

**CIRCULAR DATED 10 NOVEMBER 2011**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) takes no responsibility for the correctness of any statements made or opinions expressed, or reports contained, in this Circular. 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 your ordinary shares in the capital of Global Investments Limited (the “**Company**”), please immediately forward this Circular together with the Notice of Special General Meeting and the accompanying Depositor Proxy Form in this Circular, to the purchaser or 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.



**GLOBAL INVESTMENTS LIMITED**

(A mutual fund company incorporated with limited liability in Bermuda)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

- (1) THE PROPOSED ALTERATION TO BYE-LAW 82 TO EXPAND THE COMPANY’S INVESTMENT POLICY;**
- (2) THE PROPOSED ALTERATION TO BYE-LAW 34 AND THE PROPOSED INSERTION OF A NEW BYE-LAW 34A IN RELATION TO THE PURCHASE BY THE COMPANY OF ITS SHARES; AND**
- (3) THE PROPOSED ADOPTION OF THE SHARE PURCHASE MANDATE.**

**IMPORTANT DATES AND TIMES:**

Last date and time for lodgement of Depositor Proxy Form : 3 December 2011 at 10 a.m.

Date and time of Special General Meeting : 5 December 2011 at 10 a.m.

Place of Special General Meeting : Holiday Inn Singapore Orchard City Centre, Crystal Suite, Level 2, 11 Cavenagh Road, Singapore 229616

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## DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

- “Average Closing Price”** : Has the meaning given to it in paragraph 4.2.4 below.
- “Bermuda Companies Act”** : The Companies Act 1981 of Bermuda, as amended or modified from time to time.
- “Board”** : The board of directors of the Company.
- “Bye-laws”** : The bye-laws of the Company, as amended from time to time.
- “CDP”** : The Central Depository (Pte) Limited.
- “Company”** : Global Investments Limited.
- “Depositor”** : Has the meaning ascribed to it in Section 130A of the Singapore Companies Act.
- “Directors”** : The directors of the Company at the date of this Circular.
- “ETF Scheme”** : Enhanced-Tier Fund Tax Incentive Scheme.
- “Group”** : The Company and its subsidiaries.
- “Latest Practicable Date”** : The latest practicable date prior to the printing of this Circular, being 31 October 2011.
- “Listing Manual”** : The listing manual of the SGX-ST, including any amendments made thereto up to the Latest Practicable Date.
- “Listing Rules”** : The listing rules of the SGX-ST as set out in the Listing Manual.
- “Manager”** : ST Asset Management Ltd, the Manager of the Company.
- “Manager Nominated Director”** : A director nominated by the Manager in accordance with its rights under the management agreement dated 24 September 2009 entered into with the Company and the Bye-laws for so long as the management agreement remains in full force and effect.
- “Market Day”** : A day on which the SGX-ST is open for trading in securities.
- “Market Purchases”** : On-market purchases of Shares transacted on the SGX-ST through one or more duly licensed dealers appointed by the Company for the purpose.
- “MAS”** : Monetary Authority of Singapore.
- “Memorandum of Association”** : The memorandum of association of the Company, as amended from time to time.
- “Off-Market Purchases”** : Off-market purchases of Shares made in accordance with an equal access scheme.
- “Ordinary Resolution”** : A resolution passed by a simple majority of the Shareholders (entitled to vote thereon) or, where required, of a separate class or separate classes of Shareholders, adopted either in general meeting or by written resolution, in accordance with the provisions of the Bye-laws.

<b>“Prospectus”</b>	: The prospectus dated 12 December 2006 issued by the Company.
<b>“SGM”</b>	: The special general meeting of the Company to be held on 5 December 2011, notice of which is given on page 49 of this Circular.
<b>“SGX-ST”</b>	: Singapore Exchange Securities Trading Limited.
<b>“Share Purchase Mandate”</b>	: The mandate to be given by the Shareholders to enable the Company to purchase or otherwise acquire its issued Shares.
<b>“Shareholders”</b>	: Persons who are registered as holders of Shares in the register of members of the Company.
<b>“Shares”</b>	: Ordinary shares of par value \$0.01 per share in the capital of the Company.
<b>“Singapore Companies Act”</b>	: The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time.
<b>“Special Resolution”</b>	: A resolution that has been passed by at least 75 per cent. of the votes cast by Shareholders entitled to vote on the particular resolution before a general meeting or a resolution in writing signed, in accordance with the provisions of the Bye-laws by all the Shareholders entitled to vote thereon and constituting the necessary majority required.
<b>“Substantial Shareholder”</b>	: A person with an interest in one or more Shares constituting not less than 5 per cent. of the total votes attached to all the Shares in the Company.
<b>“Take-over Code”</b>	: The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time.
<b>“\$” or “dollar” and “cents”</b>	: Singapore dollars and cents, respectively.
<b>“%” or “per cent.”</b>	: Per centum or percentage.

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

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

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

Any discrepancy in the tables in this Circular between the listed amounts and the totals thereof is due to rounding.

**Forward-Looking Statements.** All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “intend”, “project”, “plan”, “potential”, “strategy”, “forecast” and similar expressions or verbs such as “will”, “would”, “should”, “could”, “may” or “might”. These statements reflect current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and neither the Company nor the Manager undertakes any obligation to update publicly or revise any forward-looking statements.

## LETTER TO SHAREHOLDERS

### Board of Directors

Mr Boon Swan Foo (Chairman and Manager Appointed Director)  
Ms Tan Mui Hong (Deputy Chairman and Manager Appointed Director)  
Mr Adrian Chan Pengee (Independent Director)  
Mr Ronald Seah Lim Siang (Independent Director)  
Mr Tan Kok Wee (Independent Director)

10 November 2011

To: The Shareholders of  
Global Investments Limited

Dear Sir/Madam

### 1. INTRODUCTION

**1.1 SGM.** The Directors are convening an SGM to be held on 5 December 2011 to seek Shareholders' approval for the following proposals:

- (i) the proposed alteration to Bye-law 82 to expand the Company's investment policy;
- (ii) the proposed alteration to Bye-law 34 and the proposed insertion of a new Bye-law 34A in relation to the purchase by the Company of its Shares; and
- (iii) the proposed adoption of the Share Purchase Mandate.

The text of the Bye-laws which are proposed to be altered is set out in Appendix I on pages 33 to 36 of this Circular.

**1.2 Circular.** The purpose of this Circular is to provide Shareholders with information relating to the proposals to be tabled at the SGM.

**1.3 Directors' recommendation.** The Directors recommend that Shareholders vote in favour of the proposed alteration to Bye-law 82, the proposed alteration to Bye-law 34 together with the proposed insertion of a new Bye-law 34A and the proposed adoption of the Share Purchase Mandate. Further details relating to the Directors' recommendations are set out in paragraph 5 below.

### 2. PROPOSED ALTERATION TO BYE-LAW 82

#### 2.1 Background

2.1.1 The Company is a mutual fund company incorporated in Bermuda on 24 April 2006. It was listed on the SGX-ST on 20 December 2006 (the "**Listing Date**").

2.1.2 Bye-law 82 states the investment policy of the Company, which is to make investments directly or indirectly in a diversified group of assets across three sectors:

- (i) operating lease assets;
- (ii) loan portfolio and securitisation assets; and

- (iii) alternative assets, being assets which are traditionally not widely understood by the retail market, but which enjoy strong private equity support.
- 2.1.3 As at 30 June 2011, the Company's investment portfolio comprises the following in percentage terms of its net asset value:
- (i) 20 per cent. in operating lease assets;
  - (ii) 56 per cent. in loan portfolio and securitisation assets; and
  - (iii) 24 per cent. in cash.
- 2.1.4 The Company now wishes to expand its investment policy so that its investments are not limited to the three sectors set out in paragraph 2.1.2 above. The Company's investment exposure in the future will depend on the available investment opportunities that could meet the Company's objectives and strategies. Such investments may or may not include the sectors which are beyond the three sectors set out in paragraph 2.1.2 above and may result in a change of risk profile of the Company. Further, such investments may also be exposed to the risk factors as highlighted in the Prospectus and as more particularly set out in Appendix II on pages 37 to 48 of this Circular which contains a non-exhaustive summary of the relevant risk factors from the Prospectus. Investments in equity, debts, convertibles, preference shares, warrants, options, securities lending, participating loans and synthetic securities or credit default swaps may be subject to the additional risks discussed in paragraph 2.3 below. The risk factors described in the Prospectus, Appendix II of this Circular and paragraph 2.3 below are not exhaustive of the risk factors that the Company may be exposed to when investing in a portfolio of assets in different sectors through different means. Any of these risk factors could result in a significant or material adverse effect on the Company's returns, financial condition, and/or a decline in the market price of the Company's shares.
- 2.1.5 As the Company is approved under the ETF Scheme, the approval of the Ministry of Finance is required before the Company can amend its investment policy as mentioned above. On 12 September 2011, the MAS informed the Company that the Ministry of Finance has granted approval for the Company to change its investment strategy as follows:
- The Company's proposed strategy is to invest in a portfolio of assets in different sectors through different means which include but not limited to direct asset ownership, swaps, credit default swaps, debts, warrants, options, convertibles, preference shares, equity, guarantees of assets and performance, securities lending and participating loan agreements. However, the Company will not make any direct investments in real estate and commodities.
- 2.1.6 As the Company is listed on the Main Board of the SGX-ST as an investment fund (as defined in the Listing Manual), Rule 404(4) of the Listing Manual prohibits the Company from changing its investment objectives and policies within three years from the Listing Date unless it has obtained the approval of its Shareholders by a special resolution in a general meeting. As it has been more than three years since the Listing Date, the Company is permitted to change its investment objectives and policies without the need to obtain the approval of its Shareholders by way of special resolution in a general meeting. However, as the investment policy of the Company is set out in its Bye-laws, the Directors are convening a special general meeting to seek Shareholders' approval for the alteration of Bye-law 82 to reflect the expanded investment policy set out above.

## 2.2 Rationale

2.2.1 For the financial year ended 31 December 2010, the Company achieved a turnaround and recorded profit after tax of S\$6.6 million after two consecutive years of losses. For the half year ended 30 June 2011, the Group recorded a profit after tax of S\$11.6 million. The Company's key focus is to grow its assets and seek new investment in assets that will generate steady income and potential appreciation in capital to deliver regular dividends and achieve capital growth. The Company intends to achieve this by investing in a portfolio of assets in different sectors through different means, instead of confining its investments to the three sectors set out in Bye-law 82.

2.2.2 The Directors are of the opinion that the proposed expansion in the investment policy of the Company is in the best interests of the Company as:

- (a) the Company will have access to a wider range of investment opportunities, if and when they arise, in asset classes such as unsecured debt, convertible securities and listed and unlisted equities which are outside the three sectors currently set out in Bye-law 82;
- (b) the proposed alteration will enable the Company to invest in a broader range of more liquid instruments in fixed income markets and public equity markets, as compared to investments in the three sectors currently set out in Bye-law 82 which tend to be illiquid; and
- (c) the ETF Scheme allows the Company to enjoy tax exemption on Specified Income (as defined in the Income Tax (Exemption of Income of Non-Residents Arising from Funds Managed by Fund Manager in Singapore) Regulations 2010) on a wide range of investments. Expanding the Company's investment policy will enable the Company to fully utilise the benefits of the ETF Scheme.

## 2.3 Risk Factors

In addition to the risk factors described in the Prospectus and Appendix II of this Circular, investments in equity, debts, convertibles, preference shares, warrants, options, securities lending, participating loans and synthetic securities or credit default swaps pursuant to the proposed expansion of the Company's investment policy may be subject to the following additional risks:

### 2.3.1 Risks Associated With Equity

Equity is the ownership interest in a corporation in the form of common stock. It could be listed or unlisted.

(i) Listed Equity

(a) *Market Factors Affecting the Value of Stock*

The stock that is listed in a particular country's stock market will be subject to volatility due to risk inherent in dealing on that market. This market volatility could be caused by the economic performance of that country, exchange rate fluctuations, interest rate movements, changes in the inflation level and other political and economic developments. The risk is greater for investments in emerging markets which typically have economic and political systems that are less developed, and may be less stable, than those of more developed countries.

(b) *Industry / Sector Risk*

Industry risk relates to uncertainty caused by particular features of the industry sector in which a corporation operates. These risks can vary dramatically. New technologies, for example, are always going to expose investors to higher uncertainty of future returns than the market average – because of the inherent uncertainty of their new products and new markets – and they will certainly be more uncertain than food retailers.

(c) *Company-level Performance Risk*

Each company – each stock – will deal with its sector risks and background economic risk in its own way. The way each company turns threats into opportunities and efficiently exploits those opportunities will be decisive in generating shareholder returns.

(d) *Response to Economic Cycles*

The economy goes through cycles – fluctuates between periods of relatively rapid economic growth (an expansion or boom) and period of relative stagnation or decline (a contraction or recession). Different industries are affected by different degrees of changes in the economy. Technology, industrial and transportation stock, for example, will tend to rally more than others in early economic expansion. An accountancy firm with a large insolvency or receivership practice might do well during recession.

