
LETTER TO SHAREHOLDERS



Pan Pacific Hotels Group Limited

(Incorporated in the Republic of Singapore)
(Company Registration No. 196800248D)

Directors:

Wee Cho Yaw (Chairman)
Gwee Lian Kheng (Group Chief Executive)
Lim Kee Ming (Independent Director)
Alan Choe Fook Cheong (Independent Director)
Wee Ee Chao (Non-Executive Director)
Low Weng Keong (Independent Director)
Wee Wei Ling (Executive Director)
James Koh Cher Siang (Independent Director)
Wee Ee Lim (Non-Executive Director)
Amedeo Patrick Imbardelli (Executive Director)

Registered Office:

101 Thomson Road
#33-00 United Square
Singapore 307591

1 April 2010

To: The Shareholders of Pan Pacific Hotels Group Limited (the "Company")

Dear Sir/Madam

PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR TRANSACTIONS WITH INTERESTED PERSONS OF THE COMPANY

1. INTRODUCTION

- 1.1 **AGM.** We refer to (a) the Notice of the Annual General Meeting ("**AGM**") of the Company dated 1 April 2010 (the "**Notice of AGM**") convening the 41st AGM to be held on Wednesday, 21 April 2010, set out on page 138 of the Annual Report of the Company for the financial year ended 31 December 2009 (the "**2009 Annual Report**"), and (b) the Ordinary Resolution No. 12 under the heading "Special Business" set out in the Notice of AGM.
- 1.2 **Purpose of Letter.** The purpose of this Letter is to provide shareholders of the Company ("**Shareholders**") with information relating to the proposed renewal of the Shareholders' general mandate for interested person transactions pursuant to Chapter 9 of the listing manual of the Singapore Exchange Securities Trading Limited ("**Shareholders' IPT Mandate**"), details of which are set out in paragraph 2 of this Letter, for the purpose of seeking their approval in relation thereto at the AGM.
- 1.3 **SGX-ST.** The Singapore Exchange Securities Trading Limited ("**SGX-ST**") takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.

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2. THE PROPOSED RENEWAL OF THE SHAREHOLDERS' IPT MANDATE

- 2.1 **The Shareholders' IPT Mandate.** At the Extraordinary General Meeting of the Company held on 28 April 2009 ("**2009 EGM**"), approval of the Shareholders was obtained for, *inter alia*, the renewal of the Shareholders' IPT Mandate to enable the Company, its subsidiaries and associated companies which are considered to be "entities at risk" within the meaning of Rule 904(2) of the listing manual of the SGX-ST (the "**Listing Manual**"), in their ordinary course of business, to enter into categories of transactions with specified classes of the Company's interested persons (as defined in paragraph 1.2 of the Appendix to this Letter), provided that such transactions are entered into on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.
- 2.2 **Proposed Renewal of the Shareholders' IPT Mandate.** The Shareholders' IPT Mandate will (unless revoked or varied by the Company at a general meeting) continue in force until the AGM of the Company scheduled to be held on 21 April 2010. Accordingly, the directors of the Company (the "**Directors**") propose that the Shareholders' IPT Mandate be renewed at the forthcoming AGM in the terms of the Ordinary Resolution No. 12 to be proposed at the AGM and (unless revoked or varied by the Company in general meeting) to continue in force until the next AGM of the Company. Approval from Shareholders will be sought for the renewal of the Shareholders' IPT Mandate on the day of the next AGM and each subsequent AGM of the Company, subject to satisfactory review by the audit committee of the Company (the "**Audit Committee**"), of its continued application to transactions with interested persons.
- 2.3 **Details of the Shareholders' IPT Mandate.** For Shareholders' information, a few minor editorial amendments have been made to the text of the Shareholders' IPT Mandate and the related definitions by the Company. However, the rationale for the Shareholders' IPT Mandate, the scope of the Shareholders' IPT Mandate, its benefit to the Company, the classes of interested persons and the nature of the transactions contemplated under the Shareholders' IPT Mandate, and the review procedures for interested person transactions (as defined in paragraph 1.2 of the Appendix to this Letter) in respect of which the Shareholders' IPT Mandate is sought to be renewed, remain unchanged and are set out in the Appendix to this Letter.
- 2.4 **Audit Committee.** The Audit Committee, comprising Messrs Lim Kee Ming, Alan Choe Fook Cheong and Low Weng Keong as at the date of this Letter, confirms that:
- the methods and procedures for determining the transaction prices of the interested person transactions as set out in the Appendix to this Letter ("**Review Procedures**") have not changed since Shareholders approved the Shareholders' IPT Mandate at the 2009 EGM; and
 - the Review Procedures are sufficient to ensure that the 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.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Interests in Shares. As at 19 March 2010, being the latest practicable date prior to the printing of this Letter (the "**Latest Practicable Date**"), the Directors who have an interest in the ordinary shares in the share capital of the Company ("**Shares**") are as follows:

