SECOND CHANCE PROPERTIES LTD
(Incorporated in Singapore)
(Company Registration Number: 198103193M

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) – (THE "SIAS") ON THE ANNUAL REPORT FOR FIANANCIAL YEAR ENDED 31 AUGUST 2018

The board of directors (the "**Board"**) of **Second Chance Properties Ltd** (the "**Company**") refers to the query raised by the SIAS in relation to the Company's Annual Report for the Financial Year ended 31 August 2018 and appends the requisite replies as follows:

Q1 As property investment is one of the group's core businesses (accounting for over 55% of the group's total assets), the performance of the segment will impact the group's overall performance.

(i) **Can Management quantify the impact due to lower rent upon lease renewals?**

A1 (i) The management intends to maintain the existing rent upon lease renewals. However, the same depends on numerous factors like the market demand, tenant's business performance, the economy in general, etc.

(ii) **What is the average tenant retention rate? What is the weighted average lease expiry (WALE)?**

A1 (ii) Tenant Retention Rate 74.07% (20 renewed out of 27)
WALE – as a percentage of total lettable area = 1.6 years
WALE – as a percentage of gross rental income = 1.77 years

(iii) **Can management help shareholders understand the weighted average rental reversions achieved for the new/renewed leases?**

A1 (iii) Rental Reversion = -12.26% - for FY 18

(iv) **Would management consider disclosing the key performance indicators of the property investment portfolio on a regular basis?**

A1 (iv) The management has been disclosing the key performance indicators of the property investment portfolio on a regular basis by giving details of "Rental Income contribution by Tenant Trade Sector" in the Annual Report. In future, the management will also include the rental yield from different sectors as part of key performance indicators.

(v) **With 8 leases due for renewal in 2018 and a further 29 leases to be renewed in 2019, what is management's strategy to maintain/increase the group's rental income from the properties?**

A1 (v) The rental market is facing tremendous downward pressure. Rental depends on demand and supply and as such management can apply only limited strategies to maintain/increase rental income one of which is engaging multiple brokers to market our properties and increase their commission. If required, the management can also consider lowering rent in some cases (as determined by the market forces) instead of keeping any unit vacant.

(vi) **Would management provide shareholders with an update on the status of collective sale? How is the group driving the potential monetization of the 12 shop units it holds in Sim Lim Square?**

A1 (vi) The en-bloc for Sim Lim Square is ongoing. The collective sales as at 17 December 2018 is 58.55%. The last date to sign the collective sales for obtaining 80% consensus is 08 March 2019.

We have voted in favour of the proposed collective sale of Sim Lim Square.

We are also looking to sell at a agreeable price in the market (apart from waiting for the en-bloc)

(vii) **When will the group be carrying out a full valuation on the properties?**

A1 (vii) In 2019.

(viii) **In addition, in Note 20 (page 90 – Investment properties), the group's properties at City Plaza is now reflected 22 units of approximately 937 square metres, up from 20 units of approximately 837 square metres (as at 31 August 2017). Could management help shareholders understand the reason for the increase?**

A1 (viii) In prior years, there were 2 units at City Plaza that were classified as "Property, plant & equipment" since they were self-occupied. However now, those 2 units have been rented out to third party and hence have been re-classified from "Property, plant & equipment" to "Investment properties". As such, the group's properties at City Plaza is now reflected as 22 units.

(ix) **What is the progress of the collective sale of the units at City Plaza?**

A1 (ix) The collective sales as at 22 December 2018 is 22.43%.

The last date to sign the collective sales for obtaining 80% consensus is 23 August 2019.

Furthermore, what is the long term future of the group's apparel business now that the operations has been streamlined to just a single flagship First Lady store in Malaysia?
Barring any unforeseen circumstances, the Group will continue to operate its apparel business as long as returns from the same are reasonable and worthwhile.

Q2 As shown in the Financial review (page 15), the group has 28.7% of its total assets in quoted securities, both held-for-trading and available-for-sale, accounting for $87.5 million of the group's $305.4 million in total assets.

(i) **Can management confirm that the group has an internal limit of 35% of its net tangibles asset that can be invested in securities? –**

A2 (i) Yes, as per the current internal investment policy, the group has an internal limit of 35% of its net tangible assets that can be invested in securities and it's subject to annual review by the Board.

