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Keppel Telecommunications & Transportation Ltd

(Company Registration No. 196500115G)
(Incorporated in the Republic of Singapore)

APPENDICES TO THE NOTICE OF ANNUAL GENERAL MEETING DATED 24 MARCH 2015

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PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

1. BACKGROUND

- 1.1 Keppel Telecommunications & Transportation Ltd (the "**Company**") proposes to seek the approval of shareholders of the Company ("**Shareholders**") at the forthcoming annual general meeting to be held on 15 April 2015 (the "**2015 AGM**") for the renewal of a general mandate (the "**Share Buy-Back Mandate**") to authorise the directors of the Company ("**Directors**") to buy back fully-paid ordinary shares in the capital of the Company ("**Shares**") in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Companies Act, Chapter 50 of Singapore (the "**Act**") and the listing manual of the SGX-ST (the "**Listing Manual**").
- 1.2 The Share Buy-Back Mandate was originally approved by Shareholders at the annual general meeting of the Company held on 21 May 2003. This mandate was amended and approved at the annual general meeting of the Company held on 23 April 2004. The Share Buy-Back Mandate was last renewed at the annual general meeting of the Company held on 30 April 2014. The mandate as renewed at the last annual general meeting will expire on the date of the forthcoming 2015 AGM. If the proposed resolution for the renewal of the Share Buy-Back Mandate is approved at the 2015 AGM, the mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier.
- 1.3 The purpose of this Appendix is to provide information relating to and to explain the rationale for, the authority and limitation on, and the financial effects of, the proposed renewal of the Share Buy-Back Mandate.

2. RATIONALE FOR THE SHARE BUY-BACK MANDATE

- 2.1 The rationale for the Company to undertake a purchase or acquisition of its Shares is as follows:
- (a) in managing the business of the Company and its subsidiaries (the "**Group**"), the management of the Company will strive to increase shareholders' value by improving, *inter alia*, the return on equity ("**ROE**") of the Company. In addition to growth and expansion of the business, share purchases may be considered as one of the ways through which the ROE of the Company may be enhanced;
 - (b) in line with international practice, the Share Buy-Back 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 financial needs, taking into account its growth and expansion plans, the Share Buy-Back Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner;
 - (c) share purchase programmes will provide the Company the flexibility to buffer short-term share price volatility; and
 - (d) the Share Buy-Back Mandate will provide the Company the flexibility to undertake share repurchases at any time, subject to market conditions, during the period when the Share Buy-Back Mandate is in force.

- 2.2 While the Share Buy-Back Mandate would authorise a purchase or acquisition of Shares up to a maximum of ten (10) per cent. of the issued Shares ascertained in accordance with paragraph 3.2 below during the duration referred to in paragraph 3.3 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate may not be carried out to the full ten (10) per cent. limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate would be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Buy-Back Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

3. AUTHORITY AND LIMITS ON THE SHARE BUY-BACK MANDATE

- 3.1 The authority and limitations placed on purchases or acquisitions of Shares by the Company under the proposed Share Buy-Back Mandate are summarised in paragraphs 3.2 to 3.5 below.

3.2 *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 pursuant to the Share Buy-Back Mandate is limited to that number of Shares representing not more than ten (10) per cent. of the total number of issued Shares (ascertained as at the date of the last annual general meeting or the date of the 2015 AGM at which the renewal of the Share Buy-Back Mandate is approved, whichever is the higher, unless the share capital of the Company has been reduced in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares of the Company as altered). Any Shares which are held as treasury shares will be disregarded for purposes of computing the ten (10) per cent. limit. As at 2 March 2015 (the "**Latest Practicable Date**"), the Company was not holding any treasury shares.

For the above purposes, "**Relevant Period**" means the period commencing from the date on which the last annual general meeting was held and expiring on the date the next annual general meeting is held or is required by law to be held, whichever is the earlier, after the date the resolution relating to the Share Buy-Back Mandate is passed.

As at the Latest Practicable Date, the issued share capital of the Company comprised 555,777,987 Shares. In addition, as at the Latest Practicable Date, there were outstanding and remaining unexercised share options to subscribe for up to an aggregate of 800,000 Shares and contingent awards to issue up to 1,321,315 Shares pursuant to the KT&T Restricted Share Plan and Performance Share Plan (collectively, the "**KT&T Share Plans**"). Except in respect of Shares which are issuable on exercise of the outstanding share options or vesting of the awards under the KT&T Share Plans, no Shares are reserved for issue by the Company as at the Latest Practicable Date.

Purely for illustrative purposes, on the basis of 555,777,987 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued, the purchase or acquisition by the Company of ten (10) per cent. of its issued Shares will result in the purchase or acquisition of 55,577,798 Shares.

3.3 *Duration of Authority*

Purchases or acquisitions of Shares pursuant to the proposed Share Buy-Back Mandate may be made, at any time and from time to time, on and from the date of the 2015 AGM, at which the Share Buy-Back Mandate is approved, up to:

- (a) the date on which the next annual general meeting is held or is required by law to be held;
- (b) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Buy-Back Mandate are carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by Shareholders in a general meeting,

whichever is the earliest.