Director	No. of Shares					
	Direct Interest	(%) ⁽¹⁾	Deemed Interest	(%) ⁽¹⁾	Total Interest	(%) ⁽¹⁾
Wee Cho Yaw	–	–	489,440,652 ⁽²⁾	81.57	489,440,652	81.57
Gwee Lian Kheng	171,000	0.03	315,000	0.05	486,000	0.08
Lim Kee Ming	15,000	–	–	–	15,000	–
Wee Wei Ling	27,000	–	67,500	0.01	94,500	0.02
Wee Ee Chao	–	–	892,500 ⁽³⁾	0.15	892,500	0.15

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As at the Latest Practicable Date, the interests of the Company's substantial shareholders (as defined in Section 81 of the Companies Act (Chapter 50 of Singapore) (the "**Companies Act**") (other than the Directors) in the Shares are as follows:

Substantial Shareholder	Direct Interest	No. of Shares		Deemed Interest	Total Interest	%
		(%) ⁽¹⁾	(%) ⁽¹⁾			
UOL Group Limited (" UOL ")	489,440,652 ⁽⁴⁾	81.57	–	–	489,440,652	81.57
United Overseas Bank Limited			36,603,000	–	36,603,000	6.10 ⁽⁵⁾

Notes:

- (1) As a percentage of the issued share capital of the Company, comprising 600,000,000 Shares.
- (2) Wee Cho Yaw is deemed to have an interest in the 435,000,000 Shares held by UOL and 54,440,652 Shares held by UOB Kay Hian Pte Ltd ("**UOB Kay Hian**") for the benefit of UOL.
- (3) Wee Ee Chao is deemed to have an interest in the 892,500 Shares held by K.I.P. Inc.
- (4) Includes 54,440,652 Shares held in the name of UOB Kay Hian.
- (5) Held in the name of Tye Hua Nominees (Pte) Ltd.

4. DIRECTORS' RECOMMENDATIONS

Proposed Renewal of the Shareholders' IPT Mandate. The Directors who are deemed independent for the purposes of the Shareholders' IPT Mandate, being Messrs Alan Choe Fook Cheong, Lim Kee Ming, James Koh Cher Siang and Low Weng Keong ("**Independent Directors**") are of the opinion that the entry into the interested person transactions as described in paragraph 3 of the Appendix to this Letter, between the EAR Group (as defined in paragraph 2.2 of the Appendix to this Letter) and the classes of interested persons as described in paragraph 4 of the Appendix to this Letter, will enhance the efficiency of the Company, its subsidiaries and associated companies and is in the best interests of the Company. For the reasons set out in paragraph 2.3 of the Appendix to this Letter, the Independent Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the renewal of the Shareholders' IPT Mandate at the forthcoming AGM.

5. ABSTENTION FROM VOTING

In accordance with the requirements of Chapter 9 of the Listing Manual, UOL and all Directors being regarded as "interested persons" in relation to the Shareholders' IPT Mandate must abstain from voting, and must ensure that their respective associates (as defined in paragraph 1.2 of the Appendix to this Letter) must abstain from voting, on the Ordinary Resolution No. 12 in respect of the renewal of the Shareholders' IPT Mandate proposed at the AGM. They should also not accept nominations to act as proxy, corporate representative or attorney to vote in respect of the said ordinary resolution unless the Shareholders appointing them have indicated clearly how votes are to be cast in respect of the said resolution.

6. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company during normal business hours on any weekday (public holidays excluded) from the date of this Letter up to and including the date of the AGM:

- (a) the 2009 Annual Report; and
- (b) the Memorandum and Articles of Association of the Company.

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7. DIRECTORS' RESPONSIBILITY STATEMENT

This Letter has been approved by all the Directors who collectively and individually accept responsibility for the accuracy of the information given in this Letter and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Letter are fair and accurate in all material respects as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Letter misleading.