(ii) **Are there other risk management safeguards such as sector exposure and single counter exposure to manage the risk of the group's securities investments?**

A2 (ii) Yes and following are the risk management safeguards for group's securities investments:

<u>Equity securities:</u>

1) The market capitalization of the stock on date of purchase must be not less than S$500 million
2) The company must have paid dividends for the past 5 years
3) The stock must have at least 3 buy recommendations from established financial institution
4) To have a diversified portfolio with not more than 20% of invested funds in any one sector
5) To limit to up to 5% of Group's NTA on any single stock , ETF or Index Fund etc.,

<u>Bonds:</u>

1) The NTA of the issuer must not be less than S$500 million
2) To have a diversified portfolio with not more than 20% of funds invested in any one sector
3) To limit up to 1% of latest audited Group's NTA on any single bond

(iii) **Is there an investment committee to provide oversight of the securities investment portfolio?**

A2 (iii) Yes

(iv) **Has the board evaluated the long term performance of the group's securities investment activities?**

A2 (iv) Yes, the Board discusses and reviews the group's securities investment activities on a quarterly basis.

(v) **Given the current market cycle, how will management be positioning its securities investment portfolio?**

A2 (v) Given the volatility in the current global securities market, the management sees no necessity to take any immediate steps and has the capacity to hold the securities for the long term.

Q3 In August 2018, the Monetory Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which will come into effect on 01 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 01 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years which the long tenured directors will be subject to a two-tier vote by shareholders.

As noted in the company's Corporate Governance Report, Mr. Tan Lye Heng Paul and Dr. Ahmad Bin Mohamed Magad have served as independent non-executive directors of the company since 29 November 2002 and 20 December 1996 respectively.

Thus, Mr. Tan Lye Heng Paul and Dr. Ahmad Bin Mohamed Magad have served on the board for more than 16 years and 22 years respectively.

The third independent director, Ms. Geetha Padmanabhan, was first appointed in March 2012 and would have served for more than nine years when the new rules come into effect.

(i) **Has the company evaluated the impact of the 2018 Code and the amendments to the Listing Rules on the board?**

A3 (i) Yes, the company has evaluated the impact of the 2018 Code and the amendments to the Listing Rules on the board.

The Board of Directors is committed to define, follow and practice the highest level of corporate governance within the Group which forms the continuing obligations of the Singapore Exchange Securities Trading Limited (SGX-ST)'s listing rule.

(ii) **Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**

A3 (ii) Yes

(iii) **What is the search and nominating process for directors, especially independent directors?**

A3 (iii) The Board has established the NC, which makes recommendations to the Board on all appointments to the Board and Board Committees. The NC seeks to ensure that the composition of the

Board provides an appropriate balance and diversity of skills, experience, gender and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to the Group's business. The NC has put in place a formal process for the selection of new Directors to increase transparency of the nominating process in identifying and evaluating nominees for Directors.

For more details on the above, please refer to pages 34-35 of the Annual Report FY 2018.

Q4 On 23 January 2017, the company issued one bonus warrant for every one existing ordinary share in the capital of the company. 752,268,852 new warrants were issued, with each warrant carrying the right to subscribe for one new share at an exercise price of $0.25.
The book closure date for the warrants was 17 January 2017. As at 13 January 2017, the total (direct and deemed) interest of Mr. Mohamed Salleh was 66.08%, based on the company's announcement dated 16 January 2017.

As at 17 November 2017, based on the Statistics of Shareholdings (page 108 & 109 of the 2017 Annual Report), Mr. Mohamed Salelh has direct and deemed interest of 443,806,934 and 63,187,785 shares respectively.

Based on the Statistics of Warrantholders, Mr. Mohamed Salleh and his spouse are not in the list of the Thirty largest warrantholders (page 110 of the 2017 Annual Report).

In the Corporate Governance Report, under the section "Dealing insecurities" (page 48), it was disclosed that the company has "adopted an internal code on dealings in securities, which has been issued to all Directors and Employees…. Directors are required to report securities dealings to the Company Secretary who will aid in making the requisite announcements."

(i) **Can the board clarify if dealings in the company's warrants would fall under its Internal code on dealing in the company's securities?**

A4 (i) Dealing in company's warrants does not fall under its Internal code on dealing in the company's securities.