3.4 *Manner of Purchases or Acquisitions of Shares*

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

- (a) an on-market purchase ("**Market Purchase**"), transacted on the SGX-ST through the SGX-ST's trading system, through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or
- (b) an off-market purchase ("**Off-Market Purchase**") effected pursuant to an equal access scheme under section 76C of the Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy-Back Mandate, the Listing Manual and the Act, as they consider fit and in the interests of the Company in connection with or in relation to any equal access scheme or schemes. 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 the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and
- (c) the terms of all the offers shall be 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; (2) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to Rule 885 of the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;

- (c) the reasons for the proposed purchase or acquisition of Shares;
- (d) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Singapore Code on Take-over and Mergers (“**Take-over Code**”) or other applicable take-over rules;
- (e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (f) details of any purchases or acquisitions of Shares made by the Company in the previous twelve (12) months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase or acquisition price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for the purchases or acquisitions; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

3.5 *Purchase Price*

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

- (a) in the case of a Market Purchase, five (5) per cent. above the Average Closing Price; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, twenty (20) per cent. above the Average Closing Price,

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) Market Days (a “**Market Day**” being a day on which the SGX-ST is open for trading in securities), on which transactions in the Shares were recorded, in the case of Market Purchases, before the day on which the purchase or acquisition of Shares was made and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days, or in the case of Off-Market Purchases, before the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

4. **STATUS OF PURCHASED SHARES**

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

5. TREASURY SHARES

5.1 Under the Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Act are summarised in paragraphs 5.2 to 5.4 below.

5.2 *Maximum Holdings*

The number of Shares held as treasury shares cannot at any time exceed ten (10) per cent. of the total number of issued Shares.

5.3 *Voting and Other Rights*

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully-paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

5.4 *Disposal and Cancellation*

Where Shares are held as treasury shares, the Company may at any time:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

5.5 In addition, under Rule 704(28) of the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed before and after such sale, transfer, cancellation and/or use and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

6. REPORTING REQUIREMENTS

- 6.1 Within thirty (30) days of the passing of a Shareholders' resolution to approve the purchases or acquisitions of Shares by the Company, the Company shall lodge a copy of such resolution with the Registrar of Companies.
- 6.2 The Company shall notify the Registrar of Companies within thirty (30) days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchase or acquisition, including the date of the purchase or acquisition, the total number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before the purchase or acquisition of Shares, the Company's issued share capital after the purchase or acquisition of Shares, the amount of consideration paid by the Company for the purchase or acquisition, whether the Shares were purchased or acquired out of profits or capital of the Company, and such other particulars as may be required.
- 6.3 Rule 886 of the Listing Manual specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:
- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made, and
 - (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

7. SOURCE OF FUNDS

- 7.1 The Company may only apply funds for the purchase or acquisition of the Shares as provided in its articles of association and in accordance with the applicable laws in Singapore. The Company may not purchase or acquire its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.
- 7.2 The purchase or acquisition of its own Shares by the Company may be made out of the Company's distributable profits or capital so long as the Company is solvent.
- 7.3 Apart from using its internal sources of funds, the Company may obtain or incur borrowings to finance its purchase or acquisition of Shares.

8. FINANCIAL EFFECTS

- 8.1 Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made

out of capital, the amount of the Company's capital will be reduced correspondingly but the amount available for the distribution of cash dividends by the Company will not be reduced. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of the Company's capital and profits, the amount of its capital and profits will be correspondingly reduced.

- 8.2 It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Buy-Back Mandate on the net tangible assets ("NTA") and earnings per share ("EPS") as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares and the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.
- 8.3 The Directors do not propose to exercise the Share Buy-Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of the Shares will only be effected after considering relevant factors such as the working capital requirement, the availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The proposed Share Buy-Back Mandate will be exercised with a view to enhancing the EPS and/or the NTA per Share.
- 8.4 **Illustrative Financial Effects.** The financial effects of the Share Buy-Back Mandate on the Group and on the Company based on the audited financial statements of the Group and the Company for the financial year ended 31 December 2014 are based on the assumptions set out below:
- (a) based on 554,911,837 Shares issued as at 31 December 2014 and assuming no further Shares are issued, not more than 55,491,183 (representing ten (10) per cent. of the issued Shares of the Company as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buy-Back Mandate;
 - (b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires the 55,491,183 Shares, the maximum amount of funds required for the purchase or acquisition of the 55,491,183 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses), assuming a Maximum Price for one (1) Share of \$1.89¹, is approximately \$104.9 million; and
 - (c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires the 55,491,183 Shares, the maximum amount of funds required for the purchase or acquisition of the 55,491,183 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses), assuming a Maximum Price for one (1) Share of \$2.16², is approximately \$119.9 million.

¹ Being 5% above the average closing price for one (1) Share five (5) Market Days before the Latest Practicable Date.

² Being 20% above the average closing price for one (1) Share five (5) Market Days before the Latest Practicable Date.

8.5 **For illustrative purposes only**, and based on the assumptions set out in paragraph 8.4 above and assuming that (i) the purchase or acquisition of Shares is financed solely by internal sources of funds; (ii) the Share Buy-Back Mandate had been effective on 1 January 2014; and (iii) the Company had purchased or acquired the 55,491,183 Shares (representing ten (10) per cent. of the total number of issued Shares as at 31 December 2014) on 1 January 2014, the financial effects of the purchase or acquisition of the 55,491,183 Shares by the Company pursuant to the Share Buy-Back Mandate:

- (a) by way of purchases or acquisitions made out of capital and profits and cancelled; and
- (b) by way of purchases or acquisitions held as treasury shares,

on the audited financial statements of the Group and the Company for the financial year ended 31 December 2014 are set out below:

(A) Market Purchases

	Before Share Buy-Back	— After Share Buy-Back — Out of capital and profits and cancelled	Held as treasury shares
<u>Group</u>			
Issued capital and reserves (\$'000)	706,558	599,765	704,643
Treasury shares (\$'000)	—	—	(104,878)
Net tangible assets (\$'000)	688,329	581,536	581,536
Net tangible assets per Share (\$)	1.24	1.16	1.16
Profit after taxation and non-controlling interest (\$'000) ⁽¹⁾	246,578	244,663	244,663
Earnings per Share (cents) ⁽¹⁾	44.4	49.0	49.0
Net borrowings (\$'000)	198,316	305,109	305,109
Net gearing (times) ⁽²⁾	0.25	0.44	0.44
Return on equity (%)	41.9	45.7	45.7
<u>Company</u> ⁽³⁾			
Issued capital and reserves (\$'000)	174,286	67,493	172,371
Treasury shares (\$'000)	—	—	(104,878)
Net tangible assets (\$'000)	174,286	67,493	67,493
Net tangible assets per Share (\$)	0.31	0.14	0.14
Net borrowings (\$'000)	107,254	214,047	214,047

Notes:

- (1) Earnings and earnings per Share after the share buy-back have been adjusted by the notional interest income foregone at the interest rate of 2.20 per cent. per annum less taxation.
- (2) Net gearing is equal to net borrowings divided by capital employed.
- (3) Profit after taxation and non-controlling interest, earnings per Share, return on equity and net gearing for the Company are not meaningful.