(e) *Small Capitalisation Companies Risks*

Investments in small capitalisation companies generally carry greater risk than is customarily associated with larger capitalisation companies. A summary of these risks may include, but are not limited to, less public information, limited financial resources, greater volatility, higher risk of failure than larger companies and less liquidity. Small capitalisation companies are often newer or less established than larger companies. Investments in these companies carry additional risks because earnings of these companies tend to be less predictable as they often have limited product lines, markets, distribution channels or financial resources. Further, the management of such companies may be dependent upon one or a few key people. The market movements of equity securities of small capitalisation companies may be more abrupt or erratic than the market movements of equity securities of larger, more established companies or the stock market in general. Historically, small capitalisation companies have sometimes gone through extended periods when they did not perform as well as larger companies. In addition, equity securities of these companies generally are less liquid than those of larger companies. This means that the Company could face greater difficulty selling such securities at the time and price that the Company would like. The result may be greater volatility in the share prices of such companies and thus volatility to the Company's net asset value.

(f) *Liquidity Risks*

The Company may invest in equities listed and traded in the emerging markets which often involve a greater degree of risk as such markets may not be fully developed. There may be a greater degree of volatility in such markets because of significant retail participation, a bigger extent of speculative element and the lack of liquidity. The Company may not be able to sell an illiquid security at a favourable time or price and in such event, the Company's overall liquidity would decrease. Further, the lack of an established secondary market may make it more difficult to value illiquid securities, which may negatively impact the price the Company would receive upon realisation.

(g) *Regulatory Risks*

Changes in laws and regulation will materially impact a stock, business, sector or market. A change in laws or regulations made by the government or a regulatory body can increase the cost of operating a business, reduce the attractiveness of investment and/or change the competitive landscape. While scams and market manipulation will continue to happen as long as there is human greed, how regulators and the entire legal system respond to them is

important. If the quality of regulation is poorer, then the response to scams may also not be adequate. For example, in the emerging markets, a lack of regulatory infrastructure resulting in less secure banks or securities depositories than those in developed markets could potentially have a negative impact upon the equities invested by the Company in such markets.

(h) *Systemic Risks*

Systemic risk is the risk of collapse of an entire financial system or entire market. It could be due to risk imposed by inter-linkages and interdependencies in a system or market, where the failure of a single entity or cluster of entities can cause a cascading failure, which could potentially bankrupt or bring down the entire system or market. The financial crisis in the United States of America that began in 2007 was such an example.

(ii) Private Equity or Unlisted Equity

Private equity and investments in initial public offering placement issues and publicly listed companies that are raising funds through private placements involve substantial risks and correspondingly high potential investment returns. While private equity investments and other investments by the Company offer opportunity for significant capital gains, such investments involve a high degree of business and financial risk which can result in substantial losses, notwithstanding the amount and extent of due diligence which may be or have been carried out by the Manager before an investment is made. Portfolio companies could have substantial variations in operating results from period to period, face intense competition, and experience failures or substantial declines in value at any stage. These companies may need substantial additional capital to support growth or to achieve or maintain a competitive position. Such capital may not be available on attractive terms. The Company's capital is limited and may not be adequate to protect the Company from dilution in multiple rounds of portfolio companies financing.

(a) *Investments in Less Established Companies; Risk of Fraud in Portfolio Companies*

The Company may invest a portion of its assets in the securities of less established companies. Investments in such portfolio companies may involve greater risks than are generally associated with investments in more established companies. For example, such companies may have shorter operating histories on which to judge future performance and, if operating, may have negative cash flow. Such companies may also have lower capitalisation and fewer resources (including cash) and be more vulnerable to failure, resulting in the loss of the Company's entire investment. In addition, less established companies could be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any company in which the Company invests, the Company may suffer a partial or total loss of capital invested in that company.

(b) *Leverage*

The Company's portfolio investments are expected to include companies whose capital structures may have significant leverage. The leveraged capital structure of such portfolio investments may significantly increase the exposure of the portfolio companies to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the portfolio companies or their respective industries. If a portfolio company cannot generate adequate cash flow to meet debt obligations, the Company may suffer a partial or total loss of capital invested in the portfolio company.

(c) *Bridge Finance*

From time to time, the Company may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities. Such bridge loans will typically be convertible into a more permanent, long-term security; however, for reasons not always within the Company's control, such long-term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Company. Further, portfolio companies may be short of finances to repay the bridge loans resulting in a partial or total loss of capital invested in the portfolio company.

(d) *Additional Financing and Its Implications*

Certain companies in the Company's portfolio may be expected to require additional financing to satisfy their working capital requirements. The amount of the additional financing needed would depend upon the maturity and objectives of the particular portfolio company. Each such round of financing (whether from the Company or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a company may have to raise additional capital at a price unfavourable to the existing investors, including the Company. In addition, the Company may make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in such company in order to preserve the Company's proportionate ownership when a subsequent financing is planned, or to protect the Company's investment when such portfolio company's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of the Company or any portfolio company. There can be no assurance that the portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

(e) *Non-controlling Investments and Limited Rights as Shareholder*

The Company will generally hold non-controlling interests in portfolio companies and, therefore, may have a limited ability to protect its interests in such companies and to influence such companies' management. In addition, the Company may co-invest with third parties through joint ventures or other entities, which may have larger or controlling ownership interests in such portfolio companies. In such cases, the Company will rely significantly on the existing management and board of directors of such companies, which may include representatives of other financial investors with whom the Company is not affiliated and whose interests may at times conflict with the interests of the Company. Such portfolio investments may involve risks in connection with such third-party involvement, including the possibility that a third-party may be in a position to take (or block) action in a manner contrary to the Company's investment objectives or may have financial difficulties resulting in a negative impact on such investment. However, the Company will endeavour to obtain appropriate minority shareholder rights to protect the Company's interests to the extent possible. There can be no assurance that such minority shareholder rights will be available or that such rights will provide sufficient protection of the Company's interests.

(f) *Lack of Liquidity of Investments*

Many or all of the Company's investments in portfolio companies will be highly illiquid, and there is no assurance that the Company will be able to liquidate a particular investment upon attractive terms. The Company's portfolio investments may be difficult to value and to sell or otherwise liquidate, and the risk of investing in such companies is generally much greater than the risk of investing in publicly traded companies. While targeted returns should reflect the perceived level of risk, there can be no assurance of return of capital or any rate of return or profit. The timing of profit realisation is uncertain. Losses generally occur early, while successful gains often take longer to realise. In addition, the public market for high technology and other emerging growth companies is extremely volatile and there can be no assurance that non publicly-listed portfolio companies in which the Company invests eventually will list their securities on securities exchanges. Furthermore, there can be no assurance that private purchasers for the Company's investments will be found. In addition, in certain circumstances governmental approvals will be required for the Company to dispose of an investment. While such approvals may often be granted, there can be no assurance that they will be obtained.

(g) *Investment in Restructurings*

The Company may make investments in restructurings which involve portfolio companies that are experiencing or are expected to experience financial difficulties which may never be overcome. Such investments could, in certain circumstances, subject the Company to certain additional potential liabilities, which may exceed the value of the Company's original investment therein.

(h) *Emerging Market Risks*

The risk is greater for investments in emerging markets which typically have economic and political systems that are less developed, and may be less stable, than those of more developed countries. Emerging market countries may also have policies that restrict investment by foreigners, controls on investment and currency transfers, different or lower standards in accounting, auditing and financial reporting. The repatriation of cash or the realisation of the Company's investments in general may be restricted in less developed markets and economies, due to lower liquidity and increased price volatility and, in some countries, greater risks of expropriation, confiscatory taxation and national policies. Investments in issuers in emerging markets may also decrease the Company's ability to borrow against its assets. The Company may invest a significant amount in such private equities; as such, investors must be able to tolerate sudden, sometimes substantial, fluctuations in the value of their investments.

(i) *Insolvency Risk*

The Company is exposed to the insolvency risk of the issuers of the securities and other assets in which the Company invests. If this materialises, the securities of the insolvent company may become entirely worthless. The risk of loss associated with the bankruptcy of a company is considerably lower for investors in investment funds than for direct investors in shares or bonds since a fund invests not in the securities of one issuer only but in the securities of a large number of different issuers for the purpose of risk reduction.

### 2.3.2 Risks Associated with Debts

A debt (“**Debt**”) is an obligation of one party to pay another, usually as repayment for money borrowed. Debt is characterised by the type of debt instrument, such as a bond, a loan or a commercial paper. These different forms all imply intent to pay back an amount owed by a specific date, which is set forth in the repayment terms.

(i) *Default Risks*

Investments in debt securities are subject to credit risk or default risk where a counterparty or an issuer of debt securities may be unable to meet its contractual obligations, such as payment of principal and/or interest on an instrument. If the borrower gets into financial trouble, the debt can go into default and the Company could lose both the initial investment and monthly payments.

(ii) *Interest Rate Risks*

The Company may be exposed to the risk that the price of the debt instrument will fall as interest rates rise. For example, by buying a bond, the bondholder has committed to receiving a fixed rate of return for a fixed period. Should market interest rate rise from the date of the bond’s purchase, the bond price will fall accordingly. The bond will then be trading at a discount to reflect the lower return that an investor will make on the bond. Prices of debts may fluctuate due to changes in economic conditions, interest rates and the market’s perception of debts which may cause the Company’s asset value to rise or fall in tandem.

(iii) *Maturity or Duration Risks*

The longer the date to the debt’s maturity, the greater the chance of an occurrence of an event related to market conditions or to the debt’s issuer that may reduce the value of the bond. The price of the debt instrument is more volatile than that of the shorter-dated debt. The Company may be subject to such duration risk, compounded by liquidity risk in periods of uncertainty, which could affect the asset value of the Company.

(iv) *Downgrade Risks*

An issuer may suffer adverse changes in its financial condition that could lower the credit quality of a debt, leading to greater volatility in the price of the debt. A change in the quality rating of the debt can also affect the debt’s liquidity and make it more difficult to sell. If the credit rating agencies such as Standard & Poor’s Rating Services and Moody’s Investors Service, Inc. lower their ratings on a bond or the corporation that borrows, the price of those debt instruments will fall.

(v) *Liquidity Risks*

The Company may invest in debt securities in some emerging markets which often involve a potentially higher degree of risk as such markets may not be fully developed. Debt investments in such markets may be less liquid in comparison to investments in the more developed markets. This may restrict the ease with which such securities may be bought or sold.

(vi) *Inflation Risks*

There is a risk that the rate of inflation increases in the economy deteriorates the returns associated with the debt. This has the greatest effect on fixed bonds which have a set interest rate from inception. For example, if an investor purchases a 5% fixed bond and inflation then rises to 10% a year, the bondholder will lose money on the investment because the purchasing power of the proceeds has been greatly diminished. The interest rate of floating-rate bonds (floaters) are adjusted periodically to match inflation rates, limiting investors’ exposure to inflation risk.

(vii) *Call Risks*

There is risk that a bond will be called by its issuer. Callable bonds have call provisions, which allow the bond issuer to purchase the bond back from the bondholders and retire the issue. This is usually done when the interest rate has fallen substantially since the issue date. Call provisions allow the issuer to retire the old high-rate bonds and sell low-rate bonds in a bid to lower debt costs. This may result in the Company having to reinvest the proceeds at lower interest rates, resulting in a decline in the Company's income. This is less common in a period of stable or rising interest rate.

(viii) *Risks of Loan Assets*

Loans may become non-performing for a variety of reasons. Non-performing loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the loan. In addition, because of the unique and customised nature of a loan and the private syndication of a loan, certain loans may not be purchased or sold as easily as publicly traded securities, and historically the trading volume in the loan market has been small relative to the market for high yield bonds. Trading in loans is subject to delays due to their unique and customised nature, and transfers may require extensive documentation, the payment of significant fees and the consent of an agent bank or the underlying borrower. In addition, the Company may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a loan. Although the Company may have voting rights with respect to an individual loan, there can be no certainty that the Company will be able to exercise votes in respect of a sufficient percentage of voting rights with respect to such loan to determine the outcome of such vote.

Loans are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for loans and adversely affect the value of outstanding loans and the ability of the borrowers thereof to repay principal and interest. The default history for loans is limited, actual defaults may be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations. The Company may invest in loans with terms that, upon certain conditions, allow the spread to a floating rate index to change, including upon a change in credit quality. Such loans may cause significant changes in interest collections from the borrowers.

(ix) *Risks of Mezzanine Obligations*

The Company may invest in a mezzanine obligation which is a privately negotiated, high yield, unsecured subordinated debt obligation of an issuer. Mezzanine obligations have greater credit and liquidity risk than obligations of investment grade issuers. Issuers of mezzanine obligations may be highly leveraged and may not have available to them more traditional methods of financing. The risk associated with acquiring the securities of such issuers generally is greater than is the case with highly-rated securities. The prices of mezzanine obligations are likely to be more sensitive to adverse economic changes or individual corporate developments than higher rated securities.

As a result of the limited liquidity of mezzanine obligations, their prices have at times experienced significant and rapid decline when a substantial number of holders decided to sell. In addition, the Company may have difficulty disposing of certain mezzanine obligations because there may be a thin trading market for such securities. Under adverse market or economic conditions, the secondary market for mezzanine obligations could contract further, independent of any specific adverse changes in the condition of a particular issuer. Reduced secondary market liquidity may have an adverse effect on market price and the Company's ability to dispose of particular issues when necessary to meet the Company's liquidity needs or in response to a specific economic event such as a deterioration in the creditworthiness of the issuer of such securities.