(ii) **To further raise the level of corporate governance, would the board consider having directors report his/her dealings in the company's warrants and announce any such sale/purchase of the company's warrants on the SGXNet?**

A4 (ii) We agree that reporting the sale/purchase of the company's warrants by Directors on the SGXNet would increase transparency and improve our level of corporate governance. Hence with immediate effect, they will do so.

2nd CHANCE PROPERTIES

SUSTAINABILITY REPORT 2018

SECOND CHANCE PROPERTIES LTD is involved in 4 Core businesses which are:

- Property Investment
- Retailing of Apparel
- Retailing of Gold Jewellery
- Investing and Trading in Financial Instruments

We aim for our businesses and operations to be conducted in a responsible and sustainable manner and thereby have implemented the following five key pillars as part of our Corporate Sustainability. They are **Corporate Social Responsibility (CSR)**, **Environmental Impact Management, Governance, Risk Management** and **Customer Satisfaction**.

The Group maintains its benchmark through an annual audit which includes emphasis placed on its subsidiary in Malaysia, conducting In-house Internal Audit which comprises of document reviews and interview with key personnel and inspection of operations focused on Management and Environment. The audit ensures that systems are firmly in place to allow for effective planning and accountability of the Group.

The stakeholders of the Group who are notably the shareholders, employees, customers and suppliers whose concerns on the environment are always addressed especially on the usage of environmentally friendly products. As for the shareholders, their major concern is on the future growth of the company and the present low dividend payout. As the Group is paring its debts it needs to effectively cut down its dividend payout with a view to lowering its debt and shall remain poised for a bigger catch in the future.

1) ***Corporate Social Responsibility (CSR)***

We believe in being a socially responsible corporate citizen by being involved in causes that help the less fortunate. Every year we make donations both in cash and kind to the needy. We have also started a bursary award in May 2017 which we will be continuing this year. In the future, the company intends to donate up to 1% of its net profits for social causes.

In Malaysia, every year we have been donating clothes to the Old Folks Home and others. We also encourage our employees, both in Singapore and Malaysia to volunteer their time in charitable causes.

In our endeavor to continuously improve our CSR, we have imposed a mandatory Casino Exclusion Order to all Executive Directors and key personnel of the Company.

2) ***Environmental Impact Management***

Our Group is committed to do our best to care for the environment that we operate in and has carried out the following:

a) Optimising electricity and water usage in our stores.

b) Progressively replacing all lighting with energy efficient light fittings with a target to complete this exercise by 31 August 2019.

c) In stages we are replacing all plastic bags with biodegradable bags. We have stopped purchasing new plastic bags and we aim to totally discontinue the use of plastic bags by the year 2020.

As retailers in Apparels and Gold Jewellery, the electricity usage in Singapore is well controlled. There is no water usage as there are no toilets within the units. Staff and customers use the public toilets within the building where we have rented our units. In Malaysia, for the building which we own and occupy, we have installed energy efficient light fittings and water efficient sanitary fittings and we constantly keep reminding our employees on the control of and avoidance of unnecessary wastage of electricity and water.

Regular practice is conducted for all our employees on the proper usage of fire extinguishers in the building. We also regularly make sure that all extinguishers are in proper working order and ready to be used when required.

We practice and encourage the principle of “Reduce, Reuse & Recycle” of resources such as paper. All employees are encouraged to reuse paper and minimize printing wherever possible.

3) ***Governance***

a) Business Strategy

Our retail apparel business has been affected adversely by intense competition and changing trends towards western clothing by the younger generation, which has resulted in us closing all the non-performing stores. We are now revamping our company-owned flagship store.
As part of our strategy, we have continually reduced our debt through the sale of several properties and securities. With a very low gearing, we are now in a stronger position to seize opportunities as and when it presents itself.

b) Succession Plan

The Nominating Committee endorsed a proposal that Mr. Hasan Marican, the Deputy CEO will be the successor to the CEO in any eventuality. Thereafter, he and the Nominating Committee will appoint a Deputy CEO either from the Company or headhunted with a preference of age below 50 years.