(B) Off-Market Purchases

	Before Share Buy-Back	— After Share Buy-Back — Out of capital and profits and cancelled	Held as treasury shares
Group			
Issued capital and reserves (\$'000)	706,558	584,508	704,369
Treasury shares (\$'000)	—	—	(119,861)
Net tangible assets (\$'000)	688,329	566,279	566,279
Net tangible assets per Share (\$)	1.24	1.13	1.13
Profit after taxation and non-controlling interest (\$'000) ⁽¹⁾	246,578	244,389	244,389
Earnings per Share (cents) ⁽¹⁾	44.4	48.9	48.9
Net borrowings (\$'000)	198,316	320,366	320,366
Net gearing (times) ⁽²⁾	0.25	0.48	0.48
Return on equity (%)	41.9	46.3	46.3
Company⁽³⁾			
Issued capital and reserves (\$'000)	174,286	52,236	172,097
Treasury shares (\$'000)	—	—	(119,861)
Net tangible assets (\$'000)	174,286	52,236	52,236
Net tangible assets per Share (\$)	0.31	0.10	0.10
Net borrowings (\$'000)	107,254	229,304	229,304

Notes:

- (1) Earnings and earnings per Share after the share buy-back have been adjusted by the notional interest income foregone at the interest rate of 2.20 per cent. per annum less taxation.
- (2) Net gearing is equal to net borrowings divided by capital employed.
- (3) Profit after taxation and non-controlling interest, earnings per Share, return on equity and net gearing for the Company are not meaningful.

8.6 As illustrated above, the purchases or acquisitions of Shares of the Company will:

- (a) reduce the number of Shares unless the Shares purchased or acquired are held by the Company as treasury shares;
- (b) increase the net gearing of the Group;
- (c) decrease the consolidated NTA per Share of the Group;
- (d) increase the consolidated EPS of the Group; and
- (e) increase the ROE of the Group

8.7 Shareholders should note that the financial effects set out above are purely for illustrative purposes only. Although the proposed Share Buy-Back Mandate would authorise the Company to purchase or acquire up to ten (10) per cent. of its issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire ten (10) per cent. of its issued Shares. In particular, the Directors do not intend to exercise the Share Buy-Back Mandate up to the maximum limit or to such extent where such exercise would materially and adversely affect the financial

position of the Group, or result in the Company being delisted from the SGX-ST. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury. Shareholders who are in doubt as to their respective tax positions or any tax implications arising from the Share Buy-Back Mandate or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

9. TAKE-OVER IMPLICATIONS

- 9.1 Appendix 2 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 in paragraphs 9.2 to 9.6 below.
- 9.2 If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and person acting in concert with him increases, such an increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.
- 9.3 Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the Take-Over Code presumes, *inter alia*, the following persons to be acting in concert:

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, and any company whose associated companies include any of the above companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above companies for the purchase of voting rights;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total ten (10) per cent. or more of the client's equity share capital;

- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions and companies controlled by any of the above persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above persons for the purchase of voting rights.

For this purpose, ownership or control of at least twenty (20) per cent. but not more than fifty (50) per cent. of the voting rights of a company will be regarded as the test of associated company status.

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 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

- 9.4 In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty (30) per cent. or more, or in the event that such Directors and their concert parties hold between thirty (30) per cent. and fifty (50) per cent. of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than one (1) per cent. in any period of six (6) months. In calculating the percentage of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Based on the Register of Director's Shareholdings and the issued share capital of the Company as at the Latest Practicable Date, none of the Directors hold any Shares and none of the Directors (together with persons acting in concert with them) would become obligated to make a mandatory offer in the event that the Company purchases or acquires the maximum amount of ten (10) per cent. of its Shares under the Share Buy-Back Mandate.

- 9.5 Under Appendix 2 of the Take-over Code, 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 would increase to thirty (30) per cent. or more, or, if such Shareholder holds between thirty (30) per cent. and fifty (50) per cent. of the Company's voting rights, the voting rights of such Shareholder would increase by more than one (1) per cent. in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the renewal of the Share Buy-Back Mandate.

Based on the Register of Substantial Shareholders and the issued share capital of the Company as at the Latest Practicable Date, the shareholdings of the Substantial Shareholders of the Company before and after the purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate (assuming (a) the Company purchases or acquires, as at the Latest Practicable Date, the maximum amount of ten

(10) per cent. of the issued share capital of the Company, and (b) there is no change in the number of Shares held or deemed to be held by the Substantial Shareholders) would be as follows:

Substantial Shareholder	No. of Shares before buy-back			No. of Shares after buy-back		
	Direct Interest ⁽¹⁾	Deemed Interest ⁽¹⁾	Total Interest ⁽¹⁾	Direct Interest ⁽²⁾	Deemed Interest ⁽²⁾	Total Interest ⁽²⁾
Keppel Corporation Limited	442,935,526 79.70%	–	442,935,526 79.70%	442,935,526 88.55%	–	442,935,526 88.55%
Temasek Holdings (Private) Limited ⁽³⁾	–	442,935,526 79.70%	442,935,526 79.70%	–	442,935,526 88.55%	442,935,526 88.55%
Investoasia Pte. Ltd. (formerly known as Kapital Asia Pte Ltd) ⁽⁴⁾	–	33,545,000 6.04%	33,545,000 6.04%	–	33,545,000 6.71%	33,545,000 6.71%
Agus Anwar ⁽⁵⁾	4,328,000 0.78%	29,217,000 5.26%	33,545,000 6.04%	4,328,000 0.87%	29,217,000 5.84%	33,545,000 6.71%
Tjia Han Liong Marcel ⁽⁵⁾	–	33,545,000 6.04%	33,545,000 6.04%	–	33,545,000 6.71%	33,545,000 6.71%