(x) *Risks of Unsecured Loans or Debts*

The Company may invest in unsecured loans or debts which typically do not have the benefit of a collateral security interest in any assets of the obligor thereunder. The unsecured nature of the claim will, in circumstances of the insolvency and liquidation of the relevant obligor, mean that the entitlement of the Company to have its claim satisfied out of the assets and revenues of the obligor will be subordinated to the claims of any secured creditor to the extent of the security over the assets and revenues of the obligor. The risk of loss due to default by an obligor of an unsecured loan is significantly greater for the Company because such loan obligations are unsecured and may be subordinated to other secured creditors of the obligor. In addition, the Company may incur additional expenses to the extent it is required to seek recovery upon a default on an unsecured loan obligation or participate in the restructuring of such obligation.

(xi) *Risks of Payment In Kind (“PIK”) Obligations*

The Company may invest in debts of PIK obligations which may not pay current interest in cash such that all or a part of a PIK obligation’s interest may be deferred or capitalised and added to principal or paid by the issuance of a further obligation. To the extent that the Company acquires PIK obligations, the Company will be exposed to the risk of deferred interest collections.

### **2.3.3 Risks Associated with Convertibles**

A convertible security (“**Convertible**”) is a type of security that the holder can convert into shares of common stock in the issuing company or cash of equal value, at an agreed price. By investing in Convertibles, the Company seeks the opportunity, through the conversion feature, to participate in the capital appreciation of the common stock into which the securities are convertible, while investing at a better price than may be available on the common stock or obtaining a higher fixed rate of return than is available on common stocks.

(i) *The Convertibles may be redeemed prior to maturity*

The Convertibles could be redeemable at the issuer’s option in certain circumstances and accordingly the issuer may choose to redeem the outstanding Convertibles at times when prevailing interest rates may be relatively low. In such circumstances, the Company may not be able to reinvest the redemption proceeds in a comparable security bearing an effective interest rate as high as that of the Convertibles. There can be no assurance that the value of the Company’s investments in Convertibles will not decline to a level below the Company’s original cost of such investments.

(ii) *There could be a limited period for the exercise of conversion rights*

The Convertible could be structured for conversion by the security holders into ordinary shares and this is usually within a defined period. If the conversion rights are not exercised by the holders during this period, the Convertible will typically be redeemed at its principal amount at maturity. The value of the Convertible could drop when the conversion period is shortened or ending.

(iii) *The Company may have limited anti-dilution protection*

The conversion price at which the Convertible may be converted into ordinary shares can be adjusted during certain events. Any such adjustment of the conversion price aims to neutralise or limit the financial dilution triggered by the relevant event and is therefore aimed to protect such security holders. Events in respect of which no adjustment is made may adversely affect the value of the ordinary shares and, therefore, adversely affect the value of the Convertible.

- (iv) *The Convertibles could be structurally subordinated to the secured obligations of the Issuer*

The Convertibles constitute direct, general, unconditional and unsecured obligations of the issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the issuer. Upon a winding-up of the issuer or if insolvency proceedings are brought in relation to the issuer, the Convertibles will be effectively subordinated to all of the issuer's other secured indebtedness.

- (v) *The market price of the Convertible will depend on numerous factors, including in particular the risk of fluctuation in the price of the ordinary shares and the level of interest rates*

The market price of the Convertible is expected to be affected by fluctuations in the market price of the ordinary shares and it is impossible to predict whether the price of such ordinary shares will rise or fall. The market price of the Convertible also tends to vary inversely with the level of interest rates. The value of the Convertible declines as interest rates increase and increases as interest rates decline. Although under normal market conditions longer-term convertible debt securities have greater yields than shorter-term convertible debt securities of similar quality, they are subject to greater price fluctuations. Thus, the market value of the Convertible may be adversely affected by numerous factors, including but not limited to the following: (i) the future issue of ordinary shares by the issuer or the disposal of ordinary shares by any substantial shareholders of the issuer or the perception that such issues or sales may occur; (ii) the volatility of the ordinary shares; (iii) an increase of the applicable interest rate; (iv) any real or perceived changes in the credit risk; or (v) an increase in dividend payments.

- (vi) *The Company typically has no shareholder rights prior to conversion*

The Company investing in the Convertible will typically not be a holder of ordinary shares. Usually the Company will not have any right to participate in the shareholders' meeting, or any voting rights, rights to receive dividends or other distributions or any other rights with respect to the ordinary shares until such time, if any, when the Company converts its Convertible into ordinary shares and becomes a shareholder. The Convertible could be convertible into shares at the option of the Company, but only pursuant to the terms of the Convertible.

#### **2.3.4 Risks Associated with Preference Shares**

A preference share ("**Preference Share**") is a special equity security that has properties of both an equity and a debt instrument. It is senior to common stock but subordinate to bonds. A Preference Share offers a stated dividend rate payable from a company's earnings. Such preferred share dividends may be cumulative or non-cumulative, participating, or auction rate.

- (i) *Payments of dividends on the Preference Shares may not be made under certain circumstances*

Some circumstances include: the issuer is prevented by applicable Singapore banking regulations or other requirements of the MAS from making payment in full of dividends or other distributions; payment would cause a breach of the MAS' published consolidated or unconsolidated capital adequacy requirements; and the issuer has insufficient distributable reserves. This would result in a drop in the Company's income.

- (ii) *Payment of dividends on the Preference Shares by the issuer is subject to the discretion of the issuer*

If the issuer's board does not declare a dividend, the right of an investor to receive a dividend in respect of the dividend period shall extinguish and the issuer shall have no obligation to pay the dividend accrued or to pay any interest thereon.

(iii) *Price of Preference Shares may decline if interest rates rise*

If interest rates rise, the fixed dividend on Preference Shares may be less attractive, causing the price of such Preference Shares to decline. Preference Shares may have mandatory sinking fund provisions, as well as call/redemption provisions prior to maturity, a negative feature when interest rates decline.

(iv) *If the Preference Shares are non-cumulative, the Company will not be entitled to recover missed dividends on the Preference Shares*

If the Preference Shares are non-cumulative and if the issuer does not declare dividend for payment on the Preference Shares, the Company will not receive that dividend even if the issuer subsequently pays dividends under the Preference Shares.

(v) *The Preference Shares could be subject to optional redemption by the issuer. The Company may not be able to reinvest the redemption proceeds in a comparable security at a similar return on investment*

The issuer may, at its option, redeem the Preference Shares in whole or in part. If the issuer redeems the Preference Shares at their redemption price under certain conditions, there is no assurance that the Company will be able to reinvest the redemption proceeds to obtain a similar return on investment.

(vi) *The Company as holder of Preference Shares could have limited voting rights*

The Company as holder of Preference Shares could have limited voting rights and generally will not be entitled to vote on any resolution to appoint, change or increase or decrease the number of directors.

(vii) *If the issuer is wound-up or liquidated, any distribution on the Preference Shares is typically subordinated to the claims of its creditors*

The Company as preference shareholder will usually not be entitled to receive any amount paid-up on the Preference Shares until after the claims of all of the issuer's creditors have been satisfied. If the issuer does not have sufficient assets at the time of liquidation to satisfy those claims, the Company will usually not receive any amount paid-up on the Preference Shares.

(viii) *No limitation typically on issuing senior debt securities or pari passu shares*

There is typically no restriction on the amount of debt which the issuer may incur which ranks senior to or *pari passu* with the Preference Shares. The issue of any such debt or securities may reduce the amount recoverable by the Company as holder of the Preference Shares on a winding-up or other return of capital of the issuer or may increase the likelihood of a suspension of distributions in respect of the Preference Shares.

### **2.3.5 Risks Associated with Warrants**

A warrant is the right but not the obligation to buy or sell a certain quantity of an underlying instrument at an agreed price. The right to buy the underlying instrument is referred to as a call warrant; the right to sell it is known as a put warrant.

(i) *Factors Affecting Warrant Value*

The value of a warrant is expected to be dependent upon such factors as the price at which the shares that make up the underlying security are trading, the strike level of the warrants, the required number of warrants for a particular series, the time remaining to expiry, interest rates and risks applicable to stock markets generally. Investment in the warrants could be speculative. The warrants may be significantly less valuable on the relevant expiry date or may expire worthless. This means that the Company may either lose money or sustain a total loss on its investment.

(ii) *Leverage or Gearing Effect*

Gearing refers to the extent to which a warrant moves in line with the underlying asset. A higher gearing level implies a higher potential profit for the Company when the market moves in line with the investor's objectives. Higher gearing also implies that the Company is subject to greater risk should the market move against the Company. Although a warrant may cost a fraction of the price of the underlying asset, it may change in value more or less rapidly than the underlying asset. In the worst case, the value of the warrant may fall to zero and the Company may lose its entire investment amount.

(iii) *Limited Life of Warrants*

Unlike shares, warrants have an expiry date and therefore a limited life. A call warrant will only have value at expiry and be deemed 'in-the-money', if the underlying share price is above the exercise price of the warrant. Conversely for a put warrant, the share price must be below the exercise price to be deemed 'in-the-money'. Unless the share price is above the exercise price for call warrants (or below the exercise price for put warrants upon expiry), the warrant will expire worthless.

(iv) *Performance by the Issuer and Guarantor of Obligations*

The value of the warrants depends on the ability of the issuer to fulfil its obligations under the terms of exercise, early termination or expiry, and the ability of the guarantor to fulfil its obligations under the deed of guarantee. Hence, the Company may experience liquidity risk despite a commitment from the warrant issuer to make a market.

The Company must make its own assessment of the ability of the issuer to meet its obligations in respect of the warrants and the ability of the guarantor to meet its obligations under the deed of the guarantee.

(v) *Extraordinary Events*

An extraordinary event is an event which is beyond reasonable control of the issuer and which in the reasonable opinion of the issuer has or will have a material adverse effect on its ability to perform its obligations or hedge its exposure with respect to the warrants. A warrant issuer may declare lapse of the warrant or bring forward the expiry date. This arises out of certain circumstances such as the delisting of the underlying asset.

(vi) *Credit Risks*

Since a warrant is a contract between the issuer and the warrant holder, the Company is exposed to the risk that the issuer will not perform its contractual obligations under the warrant. Credit risk is the risk that the warrant issuer will not be able to fulfil its obligations during the exercise of the warrants. To help evaluate the ability of the issuer to meet its obligations, the warrant's disclosure document contains information on the financial situation of the issuer.

### 2.3.6 Risks Associated with Options

An option is the right to either buy or sell the specified amount or value of a particular underlying interest at a fixed exercise price by exercising the option before the expiration date. An option which gives a right to buy is a call option, and an option which gives the right to sell is a put option.

(i) *Limited Life of Options*

The Company runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. If the Company neither sells its option in the secondary market nor exercises it prior to its expiration, it will lose its entire investment in the option. The more an option is 'out-of-the-money' and the shorter the remaining time to expiration, the greater the risk that the Company will lose all or part of its investment in the option.

(ii) *European-style options which do not have secondary markets on which to sell the options prior to expiration can only realise its value upon expiration*

Prior to the period when a European-style option or a capped option is exercisable, the only means through which the Company could realise value from the option (unless the capped option is automatically exercised) is to sell it at its then market price in an available secondary market. If a secondary market for such an option is not available at the time, the Company will not be able to sell the option and realise any value prior to expiration.

(iii) *Specific exercise provisions of an option may create risks*

For options with an automatic exercise feature, such as one that will cause the option to be automatically exercised at the expiration if it is 'in-the-money' by a specified amount, the option may be exercised at a price at which the holder would not voluntarily choose to exercise in view of the transaction costs of exercise or other factors. The transaction costs associated with the exercise could even exceed the cash settlement amount of the option, resulting in the Company realising a net loss from the exercise. For capped options, the automatic exercise feature imposes a maximum value that a holder of these options can receive. Even if the Company expects the value of the underlying interest to continue moving in a favourable direction prior to expiration, the automatic exercise feature will prevent the Company from realising any gain from the option in excess of the cap interval times the multiplier of the option.

(iv) *Exercise restrictions imposed by regulatory agencies or the options market*

While an American-style option can normally be exercised at any time prior to its expiration, the courts, the U.S. Securities and Exchange Commission, The Options Clearing Corporation which is the world's largest equity derivatives clearing organisation or the options markets have authority to restrict the exercise of options at certain times in specified conditions. The options markets often exercise such authority with respect to an option in which trading has been halted. If a restriction on exercise is imposed at a time when trading in the option has also been halted, the Company holding the option will be locked into its position until either the restriction on exercise or trading halt has been lifted.

(v) *Insolvency of a brokerage firm could present risks for the Company trading through it*

If a brokerage firm that carries the Company's accounts were to become insolvent, the Company could have some or all of its options positions closed out without its consent. Options positions that are not closed out under these circumstances might experience delays or other difficulties in attempting to close out or exercise affected options positions. Similarly, the insolvency of an associate clearing house could present risks for the Company if the brokerage firm is carrying the Company's accounts through that associate clearing house.

### 2.3.7 Risks Associated with Securities Lending

The Company may from time to time lend portfolio securities or assets to banks, broker-dealers or other institutions. In the event that a securities borrowing counterparty defaults on its obligation to return loaned assets, because of insolvency or otherwise, the Company could experience delays and costs in gaining access to the loaned assets and could be unable to sell such loaned assets when it otherwise would. The Company could suffer losses to the extent that the Company is unable to recover the assets lent to the securities borrowing counterparty and to the extent that the realised value of the cash and securities securing the loaned assets is less than the amount required to purchase such loaned assets (less expenses) in the open market. Such shortfall could be due to, among other things, discrepancies between the mark-to-market and actual transaction prices for the loaned assets arising from, among other things, limited liquidity or availability of the loaned assets and, in extreme circumstances, such loaned assets being unavailable at any price.