Where information 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 extracted from such sources or, as the case may be, reflected or reproduced in this Letter.

Yours faithfully
For and on behalf of the Board of Directors of
PAN PACIFIC HOTELS GROUP LIMITED

WEE CHO YAW
Chairman

APPENDIX

1. INTRODUCTION

1.1 Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries or associated companies, which is considered to be an “entity at risk” within the meaning of Rule 904(2) of the Listing Manual, proposes to enter into with a counter-party who is an interested person of the listed company.

1.2 Definitions of main terms used in Chapter 9 of the Listing Manual

An “**entity at risk**” means:

- (a) the listed company;
- (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange;
or
- (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has or have control over the associated company.

An “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

An “**interested person transaction**” means a transaction between an entity at risk and an interested person.

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.

An “**associate**” in relation to any director, chief executive officer or controlling shareholder which is an individual means (i) his immediate family (that is, the spouse, child, adopted child, step-child, sibling or parent), (ii) 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 (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more, and, in relation to a controlling shareholder which is a company, its subsidiary or holding company or a subsidiary of such holding company or a company in which it and/or they have (directly or indirectly) an interest of 30% or more.

An “**associated company**” means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the listed group.

A “**subsidiary**” bears the meaning set out in the Companies Act.

A “**controlling shareholder**” means a person who holds (directly or indirectly) 15% or more of the total number of issued shares excluding treasury shares in the company (provided that the SGX-ST may determine that such a person is not a controlling shareholder) or one who in fact exercises control over the company.

Finally, “**control**” means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company.

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1.3 **Materiality thresholds, disclosure requirements and shareholders' approval**

Under Chapter 9 of the Listing Manual, except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and are hence excluded from the ambit of Chapter 9, immediate announcement, or, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain materiality thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets ("**NTA**")), are reached or exceeded.

The materiality thresholds are:

Threshold 1: 3% of the latest audited consolidated NTA of the listed company and its subsidiaries.

Threshold 2: 5% of the latest audited consolidated NTA of the listed company and its subsidiaries.

In particular, an immediate announcement is required where:

- (a) the transaction is of a value equal to, or more than, 3% of the latest audited consolidated NTA of the listed company and its subsidiaries; or
- (b) the aggregate value of all transactions entered into with the same interested person (as defined in Rule 908 of the Listing Manual) during the same financial year amounts to 3% or more of the latest audited consolidated NTA of the listed company and its subsidiaries; in such a case, an immediate announcement is also required of all future transactions entered into with that same interested person during that financial year; and

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

- (i) the transaction is of a value equal to, or more than 5% of the latest audited consolidated NTA of the listed company and its subsidiaries; or
- (ii) 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, 5% of the latest audited consolidated NTA of the listed company and its subsidiaries. The aggregation will exclude any transaction that has been approved by shareholders previously, 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 \$100,000 in value is to be excluded.

For illustration purposes, based on the audited consolidated accounts of the Company and its subsidiaries for the financial year ended 31 December 2009, the audited consolidated NTA of the Company and its subsidiaries was \$763,277,000. Accordingly, for the purposes of Chapter 9 of the Listing Manual in the current financial year, Shareholders' approval would be required where:

- (A) the transaction is of a value equal to, or more than, \$38,164,000 being 5% of the latest audited consolidated NTA of the Company and its subsidiaries; 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, \$38,164,000.

1.4 **Shareholders' general mandate**

Chapter 9 of the Listing Manual allows a listed company to 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 but not in respect of the purchase or sale of assets, undertakings or businesses, which may be carried out with the listed company's interested persons.

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2. SHAREHOLDERS' IPT MANDATE

2.1 Background

The principal activities of the Company, its subsidiaries and associated companies (the "**Group**") comprise the following:

- (a) Hotel : development, operation and management of hotels;
- (b) Property investment : investment holding and property investment;
- (c) Property development : development and trading in various types of properties; and
- (d) Others : provision of hotel, restaurant, related consultancy services and spa services.

2.2 Rationale

Due to the size of the Group and the diversity of the Group's businesses, it is envisaged that the Group would in their normal course of business enter into transactions involving the sale, purchase, provision or supply of services and/or products to or from interested persons. It is likely that such interested person transactions will occur with some degree of frequency and may arise at any time.