Notes:

- (1) Based on the total issued and paid-up share capital of the Company of 555,777,987 Shares as at the Latest Practicable Date.
- (2) Based on the total issued and paid-up share capital of the Company of 500,200,189 Shares, (assuming that the Company purchases or acquires the maximum number of 55,577,798 Shares under the Share Buy-Back Mandate.
- (3) The deemed interest of Temasek Holdings (Private) Limited arises from its shareholdings in Keppel Corporation Limited.
- (4) Includes interests held by Kapital Asia Company Limited and Agus Anwar.
- (5) The interests of Agus Anwar and Tjia Han Liong Marcel arise from their controlling interests in Investoasia Pte. Ltd. and Kapital Asia Company Limited.

In the event that the Company should, pursuant to the Share Buy-Back Mandate, purchase or acquire the maximum of ten (10) per cent. of its issued Shares, the shareholdings interests of its Substantial Shareholders, Temasek Holdings (Private) Limited and Keppel Corporation Limited, in the Company could increase from approximately 79.70% to 88.55%. Based on Substantial Shareholders' notifications received by the Company as at the Latest Practical Date, none of the Substantial Shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the share purchases or acquisitions by the Company pursuant to the Share Buy-Back Mandate.

9.6 Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

10. LISTING RULES

10.1 While the listing rules of the SGX-ST do not expressly prohibit purchase or acquisition of shares by a listed company during any particular time or times, because the listed

company would be considered an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not purchase or acquire any Shares pursuant to the Share Buy-Back Mandate after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the board of directors until such time as the price-sensitive information has been publicly announced. In particular, in line with the best practices on securities dealings issued by the SGX-ST under Rule 1207(19)(c), the Company will not purchase or acquire any Shares through Market Purchases during the period of: (a) two (2) weeks immediately preceding the announcement of the Company’s results for each of the first three quarters of its financial year; and (b) one (1) month immediately preceding the announcement of the Company’s annual results.

- 10.2 The Company is required under Rule 723 of the Listing Manual to ensure that at least ten (10) per cent. of its Shares are in the hands of the public. The “public”, as defined under the Listing Manual, are persons other than the directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company or its subsidiaries, as well as the associates of such persons.

Based on the Register of Directors’ Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, and to the best knowledge of the Company, approximately 14.26% of the issued Shares, are in the hands of the public.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases or acquisitions, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

11. PREVIOUS SHARE BUY-BACKS

The Company has not purchased or acquired any Shares during the 12-month period preceding the Latest Practicable Date.

12. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- 12.1 The Directors’ and Substantial Shareholders’ interests in the Shares as at the Latest Practicable Date as recorded in the Registers of Directors’ Shareholdings and Substantial Shareholders are set out in paragraphs 9.4 and 9.5 above.
- 12.2 The Directors do not have any interests in options granted under the Keppel T&T Share Option Scheme 1993 or awards under the KT&T Share Plans.

13. DIRECTORS’ RECOMMENDATION

The Directors are of the opinion that the Share Buy-Back Mandate is in the interests of the Company and accordingly recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed renewal of the Share Buy-Back Mandate to be proposed at the forthcoming 2015 AGM as set out in the Notice of Annual General Meeting dated 24 March 2015.

14. DIRECTORS' RESPONSIBILITY STATEMENT

- 14.1 The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buy-Back 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 Appendix misleading.
- 14.2 Where any information in this Appendix 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 this Appendix in its proper form and context.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office during normal business hours from the date of this Appendix up to the date of the 2015 AGM:

- (a) Appendix 2 to the Company's Notice of Annual General Meeting dated 14 April 2003;
- (b) Appendix 1 to the Company's Notice of Annual General Meeting dated 23 April 2004; and
- (c) Appendix 1 to the Company's Notice of Annual General Meeting dated 7 April 2014.

PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. BACKGROUND

- 1.1 At the annual general meeting of the Company held on 18 April 2012, Shareholders had modified and renewed a mandate ("**Shareholders' Mandate**") to enable the Company, its subsidiaries and target associated companies (as defined in the Company's circular to Shareholders dated 27 March 2012 ("**2012 Circular**")), or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions described in the 2012 Circular, with any person who falls within the classes of Interested Persons described in the 2012 Circular, provided that such transactions are made on normal commercial terms and in accordance with the methods or procedures for determining the transaction prices for Interested Person Transactions as set out in the 2012 Circular.
- 1.2 The Shareholders' Mandate was renewed at the annual general meeting of the Company on 30 April 2014 and will expire on the date of the forthcoming annual general meeting of the Company to be held on 15 April 2015. If the proposed resolution for the renewal of the Shareholders' Mandate is approved at the forthcoming annual general meeting, the Shareholders' Mandate shall continue in force until the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier.
- 1.3 The Shareholders' Mandate applies to Interested Person Transactions carried out between any company within the KT&T IPT Group and the following classes of Interested Persons:
 - (a) Keppel Corporation Limited ("**KCL**") and its associates;
 - (b) Temasek Holdings (Private) Limited ("**Temasek**") and its associates (excluding KCL and its associates); and
 - (c) Directors, chief executive officer(s) and Controlling Shareholders of the Company (other than Controlling Shareholders described in sub-paragraphs (a) and (b) above) and their respective associates.
- 1.4 The rationale of the Shareholders' Mandate, the scope of the Shareholders' Mandate, the benefit to Shareholders, the classes of Interested Persons, the particulars of the Interested Person Transactions and the methods or procedures for determining the transaction prices for Interested Person Transactions in respect of which the Shareholders' Mandate is sought to be renewed remain unchanged and are set out in the Annexure to this Appendix.
- 1.5 Approval from Shareholders will be sought for the renewal of the Shareholders' Mandate at the forthcoming annual general meeting and at each subsequent annual general meeting of the Company, subject to satisfactory review by the Audit Committee of its continued application to transactions with Interested Persons.

