of the Unsold Trucks, for the transfer to Elite Matrix. The transfer of the ownership to such Unsold Trucks to Elite Matrix will be completed and validated upon the stamping and filing of the instruments of transfer with the Vehicle Registration Department. Elite Matrix will have the right to sell or dispose of the Unsold Trucks in such manner and for such consideration as Elite Matrix may think fit, and Elite Matrix may apply the proceeds of such sale or disposal in or towards its payment obligations or liabilities towards GMG. Elite Matrix will not be liable for any loss arising out of the exercise of its rights and powers in relation to the Unsold Trucks. In addition, all fees and expenses incurred in respect of such transfers, registrations, sales and/or disposals of the Dongfeng Light Trucks will be borne by FMI; and

The Management Fees

(k) In consideration of the provision of the Services, Elite Matrix will receive an annual Management Fee of 70% of the annual net profit after tax of Successful Goal. Hence, based on the scope of work and obligations of the Group and the SPA Group, as elaborated in Section 3.5 and 3.6 of this Letter respectively, the Group and the SPA Group would respectively receive 70% and 30% of the annual net profit after tax of Successful Goal. We note that:

(1) in determining the amount of the Management Fees, the Company had considered, *inter alia*, the Group's lack of experience and capability in the automobile distribution business in Myanmar and that it would not be feasible for the Group to carry out the Business on its own in Myanmar without the assistance of the SPA Group;

(2) based on our discussions with industry sources (including Interested Persons and independent sources) in 2 countries in the region, the 70:30 profit sharing fee arrangement between the Group and the SPA Group is generally in line with industry norms and practices; and

(3) in the event that Successful Goal records an annual net loss after tax, Elite Matrix will not receive any Management Fees from Successful Goal. However, in such an event, FMI shall pay an amount equivalent to 30% of the net loss after tax of Successful Goal to Elite Matrix.

**4.3 Safeguards to Elite Matrix based on the terms of the Management Agreement**

Based on the terms of the Management Agreement, we note that:

(a) Ownership of the sole and exclusive distribution rights of the Dongfeng Light Trucks in Myanmar

The Management Agreement does not constitute a sub-licence, assignment or transfer in any way of the sole and exclusive distribution rights of the Dongfeng Light Trucks in Myanmar by the Company and/or Elite Matrix and the ownership of such distribution rights shall remain that of the Company and/or Elite Matrix at all times.

(b) Management control of Successful Goal

Pursuant to the Management Agreement:

(i) Elite Matrix will have full decision-making powers, control and authority over the Business of Successful Goal;

(ii) Elite Matrix will have full control, power and authority to enter into contracts and other obligations and generally to do and perform all acts and things to enable it to provide the Services, in the name of and on behalf of Successful Goal; and

(iii) FMI and Successful Goal will jointly and severally indemnify and keep Elite Matrix harmless against all actions, proceedings, claims and demands made and all liabilities, costs, expenses, losses and damages which may be suffered by Elite Matrix arising out of, *inter alia*,:

(1) its appointment as the Manager and the performance of its obligations under the Management Agreement; and

(2) any breach by FMI and/or Successful Goal of any provisions of the Management Agreement.

In addition, we note that the Management Agreement does not have any provisions limiting the authority of Elite Matrix as the Manager of Successful Goal and that the market selling price of the Dongfeng Light Trucks applicable to all customers (including all Interested Persons) will be determined by the directors of Elite Matrix.

(c) Control of the Operating Accounts of Successful Goal

Pursuant to the Management Agreement:

(i) all costs and expenses of the Business shall be paid out from, and all proceeds and revenue of, and relating to, the Business shall be paid into, the Operating Accounts;

(ii) all Operating Accounts shall be managed and operated at all times by Elite Matrix on behalf of Successful Goal and all withdrawals from the Operating Accounts are subject to the authorisation or approval of Elite Matrix;

(iii) the authorised signatories of the Operating Accounts shall be the assigned personnel of Elite Matrix; and

(iv) Elite Matrix shall be entitled to pay itself, *inter alia*, the Management Fee and all other monies payable to the Manager.