### 2.3.8 Risks Associated with Participating Loan

The Company may acquire interests in loans indirectly by way of participation or sub-participation. Participations by the Company in a selling institution's portion of the loan typically results in a contractual relationship only with such selling institution and not with the borrower under such loan. The Company would, in such case, have the right to receive payments of principal and interest to which it is entitled only upon receipt by the selling institution of such payments from the borrower. In purchasing participating loans, the Company generally will have no right to enforce compliance by the borrower with the terms of the applicable loan agreement, nor any rights of set-off against the borrower and the Company may not directly benefit from the collateral supporting the loan in respect of which it has purchased a participation. As a result, the Company will assume the credit risk of both the borrower and the selling institution selling the participation. In the event of the insolvency of the selling institution selling a participation, the Company may be treated as a general creditor of the selling institution and may not benefit from any set-off between the selling institution and the borrower and the Company may suffer a loss to the extent that the borrower may set-off claims against the selling institution. The Company may purchase a participation from a selling institution that does not itself retain any portion of the loan, and therefore, may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower. When the Company holds a participation in a loan, it generally will not have the right to vote to waive enforcement of any covenants breached by a borrower. However, most participation agreements provide that the selling institution may not vote in favour of any amendment, modification or waiver that forgives principal or interest, reduces principal or interest that is payable, postpones any payment of principal (other than a mandatory pre-payment) or interest or release substantially all of the collateral without the consent of the participant at least to the extent the participant would be affected by any such amendment, modification or waiver. A selling institution voting in connection with a potential waiver of a restrictive covenant may have interests which are different from those of the Company and such selling institutions are not required to consider the interest of the Company in connection with the exercise of its votes. Additional risks are therefore associated with the purchase of participating loans by the Company as opposed to direct loans.

### 2.3.9 Risks Associated with Synthetic Securities (or Credit Default Swap)

A synthetic security ("**Synthetic Security**") is a financial security used to speculate or manage the risk that an obligation will not be paid. It is a derivative, meaning its value is derived from events related to a defined set of reference securities ("**Reference Obligation**") that may or may not be owned by the parties involved. The issuer of the Reference Obligation is the "**Reference Entity**".

#### (i) *Credit Risk of the Applicable Synthetic Counterparty*

In addition to the credit risks associated with the reference securities, the Company will also be subject to the credit risk of the applicable synthetic counterparty, although the obligations of such synthetic counterparty may, in certain cases, be collateralised.

(ii) *No legal or beneficial interest in Obligations of Reference Entities or Reference Obligations*

The Company will have a contractual relationship only with the synthetic counterparty and not with the obligor under the Reference Obligation. The Company generally will have no right directly to enforce compliance by the obligor under the Reference Obligation with the terms of the Reference Obligation and will not have any rights of set-off against such obligor, or any voting rights with respect to the Reference Obligation. The Company will not directly benefit from any underlying assets or enhancements supporting a Reference Obligation and will not have the benefit of any remedies that would normally be available to a holder of a Reference Obligation.

(iii) *The Company may not have any specific claim in respect of the Reference Obligation*

In the event of the insolvency of any synthetic counterparty, the Company may be treated as a general unsecured creditor of such synthetic counterparty and may not have any specific claim in respect of the Reference Obligation of the applicable Synthetic Security. The Synthetic Security does not constitute a purchase or other acquisition or assignment of any interest in any obligation of any Reference Entity. Accordingly, the Company will not have any recourse against the obligor and/or guarantor of any Reference Obligation.

(iv) *The Company may be exposed to increased concentration risk*

The concentrations of Synthetic Securities in any one synthetic counterparty may subject the Company to an additional degree of risk with respect to defaults by such synthetic counterparty, in addition to the credit risk of the related Reference Entity under any applicable Synthetic Security.

(v) *The Synthetic Security may have different expected returns from the Reference Obligation*

The Company expects that the returns on a Synthetic Security will generally reflect those of the related Reference Obligation. However, as a result of the terms of the Synthetic Security and the assumption of the credit risk of the applicable synthetic counterparty, a Synthetic Security may have a different expected return, a different (and potentially greater) probability of default, a different (and potentially greater) expected loss characteristic following a default and a different (and potentially lower) expected recovery following default.

(vi) *The issuer may be exposed to exchange rate risk from a defaulted obligation*

A Synthetic Security which is a defaulted obligation will generally be settled either by a cash settlement or a physical settlement. The Company may be required upon a credit event to take delivery of obligation that is not in the base currency, exposing the Company to exchange rate risk.

(vii) *Illiquid Market for Synthetic Securities*

The market for Synthetic Securities on certain Reference Obligation of certain Reference Entities may be illiquid as compared to the market for credit default swaps on investment grade corporate reference entities. The Company may face the risk, in times of high market uncertainty, of not being able to liquidate or unwind the synthetic transaction at a favourable time or price before such transaction expires.

### **3. PROPOSED ALTERATION TO BYE-LAW 34 AND PROPOSED INSERTION OF A NEW BYE-LAW 34A**

#### **3.1 Background**

Bye-law 34 provides for the manner in which Shares may be voluntarily redeemed at the request of Shareholders (as may be permitted by the Directors from time to time). The proposed alteration to Bye-law 34 and the proposed insertion of a new Bye-law 34A will:

- (a) permit greater flexibility with respect to the price at which Shares may be voluntarily redeemed at the request of Shareholders pursuant to Bye-law 34, namely either at Net Asset Value (as defined in the Bye-laws) or at such other price as may be permitted by the Listing Manual; and
- (b) allow for Shares to be repurchased by the Company as an alternative to redemption subject to, and in accordance with, the provisions of Part XIII of Chapter 8 of the Listing Manual.

#### **3.2 Rationale**

3.2.1 The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

- (i) in line with international practice, the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds which are in excess of its possible financial needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner;
- (ii) share repurchase programmes help buffer short-term share price volatility and off-set the effects of short-term speculation by investors and, in turn, bolster Shareholder confidence; and
- (iii) the Share Purchase Mandate will provide the Company the flexibility to undertake share repurchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force. The purchases or acquisitions may, depending on market conditions at the relevant time, lead to an enhancement of the net asset value and/or earnings per share and would allow the Company to optimally allocate its resources and maximise Share value and is one of the ways through which the return on equity of the Group may be enhanced.

3.2.2 The purchase or acquisition of Shares will only be undertaken if it can benefit the Company and Shareholders. While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the 10 per cent. limit described in paragraph 4.2.1 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10 per cent. limit as authorised and no purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the liquidity and capital adequacy position or financial position of the Company or the Group as a whole.

### **4. PROPOSED ADOPTION OF THE SHARE PURCHASE MANDATE**

#### **4.1 Introduction**

Any purchase or acquisition of Shares by the Company will have to be made in accordance with, and in the manner prescribed by the Memorandum of Association, the Bye-laws, the Bermuda Companies Act, the Listing Rules and such other laws and regulations as may for the time being be applicable.

The Company is also required under the Listing Manual to obtain approval of its Shareholders at a general meeting of its Shareholders if it wishes to purchase or acquire its own Shares. Accordingly, approval is being sought from Shareholders at the SGM for the adoption of the Share Purchase Mandate to enable the Company to purchase or acquire its issued Shares.

If approved by Shareholders at the SGM, the authority conferred by the Share Purchase Mandate will continue in force until (i) the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, or (ii) the date on which it is varied or revoked by the Company in general meeting, or (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated, whichever is the earliest.

## **4.2 Authority and Limits of the Share Purchase Mandate**

The authority relating to, and limitations placed on, purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate, if approved at the SGM, are summarised below:

### **4.2.1 Maximum Number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10 per cent. of the issued Shares of the Company as at the date of the SGM (subject to any proportionate adjustments as may result from any capital subdivision and/or consolidation of the Company).

### **4.2.2 Duration of Authority**

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the SGM, if the Share Purchase Mandate is approved, up to:

- (i) the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held; or
- (ii) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by the Company in general meeting; or
- (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

### **4.2.3 Manner of Purchases or Acquisitions of Shares**

Purchases or acquisitions of Shares may be made by way of:

- (i) Market Purchases; and/or
- (ii) Off-Market Purchases.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Memorandum of Association, the Bye-laws, the Listing Manual and the Bermuda Companies Act as they consider fit in the interests of the Company in connection with or in relation to any Off-Market Purchases. An Off-Market Purchase must, however, satisfy all the following conditions:

- (a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

- (b) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (c) the terms of all the offers are the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances; and
- (iii) the information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

#### **4.2.4 Purchase Price**

The purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for a Share will be determined by the Directors subject to, and in accordance with, the Listing Manual and the Bye-laws. The purchase price to be paid for the Shares as determined by the Directors, in the case of a Market Purchase and an Off-Market Purchase pursuant to an equal access scheme, must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (b) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares,

in each case, excluding related expenses of the purchase or acquisition.

For these purposes:

**“Average Closing Price”** means the average of the last dealt prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and

**“date of the making of the offer”** means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the maximum price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

### **4.3 Status of Purchased Shares**

Shares purchased or acquired by the Company, in its capacity as a mutual fund company under Bermuda law, are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation). Accordingly, the issued share capital of the Company, but not the Company's authorised share capital, will be diminished by the nominal value of the number of Shares purchased or acquired by the Company. Cancelled Shares may be reissued by the Directors from time to time.

#### **4.4 Source of Funds**

Pursuant to the Bye-laws and the Bermuda Companies Act, the Company may repay the capital paid-up on purchased or acquired Shares out of paid-in capital, share premium or other reserves and pay the premium (if any) on purchased or acquired Shares out of the realised or unrealised profits of the Company, share premium or other reserves of the Company.

The Company intends to utilise its internal funds to finance its purchase or acquisition of the Shares. The Company does not intend to obtain or incur any borrowings to finance its purchase or acquisition of the Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that it would materially affect the working capital requirements of the Group.

#### **4.5 Financial Effects**

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, inter alia, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired and the price paid for such Shares. Assuming the Share Purchase Mandate had been adopted on 30 June 2011, the financial effects on the Company and the Group arising from purchases or acquisitions of Shares pursuant to the Share Purchase Mandate, based on the unaudited financial statements of the Company and the Group for the financial period ended 30 June 2011, are based on the assumptions set out below.

##### **4.5.1 Purchase or Acquisition out of Capital or Profits**

Pursuant to the Bye-laws and the Bermuda Companies Act, the Company may repay the capital paid-up on purchased or acquired Shares out of paid-in capital, share premium or other reserves and pay the premium (if any) on purchased or acquired Shares out of the realised or unrealised profits of the Company, share premium or other reserves of the Company, so long as the Company is, and shall after the payment be, able to pay its liabilities as they become due.

Accordingly, there will be no impact on the amount available for the distribution of cash dividends by the Company regardless of whether purchases or acquisitions of Shares by the Company are made out of the Company's capital or profits.

##### **4.5.2 Number of Shares Acquired or Purchased**

As at the Latest Practicable Date, the issued capital of the Company comprised 550,208,520 Shares. No Shares are reserved for issue by the Company as at the Latest Practicable Date. Purely for illustrative purposes, on the basis of 550,208,520 Shares in issue as at the Latest Practicable Date, the purchase by the Company of 10 per cent. of its issued Shares will result in the purchase or acquisition of 55,020,852 Shares.

##### **4.5.3 Maximum Price Paid for Shares Acquired or Purchased**

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 55,020,852 Shares at the maximum price of S\$0.146 for one Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 55,020,852 Shares is approximately S\$8,033,044.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 55,020,852 Shares at the maximum price of S\$0.167 for one Share (being the price equivalent to 120% of the Average Closing Price of the Shares for five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 55,020,852 Shares is approximately S\$9,188,482.