2. DEFINITIONS

The following definitions, or such other definition as the SGX-ST may from time to time determine, shall apply throughout this Appendix (including the Annexure attached hereto), unless the context otherwise requires:

“approved exchange”	A stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual
“associate”	<p>(a) In relation to any director, chief executive officer or Controlling Shareholder (being an individual):</p> <p>(i) his immediate family member (that is, the person’s spouse, child, adopted child, stepchild, sibling and parent);</p> <p>(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</p> <p>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and</p> <p>(b) in relation to a Controlling Shareholder (being a company), any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more</p>
“Associated Company”	Any company in which at least 20% but not more than 50% of its shares are held by the listed company or the listed group
“Control”	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
“Controlling Shareholder”	<p>A person who:</p> <p>(a) holds directly or indirectly 15% or more of the total number of issued shares (excluding treasury shares) in the company. The SGX-ST may determine that such a person is not a Controlling Shareholder; or</p> <p>(b) in fact exercises Control over the company</p>

“Interested Person Transactions”	A transaction between an entity at risk and an Interested Person
“Interested Persons”	A director, chief executive officer or Controlling Shareholder of the Company or an associate of such director, chief executive officer or Controlling Shareholder, which in relation to KT&T IPT Group, and for the purposes of the Shareholders’ Mandate are the persons described in paragraph 1.3 of this Appendix
“KT&T IPT Group” or “entity at risk”	The Company, its subsidiaries and target associated companies
“Latest Practicable Date”	2 March 2015, being the latest practicable date before the despatch of this Appendix to Shareholders
“listed company”	A company which is listed on the SGX-ST
“listed group”	The listed company and its subsidiaries
“Listing Manual”	The listing manual of the SGX-ST
“Shareholders’ Mandate”	The general mandate previously approved by Shareholders and for which renewal is now being sought to permit the Company, its subsidiaries and target associated companies or any of them, to enter into certain types of recurrent transactions of a revenue or trading nature or those necessary for day-to-day operations with specified classes of the Company’s Interested Persons
“target associated company”	An Associated Company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has Control over the Associated Company

3. AUDIT COMMITTEE’S STATEMENTS

3.1 Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit Committee (with Mr Chan Hon Chew and Mr Khor Poh Hwa abstaining) confirms that:

- (i) the methods or procedures for determining the transaction prices for Interested Person Transactions set out in the Annexure to this Appendix (“**Review Procedures**”) have not changed since Shareholders approved the Shareholders’ Mandate at the annual general meeting of the Company held on 30 April 2014; and
- (ii) the Review Procedures are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

- 3.2 If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the Review Procedures are inadequate or inappropriate to ensure that the Interested Person Transactions will be on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders, or in the event of any amendment to Chapter 9 of the Listing Manual, it will in consultation with the Board take such action as it deems proper in respect of such procedures and/or modify or implement such procedures as may be necessary and direct the Company to revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with Interested Persons.

4. DISCLOSURES

Disclosure will be made in the Company's Annual Report of the aggregate value of all Interested Person Transactions conducted with Interested Persons pursuant to the Shareholders' Mandate during the current financial year, and in the Annual Reports for subsequent financial years that the Shareholders' Mandate continues in force, in accordance with the requirements of Chapter 9 of the Listing Manual. The Company will also announce the aggregate value of transactions conducted pursuant to the Shareholders' Mandate for the financial periods that it is required to report on pursuant to Rule 705 of the Listing Manual (which relates to quarterly reporting by listed companies) within the time required for the announcement of such report.

5. DIRECTORS' RECOMMENDATION AND VOTING

- 5.1 The Directors who are considered independent for purposes of the Shareholders' Mandate (the "**Independent Directors**") are of the view that the proposed renewal of the Shareholders' Mandate is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the resolution relating to the proposed renewal of the Shareholders' Mandate as set out in the Notice of Annual General Meeting.
- 5.2 Mr Loh Chin Hua, who is the Chief Executive Officer and Executive Director of KCL, Mr Chan Hon Chew, who is the Chief Financial Officer of KCL, and Mr Khor Poh Hwa, who is the non-independent chairman of Keppel Infrastructure Fund Management Pte. Ltd. (as Trustee-Manager of Keppel Infrastructure Trust), which is a subsidiary of KCL, will abstain from making any recommendation in respect of the renewal of the Shareholders' Mandate.
- 5.3 In accordance with the requirements of Chapter 9 of the Listing Manual, each of KCL and Temasek (being the Controlling Shareholders of the Company) and all the Directors will abstain from voting, and each has undertaken to ensure that its associates will abstain from voting, on the ordinary resolution relating to the proposed renewal of the Shareholders' Mandate at the forthcoming 2015 AGM in respect of the Shares held by them respectively. Such Interested Persons will also not accept appointment as proxies for any Shareholder to vote on the said resolution unless specific voting instructions have been given by the Shareholder as to how he wants his votes to be cast in respect of the said resolution.

6. DIRECTORS' RESPONSIBILITY STATEMENT

- 6.1 The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Shareholders' Mandate, the Company and its subsidiaries which are relevant to the proposal, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.
- 6.2 Where any information 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 is accurately and correctly extracted from these sources and/or reproduced in this Appendix in its proper form and context.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office during normal business hours from the date of this Appendix up to the date of the 2015 AGM:

- (a) Appendix 2 to the Notice of Annual General Meeting dated 7 April 2014 relating to the renewal of the Shareholders' Mandate for Interested Person Transactions; and
- (b) Memorandum and Articles of Association of the Company.

SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS[#]

"3.4 NEW SHAREHOLDERS' MANDATE

3.4.1 Rationale for New Shareholders' Mandate

KCL is a Controlling Shareholder of the Company. KCL is also the Controlling Shareholder of three other publicly listed companies on the SGX-ST, namely, Keppel Land Limited, k1 Ventures Ltd. And Singapore Petroleum Company Limited*. Temasek Holdings (Private) Limited ("Temasek"), which is a Controlling Shareholder of a number of publicly listed companies, is also a Controlling Shareholder of KCL.

Due to the size of the KCL group of companies and the Temasek group of companies, the KT&T IPT Group would in the ordinary course of business enter into transactions with the classes of Interested Persons as set out herein and with some degree of frequency.

In view of the time-sensitive and frequent nature of such Interested Person Transactions, the Directors are seeking the approval of Shareholders pursuant to Chapter 9 of the Listing Manual for the proposed New Shareholders' Mandate for the Company, its subsidiaries and target associated companies to enter into Interested Person Transactions with the classes of interested persons set out in paragraph 3.5 below ("Interested Persons"), provided that such transactions are made at arm's length and on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders. Such Interested Person Transactions are described in paragraph 3.6 below.

If approved by Shareholders at the EGM, the proposed New Shareholders' Mandate will take effect from the date of receipt of Shareholders' approval at the EGM until the next AGM of the Company, and shall apply in respect of Interested Person Transactions entered or to be entered into from the date of the EGM until the next AGM of the Company, unless revoked or varied by the Company in general meeting. Thereafter, approval from Shareholders for a renewal of the New Shareholders' Mandate will be sought at each subsequent AGM of the Company.

3.4.2 Scope of the New Shareholders' Mandate

The New Shareholders' Mandate will cover a wider range of transactions arising in the ordinary course of business operations of the KT&T IPT Group, including its principal businesses of logistics, data centres and technology solutions as well

[#] This Annexure is an extract from the Circular to Shareholders dated 11 October 2002 on the rationale of the Shareholders' Mandate, the scope of the Shareholders' Mandate, the benefit to Shareholders, the classes of Interested Persons, the particulars of the Interested Person Transactions and the review procedures for Interested Person Transactions, as amended in accordance with Appendix 3 to the Company's Notice of Annual General Meeting dated 14 April 2003, Appendix 2 to the Company's Notice of Annual General Meeting dated 28 March 2005 and Appendix 2 to the Company's Notice of Annual General Meeting dated 27 March 2012, in respect of which Shareholders' Mandate is sought to be renewed.

^{*} With effect from 21 June 2009, Keppel Corporation Limited ceased to be a Controlling Shareholder of Singapore Petroleum Company Limited.

as ancillary businesses such as telecommunications, and also sets out in greater detail treasury transactions entered into by the KT&T IPT Group with Interested Persons.

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

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

3.4.3 Benefit to Shareholders

The obtaining of the New Shareholders' Mandate and the renewal of the New Shareholders' Mandate on an annual basis would eliminate the need for the Company to announce, or to announce and convene separate general meetings from time to time to seek Shareholders' prior approval as and when potential Interested Person Transactions with a specific class of Interested Persons arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the KT&T IPT Group. In addition, this will considerably improve administrative efficacy.

The New Shareholders' Mandate is intended to facilitate transactions in the normal course of business of the KT&T IPT Group which are transacted from time to time with the specified classes of Interested Persons, provided that they are carried out at arm's length and on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

The New Shareholders' Mandate also provides for the centralisation of certain functions as set out in paragraph 3.6.3 below, which has the benefit of greater economies of scale, and savings in terms of reduced overheads.

3.5 CLASSES OF INTERESTED PERSONS

The New Shareholders' Mandate will apply to the Interested Person Transactions (as described in paragraph 3.6 below) which are carried out between any company within the KT&T IPT Group and the following classes of Interested Persons:

- (a) KCL and its associates;
- (b) Temasek and its associates (excluding KCL and its associates); and
- (c) Directors, chief executive officer(s) and Controlling Shareholders of the Company (other than Controlling Shareholders described in sub-paragraphs (a) and (b) above) and their respective associates.

3.6 CATEGORIES OF INTERESTED PERSON TRANSACTIONS

The types of transactions with Interested Persons (as described in paragraph 3.5 above) to which the New Shareholders' Mandate applies and the benefits to be derived therefrom are set out below:

3.6.1 General transactions

This category is in respect of general transactions ("General Transactions") by the KT&T IPT Group relating to the provision to, and the obtaining from, Interested Persons of products and services in the normal course of the business of the KT&T IPT Group:

- (i) provision and obtaining of telecommunications and related services including but not limited to phone, paging and messaging services, voice recognition systems, installation and infrastructure services for telecommunications systems and the sale and purchase of telecommunications products and equipment;
- (ii) provision and obtaining of technology solutions, including data centre and hosting services, software licences, design and other technology services, facility management and other related support services (including but not limited to project management, procurement, accounting and billings);
- (iii) provision and obtaining of information technology products and equipment and the provision and obtaining of repair and maintenance services in respect of software and information technology products;
- (iv) provision of supply chain management services including but not limited to material planning, procurement, freight forwarding, inventory management and warehousing services, transportation and distribution and other logistics or support services;
- (v) provision and obtaining of construction, engineering, infrastructure and technical services;
- (vi) the rental or leasing of premises, and the obtaining of building maintenance services, property development and/or management services;
- (vii) the obtaining of and the provision of electricity, water and other utilities and related services; and
- (viii) engaging of security and related services.

The KT&T IPT Group will benefit from having access to competitive quotes from its Interested Persons in addition to obtaining quotes from, or transacting with, non-Interested Persons.

3.6.2 Treasury transactions

Within the ambit of this category are treasury transactions ("Treasury Transactions") between any company within the KT&T IPT Group and any Interested Person:

- (i) the placement of funds with any Interested Person;
- (ii) the borrowing of funds from any Interested Person;

- (iii) the entry into forex, swaps and option transactions with any Interested Person; and
- (iv) the subscription of debt securities issued by any Interested Person, the issue of debt securities to any Interested Person, the purchase from any Interested Person of debt securities previously issued by such Interested Person, or the sale to any Interested Person of debt securities previously issued by any company within the KT&T IPT Group.