In view of the time-sensitive and/or recurrent nature of such property-based transactions and other commercial transactions, it is proposed that approval be obtained from the Shareholders for the proposed Shareholders' IPT Mandate for the Company and its entities at risk ("**EAR Group**") to enter into the categories of transactions as set out in paragraph 3 below with certain classes of interested persons as set out in paragraph 4 below, provided that such transactions are made on normal commercial terms, and are not prejudicial to the interest of the Company and its minority Shareholders.

2.3 Benefit to Shareholders

The renewal of the Shareholders' IPT Mandate will eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential interested person transactions arise, thereby reducing substantially the administrative time and expense associated with the convening of such meetings on an ad hoc basis, without compromising the corporate objectives or adversely affecting the business opportunities available to the Group. This will also enable the Group to maximize its business opportunities especially in transactions that are time-sensitive in nature, and the significant amount of administrative resources, time and expenses saved could be channeled towards attaining other corporate objectives.

Where the interested person transactions relate to the provision to and the obtaining from interested persons of products or services as contemplated in paragraphs 3.1, 3.3 and 3.4 below, the Group will benefit from having access, where applicable, to competitive quotes from its interested persons and from unrelated third parties, and may also derive savings in terms of cost efficiencies and greater economies of scale in its transactions with interested persons. The provision of products and services to interested persons are also an additional source of revenue for the Group, provided that such products and services are provided on normal commercial terms. In relation to the transactions contemplated under paragraph 3.3 below, the Group will be able to benefit from UOL's corporate expertise in these areas, and the centralization of management and corporate services staff within UOL and its associates (the "**UOL Group**") will enable the sharing of the costs of corporate and related support services and eliminate the duplication of services by the Group. Where interested person transactions relate to treasury transactions as contemplated in paragraph 3.2 below, the Group will benefit from the competitive quotes received from its interested persons, thus leveraging on the financial strength and credit standing of its interested persons.

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2.4 Scope and validity period of Shareholders' IPT Mandate

The proposed Shareholders' IPT Mandate will not cover any interested person transaction that is below \$100,000 in value, as the threshold and aggregation requirements of Chapter 9 of the Listing Manual do not apply to such transactions.

Transactions with interested persons which do not fall within the ambit of the proposed Shareholders' IPT Mandate, will be subject to the relevant provisions of Chapter 9 of the Listing Manual, and/or other applicable provisions of the Listing Manual and/or the Companies Act, if any.

If approved by the Shareholders at the AGM, the Shareholders' IPT Mandate will take effect from the date of receipt of Shareholders' approval, and will, unless revoked or varied by the Company in a general meeting, continue in force until the next AGM of the Company. Approval from Shareholders will be sought for the renewal of the Shareholders' IPT Mandate on the date of the next AGM and each subsequent AGM of the Company, subject to satisfactory review by the Audit Committee of its continued application to the interested person transactions.

3. TYPES OF INTERESTED PERSON TRANSACTIONS

The types of transactions to be covered under the proposed Shareholders' IPT Mandate are:

3.1 Property-related Transactions

Transactions within the ambit of this category (the "**Property-related Transactions**") comprise:

- (a) leasing, rental or renewal of lease of properties;
- (b) award of contracts to main contractors, nominated sub-contractors, suppliers and consultants for projects;
- (c) appointment of consultants;
- (d) project management services;
- (e) property management, building maintenance, estate management and security services;
- (f) hotel management and serviced apartment management services; and
- (g) provision or obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of the products and/or services listed above.

For the avoidance of doubt, transactions within the ambit of this category do not include any transactions which fall within the ambit of Part IV of Chapter 9 of the Listing Manual.

3.2 Treasury Transactions

Transactions within the ambit of this category (the "**Treasury Transactions**") comprise:

- (a) placement of funds with any member of the UOL Group on a short-term basis (up to a maximum of 12 months);
- (b) borrowing of funds from any member of the UOL Group on a short and medium term basis;
- (c) entry into of forex, swap and option transactions with any member of the UOL Group; and
- (d) subscription of debt securities.

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3.3 UOL Group Management and Corporate Services

Transactions within the ambit of this category comprise:

- (a) finance, treasury, investment risk review, insurance, tax, governmental relations and business development;
- (b) management co-ordination, supervision and control;
- (c) financial, accounting, administrative management, insurance and tax planning matters;
- (d) legal and corporate secretarial matters;
- (e) human resource management and development;
- (f) internal audit;
- (g) management information systems and consultancy;
- (h) business development advisory and consultancy;
- (i) marketing, leasing administration and property sales agency services; and
- (j) provision or obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of the products and/or services listed above.