#### 4.5.4 Illustrative Financial Effects

For illustrative purposes only and on the basis of the assumptions set out in paragraphs 4.5.2 and 4.5.3 above, the financial effects of the:

- (a) purchase or acquisition of 55,020,852 Shares by the Company pursuant to the Share Purchase Mandate by way of Market Purchases; and
- (b) purchase or acquisition of 55,020,852 Shares by the Company pursuant to the Share Purchase Mandate by way of Off-Market Purchases,

on the consolidated financial statements of the Company and the Group for the financial period ended 30 June 2011 would have been as follows:

#### (a) Market Purchase

	Before share purchase Group As at 30 June 2011 S\$'000	After share purchase Group As at 30 June 2011 S\$'000	Before share purchase Company As at 30 June 2011 S\$'000	After share purchase Company As at 30 June 2011 S\$'000
<b>ASSETS</b>				
Non-current assets				
Aircraft	30,779	30,779	–	–
Investment in subsidiaries	–	–	93,940	93,940
Loans and receivables	74,150	74,150	–	–
	104,929	104,929	93,940	93,940
Current assets				
Cash and cash equivalents	37,662	29,629	18,046	10,013
Available for sale financial assets	26,445	26,445	–	–
Intercompany receivables	–	–	40,085	40,085
Other assets	420	420	212	212
	64,527	56,494	58,343	50,310
<b>Total Assets</b>	169,456	161,423	152,283	144,250
<b>LIABILITIES</b>				
Interest bearing liabilities	16,989	16,989	–	–
Other liabilities	846	846	662	662
<b>Total Liabilities</b>	17,835	17,835	662	662
<b>Net Assets attributable to Shareholders</b>	151,621	143,588	151,621	143,588
<b>EQUITY</b>				
Share capital	415,418	407,385	415,418	407,385
Available for sale financial assets revaluation reserve	23,855	23,855	–	–
Translation reserve	(52,220)	(52,220)	(54,829)	(54,829)
Accumulated losses	(235,432)	(235,432)	(208,968)	(208,968)
<b>Total Equity</b>	151,621	143,588	151,621	143,588
<b>Net asset per Share (\$ per Share)</b>	0.28	0.29	0.28	0.29
<b>No. of issued and paid-up Shares (in thousands)</b>	550,208	495,188	550,208	495,188
<b>Basic earnings per Share (cents)</b>	2.1	2.4	2.1	2.3

(b) **Off-Market Purchase**

	<b>Before share purchase Group As at 30 June 2011 S\$'000</b>	<b>After share purchase Group As at 30 June 2011 S\$'000</b>	<b>Before share purchase Company As at 30 June 2011 S\$'000</b>	<b>After share purchase Company As at 30 June 2011 S\$'000</b>
<b>ASSETS</b>				
Non-current assets				
Aircraft	30,779	30,779	–	–
Investment in subsidiaries	–	–	93,940	93,940
Loans and receivables	74,150	74,150	–	–
	<u>104,929</u>	<u>104,929</u>	<u>93,940</u>	<u>93,940</u>
Current assets				
Cash and cash equivalents	37,662	28,474	18,046	8,858
Available for sale financial assets	26,445	26,445	–	–
Intercompany receivables	–	–	40,085	40,085
Other assets	420	420	212	212
	<u>64,527</u>	<u>55,339</u>	<u>58,343</u>	<u>49,155</u>
<b>Total Assets</b>	<u>169,456</u>	<u>160,268</u>	<u>152,283</u>	<u>143,095</u>
<b>LIABILITIES</b>				
Interest bearing liabilities	16,989	16,989	–	–
Other liabilities	846	846	662	662
<b>Total Liabilities</b>	<u>17,835</u>	<u>17,835</u>	<u>662</u>	<u>662</u>
<b>Net Assets attributable to Shareholders</b>	<u>151,621</u>	<u>142,377</u>	<u>151,621</u>	<u>142,377</u>
<b>EQUITY</b>				
Share capital	415,418	406,174	415,418	406,174
Available for sale financial assets revaluation reserve	23,855	23,855	–	–
Translation reserve	(52,220)	(52,220)	(54,829)	(54,829)
Accumulated losses	(235,432)	(235,432)	(208,968)	(208,968)
<b>Total Equity</b>	<u>151,621</u>	<u>142,377</u>	<u>151,621</u>	<u>142,377</u>
<b>Net asset per Share (S\$ per Share)</b>	<u>0.28</u>	<u>0.29</u>	<u>0.28</u>	<u>0.29</u>
<b>No. of issued and paid-up Shares (in thousands)</b>	<u>550,208</u>	<u>495,188</u>	<u>550,208</u>	<u>495,188</u>
<b>Basic earnings per Share (cents)</b>	<u>2.1</u>	<u>2.4</u>	<u>2.1</u>	<u>2.3</u>

Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical numbers for the financial period ended 30 June 2011, and is not necessarily representative of future financial performance.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10 per cent. of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10 per cent. of the issued Shares.

**IN PARTICULAR, THE DIRECTORS DO NOT INTEND TO EXERCISE THE SHARE PURCHASE MANDATE UP TO THE MAXIMUM LIMIT AND TO SUCH AN EXTENT IF SUCH EXERCISE WOULD MATERIALLY AND ADVERSELY AFFECT THE FINANCIAL POSITION OF THE GROUP.**

#### **4.6 Tax Implications**

Shareholders who are in doubt as to their respective tax positions or the tax implications of share repurchases by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

#### **4.7 Listing Rules**

The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement currently requires the inclusion of details of the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In addition, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company would not purchase or acquire any Shares through Market Purchases during the period of one month immediately preceding the announcement of the Company’s full-year results and the period of two weeks before the announcement of the first quarter, second quarter and third quarter results.

The Listing Manual requires a listed company to ensure that at least 10 per cent. of any class of its listed securities must be held by public shareholders. As at the Latest Practicable Date, approximately 91.6 per cent. of the issued Shares are held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10 per cent. limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

#### **4.8 Take-over Implications**

Appendix II of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

##### **4.8.1 *Obligation to make a Take-Over Offer***

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder’s proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

#### **4.8.2 *Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons will be presumed to be acting in concert:

- (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and
- (b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforementioned for the purchase of voting rights, all with each other. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20 per cent. but not more than 50 per cent. of the voting rights of the first-mentioned company.

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix II of the Take-over Code.

#### **4.8.3 *Effect of Rule 14 and Appendix II***

In general terms, the effect of Rule 14 and Appendix II is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30 per cent. or more, or if the voting rights of such Directors and their concert parties fall between 30 per cent. and 50 per cent. of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1 per cent. in any period of six months.

Under Appendix II, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30 per cent. or more, or, if such Shareholder holds not less than 30 per cent. but not more than 50 per cent. of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1 per cent. in any period of six months.

Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

As at the Latest Practicable Date, none of the Directors will become obligated to make a mandatory offer in the event the Company purchases the maximum number of 55,020,852 Shares under the Share Purchase Mandate. Based on the Register of Substantial Shareholders of the Company as at the Latest Practicable Date, the Directors are not aware of any Substantial Shareholder (together with persons acting in concert with them) who may become obligated to make a mandatory offer in the event that the Company purchases the maximum number of 55,020,852 Shares under the Share Purchase Mandate. As at the Latest Practicable Date, the Substantial Shareholder of the Company is Mr Boon Swan Foo.

The Share Purchase Mandate is not intended to assist any Shareholder or its concert parties to obtain or consolidate control of the Company. The Directors of the Company will decide when, how many and on what terms to purchase any Shares pursuant to the Share Purchase Mandate in the interests of the Company and its Shareholders as a whole, taking into account various commercial considerations such as the financial effects of the share purchases on the Company.

**Shareholders are advised to consult their professional advisers and/or the Securities Industry Council of Singapore at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any purchase or acquisition of Shares by the Company.**

#### 4.9 Details of Previous Share Purchases

As the Company previously did not have a Share Purchase Mandate, the Company has not undertaken any purchase or acquisition of its own Shares in the 12 months immediately preceding the Latest Practicable Date.

### 5. DIRECTORS' RECOMMENDATIONS

#### 5.1 Proposed Alteration to Bye-law 82

The Directors are of the opinion that the proposed alteration to Bye-law 82 is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 1 set out in the Notice of SGM.

#### 5.2 Proposed Alteration to Bye-law 34 and Proposed Insertion of New Bye-law 34A

The Directors are of the opinion that the proposed alteration to Bye-law 34 and the proposed insertion of the new Bye-law 34A are in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 2 set out in the Notice of SGM.

#### 5.3 Proposed Adoption of the Share Purchase Mandate

The Directors are of the opinion that the proposed adoption of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 3 set out in the Notice of SGM.

### 6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

#### 6.1 Directors

As at the Latest Practicable Date, the interests of the Directors in Shares as recorded in the Register of Directors' Shareholdings are as follows:

Directors	Number of Shares			
	Direct Interest	% <sup>(1)</sup>	Deemed Interest	% <sup>(1)</sup>
Boon Swan Foo	46,330,320	8.42	–	–
Tan Mui Hong	–	–	–	–
Chan Pengee Adrian	–	–	7,000	0.001
Ronald Seah Lim Siang	–	–	–	–
Tan Kok Wee	–	–	–	–

Note:

(1) Based on the total number of 550,208,520 issued Shares as at the Latest Practicable Date.

## 6.2 Substantial Shareholders

As at the Latest Practicable Date, the interests of the Substantial Shareholders in Shares as notified to the Company are as follows:

Substantial Shareholders	Number of Shares			
	Direct Interest	% <sup>(1)</sup>	Deemed Interest	% <sup>(1)</sup>
Boon Swan Foo	46,330,320	8.42	–	–

Note:

(1) Based on the total number of 550,208,520 issued Shares as at the Latest Practicable Date.

## 6.3 Disclosure of Interest

None of the Directors and Substantial Shareholders (other than in his or her or its capacity as a Shareholder) has any interest, direct or indirect, in the proposed alteration to Bye-law 82, the proposed alteration to Bye-law 34, the proposed insertion of the new Bye-law 34A or the proposed adoption of the Share Purchase Mandate.

## 7. SPECIAL GENERAL MEETING

The SGM, notice of which is set out on page 49 of this Circular, will be held at Holiday Inn Singapore Orchard City Centre, Crystal Suite, Level 2, 11 Cavenagh Road, Singapore 229616 on 5 December 2011 at 10 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolution set out in the Notice of SGM.

## 8. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the SGM and who wish to appoint a proxy to attend and vote on their behalf are requested to complete, sign and return the enclosed Depositor Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event, so as to reach the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 10 a.m. on 3 December 2011. The completion and sending of the Depositor Proxy Form by a Shareholder of the Company will not preclude the Shareholder from attending and voting in person at the SGM in place of his or her proxy if he or she wishes to do so. A Depositor shall not be regarded as a member of the Company entitled to attend the SGM to speak and vote thereat.

Depositors who wish to attend and vote at the SGM, and whose names are shown in the records of CDP as at a time not earlier than 48 hours prior to the time of the SGM ("**Record Depositors**"), may attend as CDP's proxies. Record Depositors who are individuals and who wish to attend the SGM in person need not take any further action and can attend and vote at the SGM without lodgment of any Depositor Proxy Form. Record Depositors who cannot attend the SGM personally and/or wish to appoint their nominees to attend, and Record Depositors who are not individuals must complete, sign and return the Depositor Proxy Form enclosed in accordance with the instructions printed thereon as soon as possible and in any event, so as to reach the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 10 a.m. on 3 December 2011.

The appointment of a nominee or nominees by a Record Depositor (who is an individual) does not preclude him from attending and voting in person at the SGM, if he so wishes, in which event the Depositor Proxy Form appointing his nominees will be deemed to be revoked.

**9. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the proposed alteration to Bye-law 82, the proposed alteration to Bye-law 34, the proposed insertion of the new Bye-law 34A and the proposed adoption of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the registered office of the Company at Penboss Building, 2<sup>nd</sup> Floor, 50 Parliament Street, Hamilton HM 12, Bermuda, as well as at the registered office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 during normal business hours from the date of this Circular up to the date of the SGM:

- (a) the Prospectus;
- (b) the Memorandum of Association and Bye-laws;
- (c) the Company's 2011 half year results for the period ended 30 June 2011; and
- (d) the Bermuda Companies Act.

Yours faithfully  
For and on behalf of  
Global Investments Limited

## APPENDIX I

### THE PROPOSED ALTERATIONS TO THE BYE-LAWS

#### BYE-LAW 34

Deleting Bye-law 34 in its entirety and substituting therefor the following:

#### “34 Redemption of Ordinary Shares

(a) The Company, subject to the provisions of these Bye-laws and maintenance of the minimum share capital amount presented by its Memorandum and/or prescribed by the Companies Act:

- (i) may, require a Shareholder to redeem the whole or a specified percentage of his holding of Ordinary Shares; and
- (ii) shall so require such redemption if, any Shareholder was not qualified to, or is, or has at any time, not been qualified, to hold all or any of the Ordinary Shares registered in the name of the Shareholder,

then in such circumstances, the Company shall:

- (iii) give any such Shareholder not less than fifteen (15) Business Days' written notice of its intention to compulsorily redeem the Ordinary Shares of such Shareholder; and
- (iv) compulsorily redeem such Ordinary Shares at the Net Asset Value per Ordinary Share.

(b) It shall be for the Directors acting reasonably to determine whether or not the provisions of ~~this~~ Bye-law 34(a) are to apply to a Shareholder and this power may be exercised regardless of the date of entry of the Shareholder on the Register and the number of Ordinary Shares held by the Shareholder. The Directors shall, if required by a Shareholder, give reasons for any decision, determination or declaration taken or made in accordance with this Bye-law.

(c) In addition, the Directors may request such declarations and information from Shareholders, as the Directors consider appropriate.

(d) The holder of Ordinary Shares shall not be permitted to redeem the whole or any part of such Shareholder's Ordinary Shares other than with the prior written consent of the Directors and on such terms as the Directors shall determine and in accordance with the provisions of these Bye-laws, the Listing Rules and any applicable law and regulation (“Voluntary Redemption”).

~~(d)~~(e) In the case of any Voluntary Redemption of Ordinary Shares by the holder thereof redeemed under this Bye-law which are fully Paid up, they shall be redeemed at a redemption price, for each Ordinary Share, equal to either:

- (i) par value (if issued at par); or
- (ii) the Net Asset Value per Ordinary Share (as determined in accordance with this Bye-law) as at the close of business on the Valuation Day immediately preceding the Business Day on which such redemption is effected less such sum (if any) as the Directors or the Manager may consider represents the appropriate provision for any fees and expenses incurred by the Company as a result of the redemption; or
- (iii) at such other price as may be permitted by the Listing Rules from time to time.

(f) In the case of any Ordinary Shares redeemed under this Bye-law which ~~is~~ are not fully Paid up, they shall be redeemed at a redemption price referred to in this Bye-law calculated *pro rata* on the basis of the amount Paid up on ~~the share~~ such Ordinary Shares.