The KT&T IPT Group can benefit from the more competitive rates and quotes offered by the Interested Persons by leveraging on the financial strength and credit standing of the Interested Persons for placement of funds with, borrowings from, forex, swaps and option transactions with, and the subscription and purchase of debt securities issued by, the Interested Persons. In respect of the issue or sale of debt securities to the Interested Persons, the KT&T IPT Group can benefit from the financial support of the Interested Persons arising from such issuance or sale, which would be on terms no less favourable to the KT&T IPT Group than those issued or sold to other third parties.

3.6.3 Management and support services

These transactions relate to the receipt of management and support services in the areas of finance, treasury, investment risk review, governmental relations, business development, management information systems, human resources and staff secondment, management and development, accounting, legal, corporate secretarial, public relations, tax, internal audit, central purchasing and other administrative services including computer-based services (the "Management and Support Services").

By having access to such services, the KT&T IPT Group will derive operational and financial leverage through savings in terms of reduced overheads and greater economies of scale (such as bulk discounts enjoyed by the KT&T IPT Group on a group basis). In addition, the KT&T IPT Group is able to obtain expertise in the areas of investment risk review, governmental relations and business development through the extensive global network of its Interested Persons.

3.7 REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

- 3.7.1 To ensure that Interested Person Transactions are undertaken at arm's length, on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders, the following procedures will be implemented for the review and approval of Interested Person Transactions under the New Shareholders' Mandate:

All Interested Person Transactions

- (a) In relation to all Interested Person Transactions as enumerated under paragraph 3.6 above, quotations will be obtained from the Interested Person and at least one similar service provider in respect of services and products obtained by any company within the KT&T IPT Group from the Interested Person. All Interested Person Transactions as enumerated under paragraph 3.6 above shall not be approved unless such transactions are entered into at rates/prices of the service or product providers which are no more favourable to the Interested Person than those extended to unrelated

third parties (including where applicable, preferential rates/prices/ discounts accorded to corporate customers or bulk purchases), or on terms similar to the service or product providers' usual commercial terms, or otherwise in accordance with other applicable industry norms.

- (b) In the event that it is not possible to obtain quotations from unrelated third parties or to determine whether the terms of the Interested Person Transaction with the Interested Person are more or less favourable than the aggregate terms quoted by unrelated third parties, any two members of a committee comprising the executive Directors and Chief Financial Officer of the Company for the time being and such other person as the Directors may from time to time appoint (the "Review Committee") will evaluate and weigh the benefits of, and rationale for, transacting with the Interested Person before submitting a written recommendation to the Audit Committee. In its evaluation, the Review Committee will include considerations of the efficiencies and flexibilities derived by the Company in transacting with the Interested Person compared with transacting with unrelated third parties. The Audit Committee will evaluate the recommendation of the Review Committee in respect of the Interested Person Transaction before deciding to approve or reject the Interested Person Transaction. In determining the terms of the transaction, the Audit Committee will evaluate such terms in accordance with prevailing industry norms (including the reasonableness of the terms).
- (c) All Interested Person Transactions must be consistent with the usual practices and policies of the KT&T IPT Group, and will be reviewed quarterly by the internal auditors who will report to the Audit Committee. To facilitate the reviews, the Company will maintain a register to facilitate identification of Interested Person Transactions (the "Contract Register") and a register of Interested Person Transactions (the "Register of Interested Person Transactions") in which relevant particulars of all Interested Person Transactions will be recorded.

3.7.2 In addition to the above procedures, the following review and approval procedures will be implemented to supplement existing internal control procedures:

(a) General Transactions and Management and Support Services

In addition to paragraph 3.7.1 above, in relation to all Interested Person Transactions (other than Treasury Transactions) as enumerated under paragraph 3.6 above:

- (i) transactions equal to or exceeding \$100,000 but less than \$500,000 each in value will be reviewed and approved by the relevant persons from the respective management of each company within the KT&T IPT Group;
- (ii) transactions equal to or exceeding \$500,000 but less than \$5,000,000 each in value will be reviewed and approved by any two members of the Review Committee;

- (iii) transactions equal to or exceeding \$5,000,000 but less than \$10,000,000 each in value will be reviewed and approved by any two members of the Review Committee and the Chairman of the Company (the "Chairman") or, if he has an interest in the transaction, the Audit Committee; and
- (iv) transactions equal to or exceeding \$10,000,000 each in value will be reviewed and approved by the Audit Committee.

(b) Treasury Transactions

In addition to paragraph 3.7.1 above, in relation to Treasury Transactions, the Company will implement the procedures in this paragraph 3.7.2(b) and in paragraph 3.7.3:

(i) Placements

In relation to any placement with any Interested Person by any company within the KT&T IPT Group of its funds, quotations shall be obtained from such Interested Person and at least one of the principal bankers of the Company for interest rates for deposits with such bankers. Such company within the KT&T IPT Group will place its funds with such Interested Person only if the interest rate quoted is not less favourable than that quoted by such principal banker(s). In addition, such company shall comply with the procedures set out in paragraph 3.7.3(b) below.

(ii) Borrowings

In relation to the borrowing of funds from any Interested Person by any company within the KT&T IPT Group, quotations shall be obtained from such Interested Person and at least one of the principal bankers of the Company for interest rates and conditions of loans from such bankers. Such company within the KT&T IPT Group will borrow funds from such Interested Person only if the interest rate and conditions quoted are not less favourable than that quoted by such principal banker(s). In cases where such principal banker(s) is/are unable to quote a rate for the loan for any reason whatsoever (for example, where the banks have reached their exposure, credit or lending limits in respect of their lending activities, or in respect of their lendings to the KT&T IPT Group), the company within the KT&T IPT Group shall be able to borrow the funds from the Interested Person if the Interested Person is the only one providing such quotes. In addition, such company shall comply with the procedures set out in paragraph 3.7.3(a) below.