(d) Rights in respect of Unsold Trucks

Pursuant to the Management Agreement, in the event of any Unsold Trucks arising by the 10th day prior to the expiry of the credit/financing period granted by GMG, Elite Matrix will have the right, through Successful Goal, to sell the Unsold Trucks to FMI at the market selling price of the Unsold Trucks as determined by Elite Matrix.

In the event that FMI fails to comply with its obligations to purchase and make full payment for the Unsold Trucks, Elite Matrix shall be entitled to complete the instruments of transfers in respect of the Unsold Trucks, for the transfer to Elite Matrix. The transfer of the ownership to such Unsold Trucks to Elite Matrix will be completed and validated upon the stamping and filing of the instruments of transfer with the Vehicle Registration Department. Elite Matrix will have the right to sell or dispose of the Unsold Trucks in such manner and for such consideration as Elite Matrix may think fit, and Elite Matrix may apply the proceeds of such sale or disposal in or towards its payment obligations or liabilities towards GMG. Elite Matrix will not be liable for any loss arising out of the exercise of its rights and powers in relation to the Unsold Trucks. In addition, all fees and expenses incurred in respect of such transfers, registrations, sales and/or disposals of the Dongfeng Light Trucks will be borne by FMI.

(e) Board of directors of Successful Goal

Pursuant to the Management Agreement, the board of directors of Successful Goal will comprise not more than 3 directors at all times, of whom at least 2 directors shall be appointed by Elite Matrix. We understand that the Company intends to nominate a non-executive Director of the Company, who is not an Interested Person, to be the director of Successful Goal.

**4.4 Procedures to be adopted by the Group in relation to Elite Matrix**

The Company will appoint a new managing director for Elite Matrix, who is not an Interested Person, and a non-executive Director of the Company as directors of Elite Matrix.

Under the Management Agreement, Elite Matrix will have full control and authority over the Business of Successful Goal. This includes control of the selling price of the Dongfeng Light Trucks and expenses of Successful Goal, which will, *inter alia*, affect the net profit after tax of Successful Goal and hence, the amount of Management Fee to be received by Elite Matrix.

The Group intends to adopt the following internal control procedures in relation to:

Selling prices of the Dongfeng Light Trucks

(a) The market selling price of the Dongfeng Light Trucks applicable to all customers (including all Interested Persons) will be determined by the directors of Elite Matrix, having regard to, *inter alia*, the cost of the trucks, market sentiments and foreign exchange rates. Elite Matrix will formulate a list price with a discount structure which will set out the market selling price of the Dongfeng Light Trucks. The list price with the discount structure will be reviewed by the Audit Committee in every quarter. Additionally, all transactions in respect of the Dongfeng Light Trucks between Successful Goal with Interested Persons will be reviewed by the Audit Committee in every quarter;

(b) The Representatives of Elite Matrix will ensure that the list price with the discount structure will be implemented for all customers. If the customers are Interested Persons, a list setting out the selling price and the aggregate value of Interested Persons Transactions will be submitted to the Audit Committee in every quarter;

For expenses of Successful Goal

(c) Approval by the Chief Financial Officer (or such other officer of equivalent rank or designation of the Company for the time being) who is independent of Mr. Serge Pun will be required for any (i) single expense of an amount between S$10,000 and S$50,000 and (ii) aggregate expenses incurred payable to a single creditor or a related group of creditors of an amount between S$10,000 and S$50,000; and

(d) Approval by the Chief Financial Officer (or such other officer of equivalent rank or designation of the Company for the time being) and a Director of the Company who are independent of Mr. Serge Pun will be required for any (i) single expense of an amount exceeding S$50,000 and (ii) aggregate expenses incurred payable to a single creditor or a related group of creditors of an amount exceeding S$50,000.

**5. EVALUATION OF THE ADDITIONAL SCOPE**

In our evaluation of the Additional Scope, we have given due consideration to, *inter alia*, the following:

(a) details of the Additional Scope comprising the Financing Transactions;

(b) rationale for, and benefits of, the Additional Scope in the Shareholders' Mandate;

(c) approval procedures for the Financing Transactions; and

(d) other procedures and review process for the Financing Transactions.