After a year or two on the job, this Deputy CEO, if found suitable, will rise to the post of CEO and thereafter Mr. Hasan shall be the Executive Chairman.

This Plan has been further reinforced with a succession team, whereby several executives within the Group, all below the age of 50 years have been earmarked and identified to form the core team that will support the overall Succession Plan. If necessary, recommendations will be made by the Nominating Committee for professionals to be brought to further reinforce the team.

Appropriate training and handover process has been initiated by the current Management team to Mr. Hasan and the other identified executives for their development towards their planned roles.

c) Investor Relations

We manage investors’ expectations and promote a positive investment environment in the following manner:

- Annual General Meetings
- SGX Net announcements
- Annual Reports
- Website updates
- Investors can request to be on the Mailing List of the Company
- Maintain a database of email addresses of our Investors.

As part of good governance and to ensure gender diversity our Company’s constitution stipulates that at any point in time, at least one member of the Board must be a female and this has been duly implemented by the Company.

4) ***Risk Management***

We take Risk Management seriously to ensure the sustainability of the Group. In doing so, we have readily engaged a professional Risk Management Consultant to thoroughly study our organisation for any inherent risk which includes the following:

a) Identification and documentation of risks and controls.
b) Assessment and Risk Management procedures and evaluation of controls.
c) Test of controls
d) Internal and External Audits – The Group has an in-house Internal Audit team which regularly reviews the internal controls in place, examines the proper implementation of the controls and reports to the Audit Committee. An External audit is conducted annually by an accredited Certified Audit Firm.

In every quarterly Audit Meeting, the Committee will discuss and be update on risk matters related to the Group, to ensure that any inherent risks are handled promptly and appropriately.

e) Whistle Blower Policy – As part of the Company's due diligence effort to ensure that sound corporate governance practices are being adopted, the Company has also implemented a "Whistleblower" Policy to empower employees, suppliers, tenants and customers to voice their grievances and/or to raise their concerns involving the Company without any fear or repercussions. Such concerns include dishonesty, fraudulent acts, corruption, legal breaches and other serious improper conduct; unsafe work practices and any other conduct that may cause financial or non-financial loss to the Group or damage to the Group's reputation. The whistle blowing policy is communicated to all staff and covered during staff training sessions. The Chairman is in charge of managing this specific area.

The Group undertakes to investigate complaints of suspected fraud and unethical undertakings in an objective manner and has put in place, with the Audit Committee's endorsement, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to build up independent and transparent investigation of matters raised and to allow appropriate actions to be taken.

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Anonymous disclosures will be accepted and anonymity honoured. To further strengthen its Whistleblower Policy, the company has implemented a strong deterrent by offering a cash reward to any person whether employees, suppliers, business associates or the general public who provides specific, reliable and credible information or evidence of fraudulent activities by any of the Company's Executive Directors and Management team as listed in the Company's Annual Report ($50,000/-cash reward) and all other employees (up to $2,000/-cash reward) which leads to admission of guilt by the accused or leads to successful prosecution.

The Audit Committee also reviewed the adequacy of the whistle blower arrangements instituted by the Group through which staff and external parties may, in confidence raise concerns about possible improprieties in matters of financial reporting or other matters.

All cases reported are objectively investigated and appropriate remedial measures are taken where warranted. All whistle blowing matters are reviewed monthly/quarterly by the Audit Committee.

The policy is communicated via the Company's website. On an ongoing basis, the whistle-blower policy is covered during staff training and periodic communication to all staff as part of the Group's efforts to promote awareness of fraud control. Further, any staff member having any specific concerns can contact the Lead Independent Director directly through email at Amm6552@gmail.com or via telephone at +65 6242 2426.

5) **Customer Satisfaction**

It is a fact that customer satisfaction can make or break a business. We always emphasize the importance of good customer service to all our employees and we continuously provide in house training.

In conclusion we will continue to play our part by improving and ensuring our Corporate Sustainability.

Second Chance Properties Ltd
(Company Registration No.198103193M)

RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

The Board of Directors of Second Chance Properties Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the query raised by the Securities Investors Association (Singapore) in relation to the Company's Annual Report for the Financial Year ended 31 August 2016 and appends the requisite replies as follows:

Q1. Shareholders would like to ask the company for more details on the operational performance of the business segments.