(iii) Forex, swaps and options

In relation to forex, swaps and option transactions with any Interested Person by any company within the KT&T IPT Group, quotations shall be obtained from such Interested Person and at least one of the principal bankers of the Company. Such company within the KT&T IPT Group will enter into such forex, swaps or option transactions with such

Interested Person only if the rates quoted are not less favourable than the rates quoted by such principal banker(s). In addition, such company shall comply with the procedures set out in paragraph 3.7.3(c) below.

(iv) Debt securities

In relation to the subscription of debt securities issued by any Interested Person, or the purchase from any Interested Person of debt securities previously issued by such Interested Person, such transactions will be entered into by companies within the KT&T IPT Group only if the consideration for such debt securities will not be higher than the price(s) at which such debt securities are subscribed or purchased by any other third parties. Conversely, companies within the KT&T IPT Group will only issue new debt securities or sell debt securities (previously issued by any company within the KT&T IPT Group) to Interested Persons at prices not lower than the prices at which such debt securities are issued or sold to third parties.

In addition, in relation to debt securities issued or sold by a company within the KT&T IPT Group to any Interested Person, and to debt securities subscribed or purchased from any Interested Person, such company shall comply with the procedures set out in paragraphs 3.7.3(a) and 3.7.3(b) respectively.

3.7.3 In addition, the Company will monitor Treasury Transactions entered into by the KT&T IPT Group as follows:

(a) Borrowings and debt securities issued or sold to Interested Persons

In addition, in relation to borrowings by a company within the KT&T IPT Group from the same Interested Person during the same financial year, or debt securities issued or sold by any company within the KT&T IPT Group to the same Interested Person during the same financial year:

- (i) Where the aggregate value of the interest expense incurred by the KT&T IPT Group on borrowings from, and debt securities issued and/or sold to, that Interested Person equals to or exceeds \$100,000 but is less than \$500,000, each subsequent borrowing from that Interested Person, or issue or sale of debt securities to that Interested Person, by any company within the KT&T IPT Group, will be reviewed and approved by the relevant persons from the respective management of each company within the KT&T IPT Group;
- (ii) Where the aggregate value of the interest expense incurred by the KT&T IPT Group on borrowings from, and debt securities issued and/or sold to, that Interested Person equals to or exceeds \$500,000 but is less than \$5,000,000, each subsequent borrowing from that Interested Person, or issue or sale of debt securities to that Interested Person, by any company within the KT&T IPT Group, will be reviewed and approved by any two members of the Review Committee;

- (iii) Where the aggregate value of the interest expense incurred by the KT&T IPT Group on borrowings from, and debt securities issued and/or sold to, that Interested Person equals to or exceeds \$5,000,000 but is less than \$10,000,000, each subsequent borrowing from that Interested Person, or issue or sale of debt securities to that Interested Person, by any company within the KT&T IPT Group, will be reviewed and approved by any two members of the Review Committee, and the Chairman or, if he has an interest in the transaction, the Audit Committee; and
- (iv) Where the aggregate value of the interest expense incurred by the KT&T IPT Group on borrowings from, and debt securities issued and/or sold to, that Interested Person equals to or exceeds \$10,000,000, each subsequent borrowing from that Interested Person, or issue or sale of debt securities to that Interested Person, by any company within the KT&T IPT Group, will be reviewed and approved by the Audit Committee.

(b) Placements with and subscription and purchase of debt securities from Interested Persons

Where the aggregate of the principal amount of all funds placed with, and debt securities subscribed and/or purchased from, the same Interested Person shall at any one time exceed \$100,000,000, each additional placement of funds with, subscription of debt securities issued by, or purchase of debt securities from, that Interested Person by any company within the KT&T IPT Group shall require the prior approval of the Audit Committee.

Placement of funds with, subscription of debt securities issued by, and/or purchase of debt securities from, the same Interested Person where the aggregate of the principal amounts thereof do not at any one time exceed the limit set out above will not require the prior approval of the Audit Committee, but will be reviewed on a quarterly basis by the Audit Committee.

(c) Forex, swaps and options

Where the aggregate of the principal amount of all forex, swaps and option transactions entered into with the same Interested Person shall at any one time exceed \$100,000,000, each additional forex, swap and option transaction entered into with the same Interested Person by any company within the KT&T IPT Group will require the prior approval of the Audit Committee.

Entry into forex, swaps and option transactions with the same Interested Person where the aggregate of the principal amounts thereof do not at any one time exceed the limit set out above will not require the prior approval of the Audit Committee but will be reviewed on a quarterly basis by the Audit Committee.

- 3.7.4 The internal auditors shall on quarterly basis, report to the Audit Committee on all Interested Person Transactions, and the bases of such transactions, entered into by the KT&T IPT Group with the Interested Persons.
- 3.7.5 The Audit Committee shall have the overall responsibility for determining the review procedures with the authority to delegate to individuals within the Company as they deem appropriate. If any member of the Review Committee or the Chairman has an interest in an Interested Person Transaction to be reviewed, such member or the Chairman (as the case may be) will abstain from any decision making in respect of that transaction. If a member of the Audit Committee has an interest in an Interested Person Transaction to be reviewed by the Audit Committee, he will abstain from any decision-making in respect of that transaction and the review and approval of that transaction will be undertaken by the remaining members of the Audit Committee.
- 3.7.6 Generally, the Review Committee, the Chairman and the Audit Committee will only approve an Interested Person Transaction if the terms of the transaction are no more favourable than the terms extended to unrelated third parties, or are in accordance with published or prevailing rates/prices or are otherwise in accordance with prevailing industry norms. Any member of the Review Committee or the Audit Committee or the Chairman may, as he deems fit, request for additional information pertaining to the transaction under review from independent sources or advisers, including the obtaining of valuations from independent professional valuers.
- 3.7.7 The Audit Committee will review the terms of the Interested Person Transactions and the review procedures adopted on a quarterly basis.”