**5.1 Details of the Additional Scope comprising the Financing Transactions**

The Additional Scope in the Shareholders' Mandate comprises the following Financing Transactions:

(a) the procurement and extension of financing to Successful Goal for the purchase of Dongfeng Light Trucks and the procurement of any other financing for the Business of Successful Goal pursuant to the Management Agreement (i.e. the GMG Financing and the Third Party Financing) and the enforcement or realisation of any security given in respect of the Dongfeng Light Trucks to Elite Matrix in connection with such financing of up to US$2 million; and

(b) the provision of discretionary interest-free loan(s) or financing (up to an aggregate of US$4 million) to Successful Goal for the purpose of its working capital to be used for the Business pursuant to the Management Agreement i.e. the Subsequent Loan(s).

**5.2 Rationale for, and benefits of, the Additional Scope in the Shareholders' Mandate**

The rationale for, and benefits of, the Additional Scope in the Shareholders' Mandate are set out in Section 3.3 of the Circular.

We note, *inter alia*, the following:

(a) pursuant to the Management Agreement (the rationale for, and benefits of, which are set out in Section 2.6 of the Circular and our evaluation of the Management Agreement of which are set out in Section 4 of this Letter), it is envisaged that there will be recurring Financing Transactions resulting from the Management Agreement between the Company and/or its subsidiaries with the SPA Group;

(b) if the inclusion of the Additional Scope in the existing Shareholders' Mandate is approved by the Shareholders at the EGM, the renewal of the Revised Shareholders' Mandate (which includes the Additional Scope) on an annual basis would eliminate the need for the Company to, *inter alia*, convene separate general meetings from time to time to seek Shareholders' prior approval as and when the Financing Transactions arise, thereby reducing substantial administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group. In addition, this will considerably improve administrative efficacy; and

(c) the Revised Shareholders' Mandate is intended to facilitate, *inter alia*, the Financing Transactions in the ordinary course of business of the Group which the Directors envisage are likely to be transacted with some frequency from time to time with the Interested Persons.

**5.3 Approval procedures for the Financing Transactions**

The detailed text of the approval procedures for the Financing Transactions is set out in Section 3.6 of the Circular.

We note that the Group has adopted the following procedures for the review and approval of the Financing Transactions in respect of the Additional Scope to ensure that the Financing Transactions are conducted at arm's length and on normal commercial terms consistent with the

Group's usual business practices and on terms which are generally not more favourable than those extended to unrelated third parties, and are not prejudicial to the interests of the Company and its minority Shareholders:

**5.3.1 Procurement of financing**

(a) The following approval procedures will be adopted by the Company in respect of the Procurement of Financing pursuant to the Management Agreement:

| **Value of third party financing** | **Required Approval** |
|---|---|
| Less than US$60,000 | The approval of the managing director of Elite Matrix (who shall not be an Interested Person in respect of the Procurement of Financing) prior to making any commitment to the Procurement of Financing |
| Greater than or equal to US$60,000 but less than US$200,000 | The approval of the managing director of Elite Matrix (who shall not be an Interested Person in respect of the Procurement of Financing); and verification and confirmation by the Company's Chief Executive Officer or Director (who shall not be an Interested Person in respect of the Procurement of Financing) prior to making any commitment to the Procurement of Financing |
| Greater than or equal to US$200,000 | The approval of the managing director of Elite Matrix (who shall not be an Interested Person in respect of the Procurement of Financing); verification and confirmation by the Company's Chief Executive Officer or Director (who shall not be an Interested Person in respect of the Procurement of Financing); and approval of one Independent Director prior to making any commitment to the Procurement of Financing |
| Elite Matrix's financial controller shall submit a report to (i) the Chief Financial Officer on a monthly basis, and (ii) the Audit Committee on a quarterly basis, on all Procurement of Financing pursuant to the Management Agreement. | |

(b) In approving the Procurement of Financing, the relevant authorising personnel shall have regard to all relevant factors including without limitation, the terms of the relevant financing, whether the Procurement of Financing will be prejudicial to the interests of minority Shareholders, the need for such Procurement of Financing, the status of the cash flow of Successful Goal and the market demand for Dongfeng Light Trucks.