3.4 General Transactions

This category comprises transactions by the EAR Group relating to the obtaining from or provision of services and products to interested persons (the "**General Transactions**") such as:

- (a) engineering services;
- (b) insurance services;
- (c) fund management, custodian, stock broking and tax services;
- (d) accounting, legal, corporate secretarial and administrative services;
- (e) architectural services;
- (f) travel agency and other travel-related services;
- (g) printing services;
- (h) health club services;
- (i) spa services;
- (j) restaurant services;
- (k) hotel services (including room rental and sale and purchase of food and beverages); and
- (l) provision or obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of the products and/or services listed above.

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4. CLASSES OF INTERESTED PERSONS

The proposed Shareholders' IPT Mandate will apply to the transactions described in paragraph 3 above which are carried out with the following classes of interested persons:

- (a) the UOL Group (i.e. UOL and its associates); and
- (b) Directors of the Company and their associates.

5. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

To ensure that the interested person transactions are undertaken at arm's length and on normal commercial terms consistent with the Group's usual business practices and policies, and will not be prejudicial to the interests of the Company and its minority Shareholders, the following proposed guidelines will apply:

5.1 Property-related Transactions and General Transactions

(a) Obtaining of property management and security services

For Property-related Transactions involving the obtaining of property management and security services from the UOL Group in respect of certain properties held by the EAR Group, the EAR Group shall pay to the UOL Group (i) the aggregated estimated time costs incurred by each individual staff for the provision of such services, and (ii) a retainer fee equivalent to 5% of the annual budgeted aggregated time costs ("**Retainer Fees**") to cover the costs of management supervision and overheads. If the costs of management supervision and overheads should increase in future, the UOL Group is entitled to increase the Retainer Fees accordingly provided such increase shall not exceed 15% of the Retainer Fees paid for the preceding year. Quotations shall be obtained (whenever possible or available) from at least two (2) other unrelated third party suppliers of similar services as a basis for comparison to determine whether the price offered by the UOL Group is fair and reasonable and comparable to those offered by other unrelated third parties of similar services. At the first meeting of the Audit Committee in each financial year, the aggregated estimated time costs to be incurred by each individual staff for the provision of the property management and security services and the amount of Retainer Fees (including any increase thereof) payable for that financial year shall be submitted by the Company for approval by the Audit Committee.

(b) Obtaining of serviced apartment management services

For Property-related Transactions involving the obtaining of serviced apartment management services from the UOL Group in respect of the serviced apartments owned by the EAR Group located at The Parkroyal at Beach Road Singapore, such as the letting, management and upkeep of the apartments and the provision of housekeeping services to tenants of the apartments, the UOL Group is entitled to collect fees/charges directly from the said tenants for housekeeping, telephone/internet services and for such other services as may be provided to them.

(c) Leasing, rental or renewal of lease of properties

For Property-related Transactions comprising the leasing, rental or renewal of lease of properties, any contract proposed to be entered into with an interested person shall be supported by an independent valuation by a reputable valuer and after taking into account, whenever possible or available, the prevailing market rental rates for other properties within its vicinity of similar or comparable standing and facilities, the tenure of the lease, the area of the leased premises and any other factor which may affect the rental rates or terms of the lease.

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(d) Property-related Transactions (other than those described above) and General Transactions

(i) *Provision of services or sale of products*

The Review Procedures are:

- (A) all contracts entered into or transactions with interested persons are to be carried out at the prevailing market rates or prices of the service or product providers, on terms no more favourable to the interested person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and
- (B) where the prevailing market rates or prices are not available due to the nature of the service to be provided or the product to be sold, the pricing for such services or products shall be determined in accordance with the Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the Group for the same or substantially similar type of contract or transaction with unrelated third parties taking into consideration factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract and strategic purposes of the transaction.

(ii) *Obtaining of services or purchase of products*

The Review Procedures are:

- (A) all contracts entered into or transactions with interested persons are to be carried out by obtaining quotations (whenever possible or available) from at least two (2) other unrelated third party suppliers for similar quantities and/or quality of services or products, prior to the entry into of the contract or transaction with the interested person, as a basis for comparison to determine whether the price and terms offered by the interested person are fair and reasonable and comparable to those offered by other unrelated third parties for the same or substantially similar type of services or products; and
- (B) in the event that such competitive quotations cannot be obtained (for instance, if there are no unrelated third party suppliers of similar services or products, or if the product is a proprietary item or due to the nature, specialty or confidentiality of the service or product to be supplied), a senior management staff of the relevant company in the EAR Group (with no interest, direct or indirect, in the transaction), will determine whether the price and terms offered by the interested person are fair and reasonable.