(g)(e) The Net Asset Value of the Company and per Ordinary Share shall be determined by the Directors or the Manager as at the close of business on each Valuation Day except when determination of the Net Asset Value has been suspended under the provisions of paragraph (i)(g) of this Bye-law, on such occasions as may be required by these Bye-laws and on such other occasions as the Directors or the Manager may from time to time determine. Any certificate as to the Net Asset Value of the Company or per Ordinary Share given in good faith by or on behalf of the Directors or the Manager shall be binding on all parties. The Net Asset Value of the Company shall comprise the aggregate of the Assets less the aggregate of the Liabilities (determined as provided below). The Net Asset Value per Ordinary Share shall be calculated at the time of each determination by dividing the Net Asset Value of the Company by the number of Ordinary Shares then in issue or deemed to be in issue, all determined and calculated as hereinafter provided. The fair value of listed or quoted investments that are Assets of the Company, including debt and equity securities, will be determined by reference to the last available quoted bid price for that security at the reporting date. The fair value of unlisted or unquoted investments that are Assets of the Company will be determined by the Directors or the Manager using an established valuation technique that will be based on a combination of one or more of the following valuation determination methods:

- (i) discounted cash flow analysis;
- (ii) capitalisation of earnings analysis, such as earnings before interest, tax, depreciation and amortisation (EBITDA) multiple analysis;
- (iii) valuation of similar investments;
- (iv) reference to recent sales transactions of the same or similar securities; and
- (v) other methods as determined by the Manager or the Directors.

At the end of each Period End Date, the valuations will be reviewed and updated.

(h)(f) The Net Asset Value will be calculated by the Manager or the Directors and will be published in Singapore dollars.

(i)(g) The Directors or the Manager may suspend the determination of the Net Asset Value per Ordinary Share for the whole or any part of a period:

- (i) during which any stock exchange or over-the-counter market on which any significant portion of the investments of the Company are listed, quoted, traded or dealt in is closed (other than the customary weekend and holiday closing) or trading on any such stock exchange or over-the-counter market is restricted; or
- (ii) when circumstances exist as a result of which in the opinion of the Directors or the Manager it is not reasonably practicable for the Company to dispose of investments of the Company or as a result of which any such disposal would be materially prejudicial to Shareholders; or
- (iii) when a breakdown occurs in any of the means normally employed in ascertaining the value of investments or when for any other reason the value of any of the investments or other assets of the Company cannot reasonably or fairly be ascertained; or
- (iv) during which the Company is unable to repatriate funds required for the purpose of making payments due on redemption or during which any transfer of funds cannot in the opinion of the Directors or the Manager be effected at normal rates of exchange.

Any such suspension shall take effect at such time as the Directors or the Manager shall declare and thereafter there shall be no determination of the Net Asset Value per Ordinary Share until the Directors or the Manager shall declare the suspension at an end.

~~(j)(h)~~ In the case of a redemption under this Bye-law, the proceeds of redemption less any fees and expenses incurred by the Company as a result of the redemption shall be deposited by the Company in a bank for payment to the holder of the Ordinary Shares subject to redemption against surrender of any outstanding certificate(s) representing such Ordinary Shares or the proffering of such evidence as the Directors may require.

~~(k)(i)~~ Upon the deposit of the redemption proceeds, the Shareholders shall have no further interest in such Ordinary Shares or any of them or any claim against the Company in respect thereof except the right to receive the redemption proceeds so deposited (without interest) upon surrender of the said certificate(s).

~~(l)(j)~~ Where no share certificate has been issued for the Ordinary Shares subject to the redemption under this Bye-law, the Company may make payment of the redemption proceeds to the relevant Shareholder in such manner as it thinks fit.”

~~(k) The holder of Ordinary Shares shall not be permitted to redeem the whole or any part of such Shareholder's Ordinary Shares other than with the prior written consent of the Directors and on such terms as the Directors shall determine and in accordance with the provisions of these Bye-laws.”~~

#### **NEW BYE-LAW 34A**

Inserting immediately after Bye-law 34, a new Bye-law 34A as follows:

#### **“34A Share Purchases**

- (a) The Company may purchase its own shares for cancellation in accordance with the Companies Act on such terms as the Board shall think fit. Any power of the Company to purchase or otherwise acquire its own shares shall be exercisable by the Board in accordance with and subject to the Companies Act, the Company's Memorandum and, for so long as the shares of the Company are listed on the Designated Stock Exchange, the share buy-back provisions of the Listing Rules and the prior approval of the Members in general meeting for such purchase or acquisition. Such approval of the Members shall remain in force until (i) the conclusion of the annual general meeting of the Company following the passing of the resolution granting the said authority, or (ii) the date by which such annual general meeting of the Company is required by law to be held, or (iii) the date on which the authority conferred by such approval is varied or revoked by an ordinary resolution of the Company in general meeting, whichever is the earliest, and may thereafter be renewed by the Members in general meeting. For so long as the shares of the Company are listed on the Designated Stock Exchange, the Company shall make an announcement to the Designated Stock Exchange of any purchase or acquisition by the Company of its own shares in accordance with the Listing Rules.
- (b) Neither the Company nor any of its subsidiaries shall give, whether directly or indirectly, whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of the acquisition or proposed acquisition by any person of any shares in the Company, but nothing in this Bye-law shall prohibit transactions permitted under the Companies Act.”

## BYE-LAW 82

Deleting Bye-law 82 in its entirety and substituting therefor the following:

### **“82. Investment Objective Policy**

~~Save where a change in the~~ The investment policy of the Company is approved by a Special Resolution of the holders of the Ordinary Shares, the principal investment policy of the Company is to make investments either directly or indirectly in a diversified group portfolio of assets in different sectors through different means which include but not limited to direct asset ownership, swaps, credit default swaps, debts, warrants, options, convertibles, preference shares, equity, guarantees of assets and performance, securities lending and participating loan agreements provided that the Company will not make any direct investments in real estate and commodities across 3 sectors:

- ~~(i) operating lease assets;~~
- ~~(ii) loan portfolio and securitisation assets; and~~
- ~~(iii) alternative assets, being assets which are traditionally not widely understood by the retail market, but which enjoy strong private equity support.”~~

## APPENDIX II

### RISK FACTORS

#### 1 General Risks

The operating and financial performance of the Company and its investments is influenced by a variety of general economic and business conditions, including the level of inflation, unemployment, interest rates, exchange rates, credit spreads, asset prices and government fiscal, monetary and regulatory policies in the countries where the Company has investments or where its underlying assets and economic exposures are located. Deterioration in general economic conditions, including a decrease in consumer and business demand, may have a material adverse effect on the results of the Company. The price at which its Shares trade on the SGX-ST may be affected by external factors over which the Company has no control. External factors include movements or changes in international share markets, local and international interest rates including short and long term bond yields, exchange rates, domestic and international economic conditions, the competitive environment of the markets and sectors in which the Company is investing, general operational and business conditions, regulations, taxation, and other government policies. No assurances can be given that the price of its Shares will not be adversely affected by changes in these external factors.

##### (a) Country-specific Risk

This is the risk associated with the political, social and economic uncertainty of the foreign country in which an investment is made. These risks can include major policy changes, overthrown governments, economic collapses and war. Social unrest, sudden occurrence of natural disasters, default on governments' debts and unexpected changes in rules or regulations unfavourable to foreign investors are some of the other country-specific risks to which the Company's investments may be exposed to. Generally, country-specific risks are greater in less developed markets than in the developed markets, which have more stable and conducive investment environments compared to the former. The higher the country-specific risk, the greater the expected investment returns.

##### (b) Counterparties Risk

- (i) The Company is dependent on payments from counterparties for receipt of its income. If these counterparties do not make payments, its income and consequently the dividends that the Company is able to distribute may be adversely affected.
- (ii) Many of the obligations of the Company's counterparties are with limited recourse. If any of its counterparties become bankrupt or insolvent and distributions on the counterparty's assets are insufficient to enable it to meet its obligations, the Company may lose the principal which the Company has invested and its ability to pay dividends and its net asset value may be adversely affected.

##### (c) Risks Associated with Income for Distribution

- (i) The income that the Company expects to receive from its portfolio of assets and economic exposures may be adversely affected by counterparties' default, movements in interest rates, credit spreads, exchange rates, changes in tax and regulatory rules, the priority of more senior ranking indebtedness, and prepayments. If any of these or other factors result in a decrease in the Company's income, then its ability to pay dividends to its Shareholders and to meet its profit and dividend forecast and profit projection (if any) may be adversely affected.

- (ii) The Company may receive cash from its investments and must make a decision whether or not such cash represents economic income or a return of capital. The Company will rely upon the experience of its Manager, in making this assessment and will have regard to the then current information regarding the investment and the asset class from which it is derived. If the performance of its investment or the asset class from which it is derived differs from the expectations at the time of acquisition of the investment, this could affect the determination of whether a cash receipt is economic income to be distributed in accordance with its dividend policy or a return of capital. A change in performance could adversely affect the expected cash available for distribution which in turn could lower the Company's dividends and adversely affect its Share price.
- (iii) Due to the international nature of the Company's investments, movements in currency exchange rates may adversely affect the dividends paid to its Shareholders, the Singapore dollar value of its assets and economic exposures. Adverse movements in currency exchange rates have the potential to reduce the Company's investment returns. The Company's income is substantially denominated in currencies other than Singapore dollars. Movements in exchange rates between the relevant foreign currencies and the Singapore dollar may therefore have a material effect on the Company's financial results to the extent that they are not hedged, and its ability to pay dividends to its Shareholders may be adversely affected.
- (iv) The Company's stated dividend policy is to pay out the majority of the economic income received from its investments after payment or provision for its operating and financing expenses and, at the relevant time, to determine whether or not to distribute realised capital gains, having regard to then available reinvestment opportunities. The Company may not enter into capital hedges and the value of its assets translated into Singapore dollars will fluctuate with exchange rate variations. Consistent with the Company's dividend policy, when the Company realises a capital gain on one of its assets or economic exposures and the Company decides to distribute that gain, the Company will convert that gain to Singapore dollars and distribute it in line with its distribution policy. If the Singapore dollar has appreciated in value against the currency in which the investment was made then the Singapore dollar value of the capital which the Company retains for reinvestment could be less than the original Singapore dollar value of the investment.

**(d) Liquidity Risks**

The Company holds and may make future investments in illiquid assets that the Company may be unable to sell for a price equal to its valuation. The Company invests in assets and has economic exposures to assets that are not listed on a stock exchange and for which there are only a limited number of potential buyers. The Company's investments are relatively illiquid and such illiquidity may affect its ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic or other conditions. Illiquidity can also result in there being a lack of recent market data with which to make an informed decision on whether a particular price represents fair value. As a consequence, the realisable value of an asset may be less than the value based on its estimated future cash flows.

**(e) Market Risks**

- (i) Volatility of the market value of the Company's investments may affect the price at which the Company is able to dispose of its investments. Many of the Company's investments will be subordinated to the interests of other investors with rights to income and capital in priority to the Company. These investments represent highly leveraged investments in the underlying collateral. It can be expected that changes in the market value of these investments will be greater than the changes in the market value of the underlying collateral. This will affect the price at which the Company is able to dispose of its investments if the Company chooses not to hold them to maturity and a disposal of its investments at less than its acquisition price may have an adverse effect on its net asset value.

- (ii) The returns derived by the Company will be, in the case of operating lease assets, heavily dependent on the value of the underlying assets over time. Asset values may be volatile due to economic factors, changing asset preferences and configurations and factors such as terrorism, which may affect the industry in which the Company's operating lease assets operate and hence the demand for its operating lease assets. A material decline in the value of the physical assets' underlying securitisation assets (for example, residential property and aircraft, which may be affected by local market and industry conditions) may increase the default risk and loss in the event of default and, as a result, may adversely affect the return on the securitisation assets held by the Company. High levels of leverage to which these assets may be subjected to will also increase the impact of fluctuations in asset valuations of the Company.

**(f) Interest Rate Risks**

- (i) Assets or economic exposures with interest rate exposures and the use of debt finance for the acquisition of assets may result in increased volatility of returns to the Company's Shareholders. Some of the Company's assets or economic exposures may contain interest rate exposure, where the Company has a floating interest rate obligation but fixed income receipts, or vice-versa. In these circumstances, a change in interest rates could adversely affect the income of the Company available to be paid as a dividend as well as the value of its investments. This in turn may adversely affect the value of its Shares. The Company may not hedge the interest rate exposure inherent in its assets and economic exposures. The Company may however acquire assets or economic exposures to assets which have pre-existing hedges in place. The Company will monitor its interest rate exposures and the Company may elect to enter into hedging arrangements if appropriate as part of the management of the overall portfolio or individual assets.

The assets and economic exposures that the Company will invest in may be subjected to high levels of more senior ranking debt provided by third parties. Changes in interest rates may increase borrowing costs to the extent that they are floating rate facilities. Any such changes in the cost of borrowings may adversely affect the Company's financial performance and ability to pay dividends to its Shareholders. The volatility of its net asset value and its Share price may also increase. This may result in increased volatility of returns to the Company's Shareholders.

The Company may also use debt to finance the acquisition of its portfolio of assets. An increase in interest rates could decrease its income available to be paid as dividends.