**5.3.2 Provision of Subsequent Loan(s)**

(a) The provision of any Subsequent Loan(s) shall be subject to the approval of the Board of Directors of the Company (excluding any Interested Person in respect of the Subsequent Loan(s)).

In approving any provision of Subsequent Loan(s), the relevant authorising personnel shall have regard to all relevant factors including without limitation, whether the provision of the Subsequent Loan(s) will be prejudicial to the interests of minority Shareholders, the need for such Subsequent Loan(s), the status of the cash flow of Successful Goal, Elite Matrix and the Company, and the business prospects of Successful Goal.

(b) The following approval procedures will be adopted by the Company in respect of the drawdown of any provision of Subsequent Loan(s) to Successful Goal for the purpose of working capital to be used for the Business pursuant to the Management Agreement:

<table>
<tr><th>Value of Subsequent Loan(s)</th><th>Required Approval</th></tr>
<tr><td>Less than US$100,000</td><td>The approval of the managing director of Elite Matrix (who shall not be an Interested Person in respect of the Subsequent Loan(s)) prior to making any commitment to the Subsequent Loan(s)</td></tr>
<tr><td>Greater than or equal to US$100,000 but less than US$250,000</td><td>The approval of the managing director of Elite Matrix (who shall not be an Interested Person in respect of the Subsequent Loan(s)); and verification and confirmation by the Company's Chief Executive Officer or Director (who shall not be an Interested Person in respect of the Subsequent Loan(s)) prior to making any commitment to the Subsequent Loan(s)</td></tr>
<tr><td>Greater than or equal to US$250,000</td><td>The approval of the managing director of Elite Matrix (who shall not be an Interested Person in respect of the Subsequent Loan(s)); verification and confirmation by the Company's Chief Executive Officer or Director (who shall not be an Interested Person in respect of the Subsequent Loan(s)); and approval of one Independent Director prior to making any commitment to the Subsequent Loan(s)</td></tr>
<tr><td colspan="2">Elite Matrix's financial controller shall submit a report to (i) the Chief Financial Officer on a monthly basis, and (ii) the Audit Committee on a quarterly basis, on all provisions of Subsequent Loan(s) to Successful Goal by Elite Matrix, including details on the quantum and purpose of the loan and, if applicable, the identity of the vendor of the goods or services for which the monies from the Subsequent Loan were applied to.<br><br>The Representative of Elite Matrix who sits on the board of directors of Successful Goal shall be a signatory to all disbursements of the Subsequent Loan(s) by Successful Goal.</td></tr>
</table>

(c) In approving the drawdown of any provision of Subsequent Loan(s), the relevant authorising personnel shall have regard to all relevant factors including without limitation, whether the provision of the Subsequent Loan(s) will be prejudicial to the interests of minority Shareholders, the need for such Subsequent Loan(s), the status of the cash flow of Successful Goal, Elite Matrix and the Company, and the business prospects of Successful Goal.

### 5.4 Other procedures and review process for the Financing Transactions

In addition to the review procedures and approval limits set out in Section 5.3 of this Letter, the other general procedures that apply to all Interested Person Transactions under the existing Shareholders' Mandate (as set out in paragraph 4 of Appendix A to the Circular and reproduced below) will similarly apply to the Additional Scope:

(a) The Company's financial controller in its Yangon office will maintain a register of transactions carried out with Interested Persons pursuant to the existing Shareholders' Mandate. Details such as the names of Interested Persons, the date, value and basis of Interested Person Transactions on which they were entered into, including the quotations obtained or sale invoices raised to support such basis, shall be recorded in the register, together with any original review documents.

(b) The Company shall, on a quarterly basis, report to the Audit Committee on all Interested Person Transactions and the basis of such transactions, entered into with Interested Persons during the preceding quarter. The Audit Committee shall review such Interested Person Transactions at its quarterly meetings except where any Interested Person Transactions require the approval of the Audit Committee prior to the transaction.

(c) The Company's annual internal audit plan shall incorporate a review of all Interested Person Transactions, including the established review procedures for monitoring of such Interested Person Transactions, entered into during the current financial year.