- (iii) In determining whether the prices and terms offered for contracts and transactions described in sub-paragraph 5.1(d)(i) above are no more favourable to the interested person than the usual commercial terms extended to unrelated third parties, and in determining whether the prices and terms offered by the interested person for contracts and transactions described in sub-paragraph 5.1(d)(ii) above are fair and reasonable, where applicable, factors such as, but not limited to, preferential rates, rebates or discounts accorded for corporate customers or bulk purchases, delivery schedules, specification compliance, track record, availability of resources, expertise or manpower for the provision of such services or products, and the existence of any cost and/or time-saving factors, will be taken into account. Factors such as the efficiencies and flexibilities derived by the Group in transacting with the interested person as compared with transacting with unrelated third parties, and prevailing industry norms may also be taken into consideration.

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5.2 Treasury Transactions

(a) Placements

In respect of placement of funds with any member of the UOL Group by the EAR Group of its funds, the EAR Group will only place its funds with such company, provided that the interest rate quoted is not less than the last quotation (such quotation being obtained not more than one (1) month ago) given by one of the principal bankers of the Group for rates for deposits with such banker of an equivalent amount and for the equivalent period of the funds to be placed by the EAR Group.

(b) Borrowings

In respect of the borrowing of funds from any member of the UOL Group by the EAR Group, the EAR Group will only borrow funds from such company, provided that the interest rate quoted in respect of each loan from such company is not more than the quotation given by one of the principal bankers of the Group for rates for loans from such banker of an equivalent amount and for the equivalent period of the funds to be borrowed by the EAR Group.

(c) Forex, Swaps and Options

In respect of forex, swap and option transactions with any member of the UOL Group by the EAR Group, rate quotations shall be obtained from such company and at least one of the principal bankers of the Group. The EAR Group will only enter into such forex, swap or option transactions with such company provided that such rate quoted is no less favourable than the rate quoted by such banker.

(d) Debt Securities

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

In addition, the Group will monitor the Treasury Transactions entered into by the EAR Group as follows:

Placements and Debt Securities

Where the aggregate value of funds placed with, and debt securities subscribed which are issued by the same interested person (as such term is construed under Chapter 9 of the Listing Manual) shall at any time exceed:

- (i) in the case of the UOL Group, the equivalent of 125% of the consolidated shareholders' funds of the Company (based on its latest audited accounts); and
- (ii) in the case of other interested persons, the equivalent of 25% of the consolidated shareholders' funds of the Company (based on its latest audited accounts),

each subsequent placement of funds with, or subscription of debt securities issued by the same interested person shall require the prior approval of the Audit Committee.

For placements of funds with, and subscription of debt securities issued by, the same interested person which do not in the aggregate exceed the respective limits set out above, a senior management staff of the EAR Group (with no interest, direct or indirect, in the transaction) will ensure that the provisions of paragraphs 5.2(a) or 5.2(d) (as the case may be) above are complied with. Such transactions will not require the prior approval of the Audit Committee but shall be reviewed on a quarterly basis by the Audit Committee.

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Forex, Swaps and Options

Where the aggregate of the principal amount of all forex, swap and option transactions entered into with the same interested person exceeds at any one time the equivalent of 125% of the consolidated shareholders funds of the Company (based on its latest audited accounts), each subsequent forex, swap and option transaction entered into with the same interested person shall require the prior approval of the Audit Committee.

For forex, swap and option transactions with the same interested person where the principal amounts thereof do not in the aggregate exceed the limit set out above, a senior management staff of the EAR Group (with no interest, direct or indirect, in the transaction) will ensure that the provisions of paragraph 5.2(c) above are complied with. Such transactions will not require the prior approval of the Audit Committee but shall be reviewed on a quarterly basis by the Audit Committee.

