



VIBRANT GROUP LIMITED

Company Registration Number: 198600061G

RESPONSE TO QUESTIONS RAISED BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 APRIL 2016

Question 1:

The group is engaged in Freight & Logistics, Financial Services and Real Estate. The revenue from the three operating segments are 57%, 6% and 37% respectively. While the group's revenue has increased consistently from \$149 million in 2012 to \$280 million in 2016, the growth in revenue was not accompanied by steady profit growth. Net profit was \$32 million in 2012, \$38 million in 2013, \$43 million in 2014, and then decreasing to \$30 million in 2015 and \$10 million in 2016. Over the same period, net debt to equity increased from 0.08x, to 0.30x, to 0.38x, to 0.97x and to 1.15x in 2016. Return to equity has also decreased from 17.56%, to 16.54%, to 11.90%, to 8.06% and to 2.70% in 2016.

5-YEAR FINANCIAL SUMMARY

| | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 |
|---------------------------|---------|---------|---------|---------|---------|
| OPERATING RESULTS | | | | | |
| Revenue (\$'000) | 149,354 | 176,634 | 191,422 | 203,204 | 280,731 |
| Net Profit (\$'000) | 32,214 | 38,361 | 42,658 | 30,003 | 10,023 |
| Return on Equity (%) | 17.56 | 16.54 | 11.90 | 8.06 | 2.70 |
| Net debt : Equity (times) | 0.08 | 0.30 | 0.38 | 0.97 | 1.15 |

Can the board provide more details on the capital allocation strategy? No doubt the group is larger, it would appear that the group has done so through the use of leverage and have invested in assets with lower yield. The return on assets for FY2016 is 0.96%. **Specifically, shareholders would like to understand the expected returns from the three segments.**

Company's response:

The current macro-economy condition presents a significant challenge to companies across industries. Our freight & logistics and financial services segments have been affected by weak market sentiments around the world, particularly trade. It was in anticipation of over reliance on a business that was sensitive to vagaries in international trade that the Group took steps to diversify its business, including in real estate. The real estate business is asset intensive requiring leverage in order to maximize returns, thus driving up gearing and pushing returns-on-asset lower. After venturing into the real estate market in China 2 years ago, we are pleased that our real estate business investment in China has made maiden significant contribution.

Contrary to a fixed policy on capital allocation strategy, the Board employs a flexible policy strategy overview in investment decision making. This allows the Group to maneuver quickly or react nimbly to opportunities or concerns within a market, especially when the outlook is uncertain.

The Board monitors the performance and potential of each segment closely and is always mindful of maximizing returns to the shareholders.

Question 2:

The group is the sponsor and manager of Sabana Real Estate Investment Trust (REIT) and owns 51% of the manager, Sabana Investment Partners Pte Ltd. The group is also the largest unit holder (9.72%) of Sabana REIT which has total assets exceeding \$1 billion. As noted on page 97 of the annual report, under note 26 – Profit for the year, there is an “Impairment loss on available-for-sale financial assets” amounting to \$19.955 million. This should be due to the drop in the price of the units of Sabana REIT. Even though the industrial properties sector in Singapore is facing headwinds, Sabana has taken a harder hit than most peers. Based on Sabana’s announcement, NPI has been on a downward trend for about 10 quarters, leverage has increased and the DPU has dropped from 2.19c from 4Q2013 to 1.23c in 2Q2016. As noted in the latest update from Sabana, there were negative rental revisions for certain master leases renewals and non-renewal of 218 Pandan Loop which has been left vacant. **Would the board/management help shareholders understand the group’s role in managing Sabana REIT? With the REIT manager being controlled by the group, shareholders would imagine that the group would be pro-actively managing the assets so that the manager would be rewarded with higher fees and the group will benefit from higher distribution from the REIT. Can management share in detail the pro-active efforts they have taken to improve the situation at Sabana?**

Company’s response:

We own 51% of the Sabana Investment Partners Pte Ltd, which in turn own 100% of the Sabana Real Estate Investment Management Pte Ltd (SREIM), a manager of Sabana REIT. The Board of SREIM is entrusted with the responsibility for the overall management of the REIT. Sabana REIT being a listed company, is managed independently by its own board of directors and the management team consisting of a group of professionals. Vibrant Group does not control Sabana REIT and is treated at arm’s length which is monitored closely by SREIM’s independent directors. Vibrant Group has only one board representation (Non-executive director) out of the total of five directors in the manager of Sabana REIT.

Question 3:

On 6 Jun 2016, the company announced on SGXNet that it had noted that the media had on 23 May 2016 reported that the company will offer RMB 1 billion panda bonds in China. Then on 24 June 2016, the company announced that it had entered into an underwriting agreement with China International Capital Corporation Limited (the “Underwriting Agreement”), to appoint China International Capital Corporation Limited as the lead underwriter and bookrunner to issue a total of not more than RMB1 billion Panda bonds, pursuant to the terms of the Underwriting Agreement.

(i) Firstly, the amount of debt will increase the net debt to equity ratio to nearly 2x if the proceeds are not used to repay current debt. **Can the board/management help shareholders understand the need to raise such a large sum and to do so “offshore” in the proposed structure (i.e. raising RMB in China)?**

(ii) If the panda bonds are offered in anticipation of future investments in China, **can management provide details on the nature of investment that they have/will consider for investing in China? Would the scale and nature alter the risk profile of the group?** Currently the group’s non-current assets in China amount to about \$45 million (page 102 of the annual report) and most of the assets should be in the real estate.

(iii) Lastly, shareholders note that there could be a currency mismatch if the funds raised through the issue of panda bonds are used to fund activities outside China. Currently, the group’s net exposure to the RMB as a foreign currency risk is \$8 million (page 109). **Can the board/management help shareholders understand the**

group's hedging policy for foreign currency? Specifically, this relates to the proposed issue of up to RMB 1 billion of panda bonds in China.

Company's response:

The proceeds from the potential RMB 1 billion panda bonds issuance will partly be used to refinance existing debts and business expansion in China. Management believes in the long term potential of China market. The planned panda bonds issuance is closely in line with the strategic direction of the Group.

The Management believes that China should be a part of the Group's long term strategic development plan. Further the Board believes in having a balanced but diversified investment portfolio geographically. As with its capital allocation strategy mentioned above, the Board relies on real time market information to invest efficiently.

The Group's net exposure to RMB as a foreign currency risk is \$8 million. However, this excludes assets and liabilities denominated in RMB within subsidiaries with RMB as their functional currency. Currently the Group's non-current assets denominated in RMB is in excess of \$45 million, mainly from industrial park and residential properties completed or under development in China. Consequently, the planned panda bonds issuance will be a strategic hedge against the Group's investments in China.

BY ORDER OF THE BOARD
VIBRANT GROUP LIMITED

Simon Sim
Chief Financial Officer
26 August 2016

Cc: Group Chairman, CEO, CCDO, CIO and ID