(d) The Audit Committee will conduct periodic reviews of not less than half-yearly of the review procedures for the Interested Person Transactions. If during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the guidelines and review procedures for Interested Person Transactions have become inappropriate or insufficient in the event of changes to the nature of, or the manner in which, the business activities of the Group or the Interested Persons are conducted, new guidelines and procedures will be set so that Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

(e) For the purpose of the above review and approval process, any Director, who has an interest in the Interested Person Transaction under review and is not considered independent, will abstain from voting on any resolution relating to the Interested Person Transaction and/or abstain from participating in the Audit Committee's decision during its review of the established review procedures for the Interested Person Transactions or during its review or approval of any Interested Person Transaction.

## 6. CONCLUSION

Based on the above considerations and subject to the qualifications and assumptions herein, we are of the opinion that:

(a) the terms of the Management Agreement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders; and

(b) the review procedures for the Additional Scope, if adhered to and applied properly at all times, are sufficient to ensure that the Financing Transactions under the Additional Scope will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

We have prepared this Letter for the use of the Recommending Directors in connection with and for the purposes of their consideration of the Management Agreement and the Additional Scope. The recommendations made by them to the independent Shareholders in relation to the Management Agreement and the Additional Scope shall remain the sole responsibility of the Recommending Directors. Whilst a copy of this Letter may be reproduced in the Circular, no other person may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose, other than for the purposes of the Management Agreement, the Additional Scope and the EGM, at any time and in any manner without our prior written consent in each specific case.

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

Yours faithfully

Kevin Scully
Executive Chairman
NRA Capital Pte. Ltd.

Vicky Han
Head of Corporate Finance
NRA Capital Pte. Ltd.

# YOMA STRATEGIC HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 196200185E)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at Connection 1, Level 3, Amara Hotel, 165 Tanjong Pagar Road, Singapore 088539 on 3 December 2010 at 2 p.m. for the purpose of considering and, if thought fit, passing with or without modifications the following Ordinary Resolutions.

All capitalised terms in this Notice which are not defined herein shall have the same meanings ascribed to them in the Circular to Shareholders of the Company dated 16 November 2010 (the "**Circular**").

**AS AN ORDINARY RESOLUTION:**

RESOLUTION 1 – THE MANAGEMENT AGREEMENT WITH FIRST MYANMAR INVESTMENT COMPANY LIMITED AND SUCCESSFUL GOAL TRADING CO., LTD. AS A SPECIFIC INTERESTED PERSON TRANSACTION

THAT:-

(a) subject to and pursuant to the approval of the Additional Scope in Resolution 2 below being obtained, approval be and is hereby given for the Management Agreement between Elite Matrix, FMI and Successful Goal, pursuant to which Elite Matrix will, *inter alia*, (i) manage Successful Goal and its Business and (ii) grant the interest-free Loan of US$1 million to Successful Goal to be used towards working capital of the Business, on the terms and conditions set out in the Management Agreement; and

(b) the Directors of the Company (other than Mr. Serge Pun, who is deemed to be interested in the Management Agreement) be and are hereby authorised to do any and all such acts, deeds and things (including the execution of all such documents as may be necessary), and generally to exercise all the powers of the Directors, as they may in their absolute discretion deem fit, expedient or necessary to give effect to the Management Agreement, the Strategic Co-operation Agreement and any transactions contemplated under the Management Agreement, the Strategic Co-Operation Agreement and this Resolution.

**AS AN ORDINARY RESOLUTION:**

RESOLUTION 2 – THE ADDITIONAL SCOPE IN THE SHAREHOLDERS' MANDATE FOR RECURRING INTERESTED PERSON TRANSACTIONS

THAT:-

(a) subject to and pursuant to the approval of the Management Agreement in Resolution 1 above being obtained, approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, for the inclusion of the Additional Scope (as set out in Section 3.4 of the Circular) in the existing Shareholders' Mandate approved by the Shareholders on 29 July 2010, provided that such transactions under the Additional Scope are made on normal commercial terms and in accordance with the review procedures for such Interested Person Transactions under the Additional Scope (as set out in Section 3.6 of the Circular);

(b) the existing Shareholders' Mandate with the Additional Scope shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

(c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as the Audit Committee may in its absolute discretion deem necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the Singapore Exchange Securities Trading Limited from time to time; and

(d) the Directors of the Company (other than Mr. Serge Pun, who is deemed to be interested in the Additional Scope) be and are hereby authorised to do and approve all such acts and things (including executing all such documents as may be necessary), and generally to exercise all the powers of the Directors, as the Directors may in their absolute discretion deem fit, expedient or necessary to give effect to the inclusion of the Additional Scope in the existing Shareholders' Mandate and/or this Resolution.