- (ii) Interest rate fluctuations may adversely affect the Company's income and the value of its investments and its Share price. A rising interest rate market can often increase default rates by counterparties. It can also result in more of the income from collateral being used to service the interest payable on debt that ranks in priority to the Company's investments, thereby reducing the income available to service the interest payable on the investments held by the Company.

**(g) Prepayment Risks**

The Company may own assets and economic exposures that will mature or may be prepaid earlier than expected and the Company may not be able to identify and immediately acquire new assets that meet its investment objectives, policy and strategy. The Company's portfolio of assets and economic exposures is diversified by a number of factors, including without limitation, the tenor of such investments. The Company's assets and economic exposures may contain prepayment provisions and its investments are prepaid because underlying loans are prepaid earlier than expected.

**(h) Financial Derivative Risks**

The Company actively manages its investments. This may involve the use of some derivative transactions to hedge certain risks relating to its assets. A hedge position may not be effective in eliminating all risks, and there is no guarantee that appropriate hedges will be available at a cost acceptable to the Company at all times. The Company may also realise losses on hedge positions upon termination or maturity of the relevant derivative transactions.

On the other hand, the Company does not intend to hedge all risks relating to its assets as this may reduce the return on many of its investments and which may result in a reduced return that will have an adverse effect on its ability to pay dividends.

In the event that a risk relating to the Company's assets materialises which the Company has not hedged, or the counterparty for a derivative transaction defaults, or the Company realises a loss on termination of the relevant derivative transaction, the Company may suffer a reduced return that will reduce its income and consequently this will have an adverse effect on its ability to pay dividends, and may adversely affect its Share price.

**(i) Risks Associated with Debt Financing**

(i) The assets and economic exposures in which the Company invests may be highly geared. Where debt financing needs to be extended or refinanced during the life of an underlying asset, there can be no guarantee that such financing can be obtained on equal or better terms than those existing at the time the Company makes its investment. The inability to obtain financing on equal or better terms may adversely affect the income to the Company from its assets and economic exposures and this may adversely affect the Company's cash flow and the amount of dividends the Company is able to pay to its Shareholders.

(ii) The high level of gearing on assets in which the Company will invest will also magnify the effect of changes in asset valuation, interest rates, prepayments, defaults and other changes in underlying cash flows on subordinated debt and equity positions held by the Company.

(iii) The Company's Bye-laws limit the Company from incurring total borrowings but this limit does not include limited recourse debt incurred at the investment or asset level. The Company's assets and economic exposures may be highly leveraged and any default in respect of those assets may lead to a loss of the Company's investment resulting in an adverse effect on its net asset value and its Share price.

**(j) Regulatory Risks**

Changes in law, regulations, accounting standards and policy in the jurisdictions that the Company invests or is resident in, and tax rules or their interpretation, may adversely affect the returns received on its assets and economic exposures, its cash flow, the Company's ability to pay dividends to its Shareholders and the value of its Shares.

The Company's portfolio of assets and economic exposures is located in a number of different jurisdictions and its assets are therefore subject to a variety of laws, regulations and policies. Changes in any law, regulation or policy affecting the activities of its existing assets (which may or may not have retrospective effect) may have a significant impact on its performance. Further, the tax rules or their interpretation in relation to the Company's current and future assets and economic exposures may change. In particular, both the level and basis of taxation applicable to the Company's assets and economic exposures may change. Changes that affect the Company's current and future assets and economic exposures may affect their returns to the Company and its business and its Share price could be adversely affected.

As an Enhanced-Tier Fund, the Company enjoys tax exemption on its investment portfolio even if it is a tax resident in Singapore. There can be no assurance that the Company will be able to qualify for the tax incentive in future, nor can there be any assurance that there will not be subsequent changes to taxation laws or policies which may result in the removal, loss, suspension, or reduction of the tax incentive currently enjoyed by the Company. Any such removal, loss, suspension or reduction of the tax incentive may have an adverse impact on the Company's profitability. Laws and regulations affecting investments in listed securities such as the Company's Shares may be subjected to significant and unexpected changes. The tax rules or their interpretation in relation to an investment in the Company's Shares may change. Any such changes may affect the value of the Company's Shares or the tax treatment of amounts received by investors in its Shares. In addition, an investment in the Company may involve tax considerations, which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in the Company.

**(k) Concentration Risks**

The Company's investments carry certain concentration and correlation risks which may lead to larger losses than expected. Concentration risk may arise when a significant percentage of the Company's profits, net asset value or cash economic incomes are derived from investment or exposure to a single asset or sector. High levels of concentration and correlation may lead to larger losses being incurred by the Company if any one asset, obligor exposure, industry or sector to which the Company is significantly exposed to is to suffer a downturn or unexpected losses.

**(l) Documentation Risks**

The Company's exposures to assets are in a variety of manners, which may involve structural risks arising from complex documentation. The Company may have both a direct ownership of investments as well as structured exposures to assets which deliver to the Company the economic risk and reward of such assets. The structures, documentation and legal relationships may be complex and these complexities may create risks associated with enforcement and recovery of its investments. Such risks may include the possibility that an adjudicating court may interpret the agreements in a manner different from that intended by the parties thereto.

**(m) Debt exposures may be unsecured and will often be subordinated, and subject to enforcement and recovery risk**

Some of the Company's debt exposures may be unsecured, therefore providing no security rights to the Company or, for debt of an indirect counterparty, no security rights to the direct counterparty. Even if debt is secured, it will often be subordinated and the Company (or the direct counterparty) will rank behind senior lenders and, in addition, may not have a separate enforcement right from the senior secured lender. In such an event, the debt is secured as to recovery only, but must wait for the senior secured lender to act to enforce the security. A failure to act quickly may lead to penalty interest accruing to a senior secured lender which ranks ahead of repayments which will flow through to the Company. Further, if the amount realised on enforcement of the security over an asset is less than the amount required to repay the senior secured lender and the Company in full, the Company may not be able to recover some or all of the amounts due to it. If this occurs, its net asset value is likely to be adversely affected and this may have an adverse effect on its Share price. In addition, a loss of capital will mean that there will be less assets producing income for the Company and this could adversely affect its ability to pay dividends.

**(n) Key Personnel Risks**

The loss of key personnel who administer the assets in which the Company invests or to which the Company has exposure, or the inability to retain or replace such personnel with suitably qualified persons, may have an adverse effect on its assets and economic exposures and the level of income from such assets and economic exposures.

A number of the assets in which the Company invests, or acquires economic exposure to, rely on existing management teams, either at the asset or within managers, originators and service providers who administer the asset. Returns from its investment will be dependent, in part, on the continued efforts of such management teams, who have extensive experience in the day-to-day management of these assets. The management of these assets requires personnel with specialist skills and the pool of qualified personnel is limited. Furthermore, the Company is likely to be dependent on the support of similar management teams for assets in which the Company may invest in the future.

**2 Risks Associated with Operating Lease Assets**

**(a) Leased assets in industries that are volatile and cyclical**

In addition to the risks associated with investments in the assets which the Company is purchasing and aims to purchase generally, investments in operating leases and operating lessors are subject to additional risks, specific to the underlying assets and businesses of the operating lessors. The assets which the Company may target within the Operating Lease sector are used in industries that are volatile, cyclical and subject to seasonal fluctuations. An investment in such assets may have a material adverse effect on its financial condition and results.

The prospects of the airline and shipping industries are closely tied to the level of economic activity in the world while the prospects of the rollingstock industry is closely tied to the level of economic activity in the jurisdiction in which the assets are physically located as well as worldwide commodity demand. The aircraft, shipping and rail industries are highly competitive, and lease or charter hire rates and asset values are very sensitive to changes in demand for and supply of capacity, and are consequently volatile.

Demand is influenced by many factors, including global and regional economic activity, developments in international trade, weather patterns, armed conflicts, fuel prices, foreign exchange fluctuations, embargoes and strikes, geographic changes in population and wealth, production and consumption, environmental concerns and regulations, commodity demand, price levels and seasonal factors. Supply of capacity is determined by, amongst other matters, the size of the existing fleet and its operational efficiency, the rate of deliveries of new buildings and the number of assets out of use for varying reasons. Variations in the demand for and supply of assets and the level of lease or charter rates may have a material adverse effect on its financial condition and results of operations. In addition, the impact of these factors may not be uniform across different asset types.

**(b) Highly Competitive**

The Company may compete to acquire assets and then to lease and eventually to sell assets. Additionally, the Company competes for finance for those assets. Its competitors can both drive down the income that the Company will generate from its assets and the price at which the Company will sell its assets. The Company's competitors can increase the price the Company must pay for assets. Manufacturers of leased assets may lower prices, provide discounts or enter price wars which adversely impact the value of existing assets that the Company holds. Each and all of these factors can have a material adverse effect on its income and the value of its assets and may adversely affect its Share price.

**(c) Regulated Industries**

Certain industries are highly regulated, and the Company's investments may be affected by extensive and changing environmental protection laws and other regulations in the form of international conventions, international, national, state and local laws and regulations in force in the jurisdictions in which any assets the Company acquires and operates, as well as in the country or countries in which its vessels are registered.

Subject to the arrangements with any future lessees or charterers of any asset the Company acquires, compliance with such laws and regulations may:

- involve significant expenses, including the costs of modifications and changes in operating procedures;
- affect the lease or charter rates the Company receives and resale value or useful lives of its assets;
- require a reduction in carrying capacity;
- lead to decreased availability of insurance coverage for environmental matters; and
- result in the denial of access to certain airports (in the case of aircraft) or ports (in the case of vessels).

The Company may also incur substantial costs in order to comply with existing and future health and human safety requirements, including, among others, obligations relating to air emissions, maintenance and inspection, development and implementation of emergency procedures and insurance coverage.

The Company could incur material liabilities for penalties, fines, damages and remediation for non-compliance with any such laws and regulations and, as a result of such laws and regulations, may be liable for costs (including cleanup obligations) associated with hazardous substance spills (including petroleum) or other discharges into the environment as a result of the shipping operations that the Company may invest in. In addition, the Company could become subject to personal injury or property damage claims relating to the release of or exposure to hazardous materials associated with its operations. These costs and penalties could have a material adverse effect on its business, financial condition and results of operations.

Future accidents can be expected in the industries in which the Company operates, and such accidents or other events could be expected to result in the adoption of even stricter laws and regulations, which could limit its operations or its ability to do business and which could have a material adverse effect on its business and financial results.

**(d) Potential Business and Reputation Risks**

The ownership of aircraft, rollingstock or ocean-going vessels carries inherent risks. They include the possibility of accident or disaster; arrest or seizure; piracy or hijacking; explosions; environmental accidents; pollution; loss of life; cargo and property losses or damage; business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries and labour strikes or adverse weather conditions. Any of these circumstances or events could lower the Company's revenues. The involvement of its transportation assets in a serious accident could harm the operator's reputation and lead to a loss of business.

**(e) Unable to acquire leased assets at prices or delivery times acceptable to the Company**

In the event that the Company wishes to acquire new assets, the Company may be required to expend substantial sums in the form of down payments and progress payments during the construction of such new buildings, but will not derive any revenue from these assets until after their delivery. In such circumstances there can be no assurance that the new buildings the Company purchases will be completed on schedule or at all. While the Company would receive penalty payments from the builder, delays in the delivery of, or failure to deliver, any new buildings which the Company may purchase, from time to time, could have an adverse effect on its business, financial condition and results of operations.

Second-hand assets are typically sold by sellers with very limited or no warranties with respect to the condition of the asset. Whilst the Company will inspect any asset prior to its acquisition, certain faults or damage may remain undetected. The Company can generally avail itself of any remaining warranties (if any) from the seller of asset but the Company can give no assurance that the purchase of an asset will not result in higher than anticipated operating expenditures, including repair costs, thus having an adverse effect on revenue and expenses as well as potentially on the value of the asset the Company acquired.

With regards to new build and second-hand assets, there can be no assurance that assets meeting its requirements will be available at prices or delivery times acceptable to the Company.

**(f) Lack of Leases or Charters**

The Company's ability to lease or charter out assets the Company acquires both at the time of acquisition and at the expiration of their initial leases or charters and its ability to dispose of assets profitably are subject to availability of leases or charters and market values at that time.

With respect to any assets the Company acquires and leases or charters out, it is not uncommon for lessees or charterers to have sole discretion as to whether or not they wish to extend leases or charters after expiration of the initial term. In these circumstances, the Company would not be able to predict whether such lessees or charterers would exercise such an option. If lessees or charterers decide not to extend, the Company may not be able to re-lease or charter the assets on similar terms. The Company's ability to lease or charter assets out and re-lease or re-charter its assets on the expiration or termination of the initial leases or charters, the lease or charter rates payable under any renewal or replacement leases or charters and its ability to dispose of assets profitably will depend upon, among other things, the then prevailing availability of leases or charters and economic conditions in the relevant market at that time. If the Company is unable to lease an asset, the Company may be required to meet substantial costs and expenses for insurance, storage, refurbishment, maintenance and compliance with government directives. If the Company receives lower lease or charter rates under replacement leases or charters, or is unable to lease or charter out its assets either at acquisition or on expiry of their initial leases or charters, the amounts that are available, if any, to pay distribution dividends to its Shareholders would be adversely affected.

The Company's operating lease business is dependent on the availability of substantial amounts of non-recourse debt on favourable terms. Failure to obtain or maintain adequate levels of non-recourse debt on the assets at favourable terms and conditions (including rate and amortisation requirements) could adversely impact the yields and returns on operating lease assets owned by the Company. This impact will be magnified where it coincides with a fall in lease rates and asset values.