Apparel

Q1. a) The Malaysia apparel segment reported segmental results of ($1.28) million, ($0.83) million and $0.50 million in 2016, 2015 and 2014 respectively. Revenue has dropped from $16.1 million in 2014 to $8.4 million in 2016. How has the decision to reduce the number of stores in Malaysia from 34 to 20 affected the operations and the profitability of the segment?

A1-a) The increasing intense competition has affected the profitability of the apparel segment. The stores that were loss- making were closed so as to avoid bigger losses in future. As the situation is expected to worsen, the profitability of this segment is expected to continue to be under pressure.

b) Mega First Lady, the group's flagship store at Jalan Tuanku Abdul Rahman in Kuala Lumpur, has been operational for the full financial year 2016. Is Mega First Lady profitable at the store-level? Has the store performed up to expectations?

A1-b) The opening of Mega First Lady coincided with the downturn in the Malaysian economy and the implementation of GST. As this store is about ten times bigger than the average First Lady shops, we need to expand our range of products with new items such as handbags, shoes, western apparels etc., which will need time to improve upon.

c) Can the business of retailing and wholesaling of modern Islamic apparel be severely disrupted by ecommerce/online shopping?

A1-c) Online shopping has to a certain degree affected our apparel business and can be expected to cause further disruption.

d) Why has the profitability of the apparel segment dropped from $0.92 million in 2015 to a loss of $0.76 million in 2016? How much of the loss can be attributed to the unrealised foreign exchange loss? Is the segment expected to return to profitability?

A1-d) The profitability of the apparel segment was affected by the following:

1) A drop in gross profit from 29% in 2015 to 23% in 2016 due to reduced retail prices to clear stocks of closing stores
2) Average drop of 30% in sale turnover of all stores
3) Write off for furniture and fittings of closed shops

The total unrealised foreign exchange loss was $148,269/-out of which only $1,700/- related to the apparel segment or 0.22%. We expect this segment to return to profitability in due course.

Property rental

e) Revenue from properties dropped 7% from $8.9 million in 2015 to $8.3 million in 2016. The segment profit (page 13 of the annual report) dropped from $9.97 million in 2015 to $5.9 million in 2016, a drop of more than 41%. Adjusting for revaluation losses/gains in 2016 and 2015 respectively, adjusted profit would have dropped from $8.75 million to $7.4 million. Can the board explain to shareholders the impact on rental revenue from the four investment properties that were sold during the year? What is the impact on revenue and on profit from lower rental renewals?

A 1 –e) The total rental revenue from the 4 investment properties that were sold during the year amounted to $451,007.50. After taking out property tax and other direct expenses the impact on net profit was $192,553/-.

The financial impact on revenue would be the difference between the old and new rental income and on segment profit would be the amount after netting off direct property expenses like property tax, service and management fees etc.

f) With 30 leases up for renewal in 2017, would the segment face even greater margin pressure?

A1- f) This segment is expected to end- up with lower profits in 2017 as we expect an average drop of about 15 – 20% in rentals from the 30 leases upon the renewal

g) Can management provide better visibility into key metrics such as the weighted average lease expiry (WALE) (as a percentage of total net lettable area and gross rental income), tenant retention rate and rental reversion?

A1 – g) The following are the Weighted Average Lease Expiry (**WALE**), Tenant Retention and Rental Reversion Rate:

1) **WALE** - as a percentage of total Net Lettable Area = 1.12 yrs
2) **WALE** – as a percentage of gross rental income =1.25 yrs From 01/09/2016
3) Tenant Retention Rate = 98.02%
4) Rental Reversion = 2.30% For FY16

Q2. The directors have "decided to be prudent" (page 30) and the dividend policy has now been changed to one where not more than 30% of net profit after tax can be distributed to shareholders as dividend (page 51). The company had maintained a dividend payout ratio of 234% in 2016 and 143% in 2015.

a) Can the board help shareholders understand how the limit of 30% was arrived?