**AS AN ORDINARY RESOLUTION:**

RESOLUTION 3 – THE PROPOSED DISPOSAL OF EQUITY INTERESTS IN FIRST MYANMAR CONSTRUCTION CO LTD, MYANMAR V-PILE CO LTD, MYANMAR PILING CO LTD AND V-PILE (SINGAPORE) PTE. LTD.

THAT:

(a) approval be and is hereby given for the Proposed Disposal pursuant to which Yoma Construction Industries Pte. Ltd. shall sell the FMC Sale Shares and the MVP Sale Shares to the Purchaser for the Purchase Consideration, on the terms and conditions set out in the Disposal Agreement; and

(b) the Directors of the Company be and are hereby authorised to do and approve all other acts and things (including executing all such documents as may be necessary), and generally to exercise all the powers of the Directors, as the Directors may in their absolute discretion deem fit, expedient or necessary to give effect to the Proposed Disposal and any transaction contemplated under the Disposal Agreement and this Resolution.

By Order of the Board

Serge Pun
Chairman and Chief Executive Officer
**Yoma Strategic Holdings Ltd.**

16 November 2010

Notes:

(1) A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint no more than two (2) proxies to attend and vote on his behalf and such proxy need not be a member of the Company.

(2) A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

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

(4) The instrument appointing a proxy must be deposited at the registered office of the Company at 80 Anson Road, Fuji Xerox Towers #25-05, Singapore 079907, not less than forty-eight (48) hours before the time appointed for the Extraordinary General Meeting or any postponement or adjournment thereof.

*This page has been intentionally left blank.*

# YOMA STRATEGIC HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 196200185E)

## EXTRAORDINARY GENERAL MEETING PROXY FORM

(You are advised to read the notes below before completing this form)

**IMPORTANT:**

1. For investors who have used their CPF monies to buy shares, this Circular to Shareholders is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We ____________________________________________ (Name)

of ____________________________________________ (Address)

being a member/members of YOMA STRATEGIC HOLDINGS LTD. (the "**Company**") hereby appoint:

| Name | Address | NRIC / Passport No. | Proportion of shareholdings (%) |
|---|---|---|---|
| | | | |

and/or (delete as appropriate)

| Name | Address | NRIC / Passport No. | Proportion of shareholdings (%) |
|---|---|---|---|
| | | | |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf at the Extraordinary General Meeting of the Company, to be held at Connection 1, Level 3, Amara Hotel, 165 Tanjong Pagar Road, Singapore 088539 on 3 December 2010 at 2 p.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/their* discretion, as he/they* will on any other matter arising at the Extraordinary General Meeting. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

| **Ordinary Resolution** | **For** | **Against** |
|---|---|---|
| To approve the management agreement as a specific interested person transaction | | |
| To approve the additional scope in shareholders' mandate for recurring interested person transactions | | |
| To approve the proposed disposal of equity interests in First Myanmar Construction Co Ltd, Myanmar V-Pile Co Ltd, Myanmar Piling Co Ltd and V-Pile (Singapore) Pte. Ltd. | | |

Dated this ________ day of ________________ 2010

| **Total number of Shares in:** | **Number of Shares** |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________________
Signature(s) of Shareholder(s) / Common Seal

** Delete accordingly*

**IMPORTANT: PLEASE READ NOTES TO PROXY FORM**

NOTES:-

1. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one (1) or two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

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

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

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 80 Anson Road, Fuji Xerox Towers #25–05, Singapore 079907, not less than forty-eight (48) hours before the time set for the Extraordinary General Meeting.

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

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

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on the instrument. In addition, in the case of shares entered in the Depository Register, the Company may reject the instrument appointing a proxy or proxies if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.