**(g) Insufficient Insurance Coverage**

The Company expects to be insured against the inherent risks relevant to the operation of transportation assets, including collision, explosion and other catastrophic disasters as well as environmental pollution, leaks or spills, personal injury and loss of life. In addition, further liability may be incurred as a result of losses to, stranding of or damage to cargo, people and property; business interruption caused by war, terrorist activities, piracy, hijacking, mechanical failure, human error, political action, labour strikes, adverse weather conditions, fire and other circumstances or events. To the extent that any of the foregoing events involves one of its assets, the Company could experience direct losses and liabilities, loss of income, damage to its reputation and increased costs and as a result such events could have a material adverse effect on its business, financial condition and results of operations.

Where the lessee of the affected asset takes out insurance, there can be no assurance that such insurance will be adequate. Even if the Company has effected insurance for itself, insurance policies contain certain standard deductibles as well as limitations and exclusions as to the extent of cover. Such limitations and exclusions typically relate to certain losses arising from acts of war, terrorism, malicious acts, wilful misconduct, fraud or widespread communicable or infectious diseases and the Company may therefore be uninsured for such losses which could have a material adverse effect on its financial condition and results of operations. Further, its assets could be subject to attachment or other judicial processes in the event that claims are asserted against the Company or the lessee or charterer which may cause losses that are uninsured.

From time to time, environmental and other regulations may be introduced increasing the liability the Company's operations face; insurance against these new risks may not be available or may not be accessible at commercially viable rates. The Company's insurance may be insufficient to cover these additional claims and liabilities and as a result its assets could be subject to attachment, seizure or other judicial processes. Each of those could have a material adverse effect on its business, financial condition and results of operations.

**(h) Political, economic and other risks in the markets where the Company operates**

The Company's leased assets may operate in various countries around the world, including emerging markets. As such, the Company will be subject to the political, economic and social conditions of those countries. For example, the Company will be exposed to risks of political unrest, war and economic and other forms of instability, such as natural disasters, epidemics, widespread transmission of communicable or infectious diseases, acts of God, terrorist attacks, hijacking, piracy and other events beyond the Company's control which may adversely affect local economies, infrastructures and livelihoods. These events can result in disruption to its or its customers' business and seizure of, or damage to, its or its customers' assets. Furthermore, these events could lead to reductions in, or in the growth rate of, world trade, which could reduce demand for its assets.

**(i) Government requisitions during periods of emergency or war**

A government could requisition for title, hire or seize any one of the Company's assets. Requisition for title occurs when a government takes control of an asset and becomes the owner, whereas requisition for hire occurs when a government takes control of an asset, effectively at dictated lease or charter rates. Typically, requisitions would occur during a period of war or emergency. Requisition of any of the Company's assets could adversely affect its business, financial condition and results of operations.

**(j) Various factors may affect the value and re-lease rates of the Company's leased assets**

The value of leased equipment and the rates at which it may be re-leased depend upon a number of factors including demand for goods transported by the equipment, fuel costs, general economic conditions, industry restructuring, production levels and technical innovation, retirement and obsolescence of transport equipment, infrastructure constraints, manufacturers exiting the industry or merging, the reintroduction of equipment previously in storage, the industry acceptance of an item of equipment or the end of production of that type of equipment. If any of these factors affects the value or re-lease rates of the Company's transportation assets, it could adversely affect its ability to pay dividends and the value of its Shares.

**(k) Failure of lessees to perform obligations**

Under their lease agreements with the Company, lessees may be obliged to not only make lease payments but also to perform other obligations such as undertake and meet costs of maintenance, insurance and compliance with regulatory directives. The Company may be exposed to costs or losses where lessees do not meet these obligations. Such costs or losses may decrease its ability to pay dividends to its Shareholders and affect the value of its Shares.

**(l) Damage or significant downtime in asset or equipment resulting in loss of hire and unexpected maintenance costs**

Prolonged and significant downtime, as a result of extensive servicing or repair to any of the Company's assets may result in major disruptions to its operations. In the event that the Company is affected by such prolonged and significant downtime, its operations and financial performance may be adversely affected.

**(m) The Company may depend on an asset manager to provide commercial, administrative, technical and operational services in respect of its assets**

In certain circumstances, the Company may elect to appoint a third party asset manager to provide the Company with certain technical, administrative and strategic services in relation to the assets (including maintenance, crewing and construction supervision). In such circumstances, its operational success will depend significantly upon the asset manager's satisfactory performance of these services. The Company's business will be harmed if the asset manager fails to perform these services satisfactorily or if the Company is unable to immediately replace such services when required to do so, or even if replacement services are immediately available, the terms offered may be less favourable than the ones currently offered by the asset manager.

**3 Risks Associated with Investments in Loan Portfolios and Securitisation Assets**

**(a) Complex Modelling**

Valuations of certain investments involve complex modelling and management expertise in determining assumptions and the Company may not be able to sell its asset at its initial valuation. Many of the Company's investments are highly illiquid and there is no readily available market for which these assets may be sold. This means that it is difficult to verify market prices for such assets. Valuing subordinate positions, such as residual income positions in securitisation or loan portfolio assets, generally involves comparing actual asset performance against various assumptions, including expected levels of default, prepayment speed, interest rate moves and credit spread moves, amongst others. An individual asset may perform outside an expected range and/or historical experience, and therefore the value of the asset may be different from that originally assessed. In addition, if the Company sought to sell these assets, their lack of liquidity may lower the price that the Company receives for them. The purchase price that the Company may pay for such investments is in part dependent on the assessment of the fair value of the risk being assumed. Accordingly, there is risk that the Company could acquire an investment for a purchase price materially different from that paid by another investor in the same investment and the Company may not be able to recover its costs upon disposing of its investment.

**(b) Cash lock-ups may occur which adversely affect the Company's income**

In many securitisations, collateral debt obligation (“CDO”) and collateralised loan obligation (“CLO”) transactions, there are asset and counterparty performance requirements that must be met to ensure income is paid to all investors, rather than being retained in a lock-up or cash reserve as additional credit or liquidity support for senior investors. As the Company may be taking subordinated positions in such transactions, if a diversion were to occur, this could result in an elimination, deferral or reduction of the income the Company receives, and would adversely affect its ability to pay dividends and potentially the price of its Shares.

**(c) Losses within the underlying collateral and inability of the securitisation manager to adequately manage the collateral**

The underlying collateral in a loan portfolio or securitisation asset is not necessarily individually assessed prior to purchase. The manager of the loan portfolio is responsible for managing the collateral, but may not be able to prevent losses. Losses may occur not only because of default, but an adverse change in interest rates, poor servicing by a portfolio manager, prepayment occurring outside historical averages, adverse credit spread moves, basis risk movements and lower than assumed collateral recovery rates, amongst others. Losses within the collateral may adversely impact the value of the loan portfolio or securitisation assets that the Company invests in.

**(d) The performance of the servicer of the assets may have a significant impact on the Company's results**

Each loan portfolio is administered by a servicer whose role may include underwriting the loan portfolio, arranging its securitisation, administering cash flows and arrears and overseeing the realisation of security where a loan has gone into default. The Company's investments and the return to the Company may suffer where (amongst other things) the servicer:

- fails to follow best practices in realising any security values; or
- fails to adequately administer loans that fall into arrears or default.

In the event that the servicer is unable to meet its administrative obligations, a substitute servicer will need to be appointed. There is a risk that a substitute servicer will not be available when required, that the substitute servicer will not be able to perform its duties with the requisite level of skill and competence or that the substitute servicer will require extra time to assume responsibility for the portfolio.

**(e) Certain jurisdictions have laws that protect the consumer which may allow borrowers to vary the terms of loans under certain circumstances**

There is a risk that some of the loan portfolios will be or are governed by laws which seek to protect consumers. In a number of countries, such laws may allow borrowers to vary the terms of a loan where the terms are considered inequitable or where the borrower is disadvantaged. Alternatively, borrowers may seek reductions in interest rates or seek to have a loan declared void or unenforceable. In some jurisdictions, lenders may face civil or criminal proceedings and be liable for restitution and penalties. In such cases, the Company's ability to recover its investment may be prejudiced, and the Company may suffer losses as a result.

**(f) The Company may be subject to laws relating to creditors' rights in jurisdictions which may be less favourable to creditors**

The loan portfolios purchased or to be purchased or guaranteed by the Company may be originated in jurisdictions which possess laws less favourable to creditors than Singapore. These insolvency regimes will differ depending upon the country in which an investment is made and may negatively impact the receipt of returns by the Company in a timely manner. The application of these laws may lead to, among other things, proceedings which prevent current cash payments to the Company, require the Company to participate in a scheme to rearrange the debtors' affairs or accept payment of its debt at less than its face value.

**(g) Concentration of similar loans which could result in higher losses than a more diversified portfolio**

The Company may from time to time see its investment portfolio with concentrations of exposure to various types of loan portfolio, jurisdiction, servicers, vintage of assets originated and maturity profiles. These concentrations may result in higher losses from an adverse condition affecting a particular asset category than would occur if the portfolio possessed greater diversification or if the portfolio comprised a concentration of exposures in too few a spread of asset classes. For instance, the Company's Loan Portfolios and Securitisation Assets will, in each case, primarily have loan obligations secured against a single type of asset (albeit with different obligors). A downturn in the value of the collateral underlying the loans could result in the Company failing to be repaid its investment in the event of borrower default and a failure to recover against the asset. For example, securitisations of real estate within one geographic area may suffer from a cyclical downturn in the values of real estate within that area.

**(h) Little or no capacity to influence the transaction**

The Company's assets and economic exposures comprising Loan Portfolio and Securitisation Assets are, for the most part, small investments and exposures in larger and complex capital structures. For example, the Company may own a S\$20 million investment in a S\$1 billion transaction. As a minority investor, its capacity to influence the factors which may affect its investment may be extremely limited.

In addition, the Company's right to influence the manager of the capital structure is limited by documentation and drag along rights may result in the Company being forced to take an action which its Directors and the Manager do not believe to be in its best interests.

**(i) Investments in CDOs are exposed to certain risks inherent in the manner in which CDOs are established**

Both potential and actual conflicts of interests involving the CDO manager may arise from the investment activities of the CDO manager. The CDO manager and its affiliates may acquire confidential information from their other activities which preclude the CDO manager from managing the CDO collateral in some circumstances. This legal restriction on the activities of the CDO manager may adversely affect the return the Company receives from investments in CDOs.

Some CDOs involve the CDO manager purchasing various collaterals over a period, referred to as a "ramp up" or "re-investment" period. As a result of the time lag, the prices for or yield from the collateral may differ from the prices assumed in the CDO model. In addition, the timing of collateral cash flows may differ from that of the model portfolio. This may decrease the expected rate of return from the CDO investment.

# GLOBAL INVESTMENTS LIMITED

(A mutual fund company incorporated with limited liability in Bermuda)

## NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of Global Investments Limited (the “**Company**”) will be held at Holiday Inn Singapore Orchard City Centre, Crystal Suite, Level 2, 11 Cavenagh Road, Singapore 229616 on 5 December 2011 at 10 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

### **Resolution 1: Special Resolution**

#### **The Proposed Alteration to Bye-law 82 of the Company**

That Bye-law 82 of the Company be altered in the manner and to the extent as set out in Appendix I of the Circular to the shareholders of the Company dated 10 November 2011.

### **Resolution 2: Special Resolution**

#### **The Proposed Alteration to Bye-law 34 of the Company and the Proposed Insertion of a New Bye-law 34A**

That Bye-law 34 of the Company be altered and that a new Bye-law 34A be inserted in the manner and to the extent as set out in Appendix I of the Circular to the shareholders of the Company dated 10 November 2011.

### **Resolution 3: Ordinary Resolution**

#### **The Proposed Adoption of the Share Purchase Mandate**

That, subject to and contingent upon the passing of Resolution 2 above:

- (1) the exercise by the directors of the Company (the “**Directors**”) of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of S\$0.01 each in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
  - (a) market purchase(s) on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”); and/or
  - (b) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, Chapter 50 of Singapore,

and otherwise in accordance with the Companies Act 1981 of Bermuda (as amended, supplemented or modified from time to time) and all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);

- (2) the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution 3 and expiring on:
  - (a) the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held;

- (b) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by the Company in general meeting; or
- (c) the date on which the purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

- (3) in this Resolution 3:

**“Average Closing Price”** means the average of the last dealt prices of a Share for the five consecutive trading days on which the Shares are transacted on the SGX-ST immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

**“date of the making of the offer”** means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the basis set out below) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

**“Maximum Limit”** means that number of issued Shares representing 10 per cent. of the issued Shares as at the date of the passing of this Resolution 3; and

**“Maximum Price”** in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed, in the case of a market purchase of a Share, 105 per cent. of the Average Closing Price of the Shares and in the case of an off-market purchase of a Share, 120 per cent. of the Average Closing Price of the Shares; and

- (4) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution 3.

By Order of  
The Board of Directors of  
Global Investments Limited

Anne Bennett-Smith  
Company Secretary

Bermuda  
10 November 2011

**Notes:**

- (1) Any Shareholder of the Company entitled to attend and vote at the Special General Meeting who is a holder of two (2) or more shares is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
- (2) The Depositor Proxy Form must be lodged at the registered office of the Company's Singapore Share Transfer Agent Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time of the Special General Meeting.