5.3 **UOL Group management and corporate services**

For the management and corporate services to be obtained by the EAR Group from the UOL Group, the EAR Group shall pay to the UOL Group (a) the aggregated estimated time costs incurred by each individual staff for the provision of such services, and (b) an administrative fee equivalent to 5% of the annual budgeted aggregated time costs ("**Administrative Fees**") to cover the administration costs and overheads. If such costs and overheads should increase in future, the UOL Group shall be entitled to increase the Administrative Fees accordingly provided that such increase shall not exceed 15% of the Administrative Fees paid for the preceding year. The amount represents the EAR Group's share of the corporate expenses of the UOL Group. Quotations shall be obtained (whenever possible or available) from at least two (2) other unrelated third party suppliers of similar services as a basis for comparison to determine whether the price offered by the UOL Group is fair and reasonable and comparable to those offered by other unrelated third parties of similar services.

At the first meeting of the Audit Committee in each financial year, the aggregated estimated time costs to be incurred by each individual staff for the provision of the management and corporate services and the amount of Administrative Fees (including any increase thereof) payable for that financial year shall be submitted by the Company for approval by the Audit Committee.

5.4 **Additional review and approval procedures**

- (a) In addition to the guidelines set out above and in addition to complying with the relevant provisions of the Listing Manual, the following proposed review and approval procedures will be implemented to supplement existing internal control procedures for Property-related Transactions as well as General Transactions (but excluding transactions described in paragraphs 5.1(a) and 5.1(b) above):
- (i) transactions equal to or exceeding \$100,000 but less than \$1 million each in value will be reviewed and approved by a senior management staff of the EAR Group;
 - (ii) transactions equal to or exceeding \$1 million but less than \$3 million each in value will be reviewed and approved by the chairman of the Audit Committee ("**CAC**"); and
 - (iii) transactions equal to or exceeding \$3 million each in value will be reviewed and approved by the Audit Committee,

and the senior management staff, the CAC, and the Audit Committee may as they deem fit, in their review and approval of such transactions, request additional information pertaining to the transactions from independent sources or advisers, including the obtaining of valuations from professional valuers.

A register will be maintained to record all interested person transactions and the basis on which they are entered into pursuant to the Shareholders' IPT Mandate.

APPENDIX

- (b) It is proposed that the Audit Committee shall have overall responsibility for the determination of the Review Procedures with the authority to sub-delegate to individuals within the Company as they deem appropriate. For the purpose of the review and approval process:
- (i) if the senior management staff has an interest in the transaction to be reviewed by him, the review and approval will be undertaken by the CAC, and if the latter has an interest in a transaction to be reviewed and approved by him, the review and approval will be undertaken by the Audit Committee;
 - (ii) if a member of the Audit Committee has an interest in the transaction to be reviewed by the Audit Committee, he will abstain from any decision making by the Audit Committee in respect of that transaction, and if two (2) of the Audit Committee members each have an interest in a transaction to be reviewed and approved by the Audit Committee, the remaining member shall review the transaction accordingly; and
 - (iii) if all members of the Audit Committee each has an interest in the transaction to be reviewed by the Audit Committee, the Audit Committee must then consider whether it is able to review such a transaction from an objective and independent perspective and if so and subject to compliance with applicable law and the Articles of Association of the Company for the time being, proceed to review the transaction and vote accordingly. In the event that the Audit Committee considers that it is not able to review such a transaction from an objective and independent perspective, such a transaction shall then be subject to Shareholders' approval. For the avoidance of doubt, mere commonality of directorships and audit committee memberships shall not prevent the Independent Directors from reviewing and approving interested person transactions as and when such interested person transactions are put before them.
- (c) The Company shall, on a quarterly basis, report to the Audit Committee on all interested person transactions, and the basis of such interested person 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 such interested person transactions are required under the Review Procedures to be approved by the Audit Committee prior to the entry thereof.
- (d) The annual internal audit plan shall incorporate a review of the established Review Procedures for the monitoring of interested person transactions entered into pursuant to the Shareholders' IPT Mandate. The Audit Committee will review the internal audit report on interested person transactions to ascertain that the established Review Procedures to monitor interested person transactions have been complied with. If, during a review by the Audit Committee, the Audit Committee is of the view that the established Review Procedures as stated above are not sufficient or have become inappropriate, in view of changes to the nature of, or the manner in which, the business activities of the Group are conducted or otherwise, it will take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that future transactions of a similar nature are on normal commercial terms and will not be prejudicial to the Company and its minority Shareholders, and the Company will revert to Shareholders for a fresh mandate based on new review procedures for transactions with interested persons.

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