A2 –a) The declining profits of the Group and the poor outlook for its businesses prompted the Directors to review its dividend policy. The decision to limit it to not more than 30% was derived from the following reasons

i) After the Asian Financial crisis of 1997, the Company invested in properties for rental income which later propelled it to become a much bigger entity. The strategy now is to repeat the same in a much bigger way in the next recession or crisis. Reducing the dividends, will help to reduce debt level, thus positioning the company to be in a financially stronger position to seize opportunities when they arise.

ii) Many shareholders are concerned with the declining share price. They have also voiced concerns on the low liquidity making it difficult for them to exit. To overcome these two issues the company will be embarking on a share buyback program, which will require cash to acquire the treasury shares.

b) Is this overly prudent? The current gearing ratio is at 18% (page 105) and the group still generates very healthy cash flow from its operating activities. With a limit of 30%, the earnings per share will have to be at 12c for the company to pay a dividend of 3.6c (to match the FY 2015 dividend).

A2 – b) The amount "saved" by distributing much lower dividends will help in achieving both the above objectives.

c) Can the board elaborate further on the group's capital management policy and highlight the foreseeable big ticket capital investment needs?

A2 –c) We are "saving" now to maximise our capital investments when opportunities arise as we believe the best time to invest in properties and other big ticket investments during a recession or financial crisis

Q3. Ms. Geetha Padmanabhan is an Independent Non-executive director of the company and also the Chair of the audit committee. In the director's profile (page 6), it was disclosed that Ms Geetha "has been with the Group since April 2003. She worked with the Group as Finance Manager from April 2003 to 30 June 2006 and then from April 2007 to Jan 2012". Ms Geetha was first appointed to the board as a Non-executive director on 1 March 2012 and then re-designated as an Independent Non-executive director on 30 November 2013.

Guideline 2.3(a) of the Code of Corporate Governance issued by the Monetary Authority of Singapore in 2012 states that, inter alia:

> **The Board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including the following:**
>
> **(a) a director being employed by the company or any of its related corporations for the current or any of the past three financial years;**

a) Can the nominating committee justify in greater detail its decision to re-designate Ms Geetha as an Independent non-executive director within the three financial years as stipulated in the Code of Corporate Governance?

b) As Ms Geetha has been with the group as Finance Manager for almost 8 years and as recently as 2012, Ms Geetha would have put in place systems and processes that are

probably still being used by the group's finance team. As the Chairman of the Audit committee, would Ms Geetha be put in a position where she has to review her own work?

c) Could the nominating committee comment on the appropriateness of Ms Geetha as the audit committee chairman?

A3 – a, b & c) We refer to our response in 2014 when a similar question was also posed by SGX.

We maintain that our criteria for independence are determined based on the definition as provided in the Code of Corporate Governance. It is correct that Ms. Geetha Padmanabhan worked as Finance Manager in the Company up to January 2012 and was appointed as Non-Executive Director in March 2012 and thereafter appointed as Audit Committee member and subsequently as its Chairman and Independent Director in December 2013.

Her appointment at various stages was reviewed and recommended by the Nominating Committee ("NC") which recommendation was then adopted and approved by the Board in all cases.

Notwithstanding the fact that Ms Geetha was employed by the Company as Finance Manager in the past up to January 2012, the NC and the Board are satisfied that she has no relationship with the Company, or any of its related subsidiaries. As such, the Directors are satisfied that she has exercised and continued to exercise her independent business and professional judgement with a view to the best interest of the Company. Further Ms Geetha is independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect, her judgement. Ms Geetha has committed to disclose in full the existence of relationships or circumstances which may appear relevant to the Board's determination of her re-designation from NED to ID. So far, Ms Geetha has confirmed there has been no existence of any such relationships and circumstances.

Although she may have created policies during the period that she was Finance Manager, any policy of significance that may potentially have a material impact on the company is always escalated to the Board for review before it is adopted as a company policy. As such, the Board is satisfied that there is no likelihood for her to be in conflict with any policy of her creation that may be currently in place.

In view of the above and notwithstanding the existence of relationships or circumstances which may appear relevant to the Board's determination of her independence, including she being employed by the company or any of its related corporations for the current or any of the past 3 financial years, the Board firmly believes that Ms Geetha, as an ID and as Audit Committee Chairman, is able to exercise independent business and professional judgement with a view to the best interest of the Company.

BY ORDER OF THE BOARD

Mohamed Salleh s/o Kadir Mohideen Saibu Maricar
Executive Chairman & Chief Executive Officer

28 December 2016