

APPENDIX DATED 13 APRIL 2015

This Appendix is circulated to the shareholders of Action Asia Limited (the “**Company**”) together with the Annual Report 2014. Its purpose is to provide shareholders of the Company with information relating to, and to explain the rationale for, the proposed renewal of the IPT Mandate (as defined herein) and the proposed renewal of the Share Buyback Mandate (as defined herein) to be tabled at the Annual General Meeting to be held at Imperial Ballroom, Level 35, Orchard Wing, Mandarin Orchard Singapore, 333 Orchard Road, Singapore 238867 on 28 April 2015 at 10.30 a.m.

The Ordinary Resolutions (as defined herein) proposed to be passed in respect of the above matters are set out in the Notice of Annual General Meeting enclosed with the Annual Report 2014.

Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

If you are in any doubt as to the contents herein or as to the course of action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the Company, please forward this document to the purchaser or transferee or bank or stockbroker or agent through whom the sale was effected for onward transmission to the purchaser or transferee.



APPENDIX IN RELATION TO:

- (1) THE PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS; AND**
- (2) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE**

TABLE OF CONTENTS

	Page
DEFINITIONS.....	3
1. INTRODUCTION	7
2. THE PROPOSED RENEWAL OF THE IPT MANDATE.....	7
3. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE	9
4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	24
5. AUDIT COMMITTEE'S STATEMENT	24
6. DIRECTORS' RECOMMENDATION	25
7. ANNUAL GENERAL MEETING	25
8. ACTION TO BE TAKEN BY SHAREHOLDERS	25
9. DIRECTORS' RESPONSIBILITY STATEMENT.....	25
10. ABSTENTION FROM VOTING	26
11. DOCUMENTS FOR INSPECTION.....	26
ANNEX.....	27

DEFINITIONS

For the purpose of this Appendix, the following definitions apply throughout unless the context otherwise requires or is otherwise stated:

<u>“2015 AGM”</u>	:	The AGM to be held at Imperial Ballroom, Level 35, Orchard Wing, Mandarin Orchard Singapore, 333 Orchard Road, Singapore 238867 on 28 April 2015 at 10.30 a.m., notice of which is set out in the Notice of AGM
<u>“Action Taiwan”</u>	:	Action Electronics Co., Ltd
<u>“Action Taiwan Group”</u>	:	Action Taiwan, its subsidiaries (excluding the Group) and its Associate(s)
<u>“AGM”</u>	:	Annual general meeting of the Company
<u>“Annual Report 2014”</u>	:	Annual report of the Company for FY2014
<u>“Appendix”</u>	:	This appendix to the Annual Report 2014
<u>“Articles”</u>	:	The articles of association of the Company for the time being
<u>“Associates”</u>	:	<p>(a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:</p> <ul style="list-style-type: none"> (i) his immediate family; (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; or (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more; and <p>(b) in relation to a substantial shareholder or a controlling shareholder (being a company) means 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 30.0% or more</p>
<u>“Audit Committee”</u>	:	The Audit Committee of the Company
<u>“Average Closing Price”</u>	:	Has the meaning ascribed to it in paragraph 3.3.4
<u>“Board”</u>	:	The board of Directors of the Company
<u>“CAA”</u>	:	The Companies (Amendment) Act passed on 8 October 2014
<u>“CDP”</u>	:	The Central Depository (Pte) Limited
<u>“Companies Act”</u>	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time

<u>“Company”</u>	:	Action Asia Limited
<u>“concert parties”</u>	:	Has the meaning ascribed to it in paragraph 3.9.2
<u>“Control”</u>	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
<u>“Controlling Shareholder”</u>	:	A person who: <ul style="list-style-type: none"> (a) holds directly or indirectly 15.0% or more of the total number of issued Shares, excluding treasury shares in the Company (unless the SGX-ST determines that such person is not a Controlling Shareholder); or (b) in fact exercises Control over the Company
<u>“day of the making of the offer”</u>	:	Has the meaning ascribed to it in paragraph 3.3.4
<u>“Design and Product Development Services”</u>	:	Design and product development services relating to audio and video products of the Group
<u>“Director(s)”</u>	:	The director(s) of the Company, as at the date of this Appendix
<u>“EPS”</u>	:	Earnings per Share
<u>“FY2014”</u>	:	Financial year ended 31 December 2014
<u>“Group”</u>	:	The Company and its subsidiaries
<u>“Independent Directors”</u>	:	The Directors who are deemed independent for the purposes of the IPT Mandate, namely Li Yuan Chen @ Jack Li, Dato’ Lai Pin Yong and Tang Edmund Koon Kay
<u>“Interested Person Transactions”</u>	:	Has the meaning as set out in paragraph 2 of the Annex to this Appendix
<u>“Interested Persons”</u>	:	Has the meaning as set out in paragraph 1 of the Annex to this Appendix
<u>“IPT Mandate”</u>	:	The general mandate approved by Shareholders pursuant to Chapter 9 of the Listing Manual for the Group to enter into Interested Person Transactions with the Interested Persons
<u>“Latest Practicable Date”</u>	:	30 March 2015, being the latest practicable date prior to the printing of this Appendix
<u>“LCD”</u>	:	Liquid Crystal Display
<u>“Listing Manual”</u>	:	The listing manual of the SGX-ST
<u>“Listing Rules”</u>	:	The listing rules of the SGX-ST set out in the Listing Manual
<u>“Market Day”</u>	:	A day on which the SGX-ST is open for trading in securities
<u>“Market Purchase”</u>	:	Has the meaning ascribed to it in paragraph 3.3.3(a)
<u>“Maximum Price”</u>	:	Has the meaning ascribed to it in paragraph 3.3.4

<u>“Memorandum”</u>	:	The memorandum of association of the Company for the time being
<u>“Notice of AGM”</u>	:	The notice of 2015 AGM dated 13 April 2015 enclosed with the Annual Report 2014 convening the 2015 AGM
<u>“NTA”</u>	:	Net tangible assets
<u>“Off-Market Purchase”</u>	:	Has the meaning ascribed to it in paragraph 3.3.3(b)
<u>“Ordinary Resolution”</u>	:	A resolution proposed and passed as such by a majority consisting more than 50.0% of the total number of votes cast for and against such resolution at a meeting of Shareholders
<u>“PCB”</u>	:	Printed Circuit Board
<u>“related expenses”</u>	:	Has the meaning ascribed to it in paragraph 3.3.4
<u>“Relevant Period”</u>	:	The period commencing from the date on which the last AGM was held (or, when the CAA comes into force, the date of the AGM being the date on which the Share Buyback Mandate is passed, if approved by the Shareholders) and expiring on the date on which the next AGM is held or is required by law to be held, whichever is the earlier, after the date the resolution relating to the Share Buyback Mandate is passed
<u>“Securities Account”</u>	:	A securities account maintained by a depositor with CDP but does not include a securities sub-account
<u>“Senior Management Committee”</u>	:	A committee comprising at least two (2) Senior Management Executives who are not Interested Persons, duly authorised and appointed by the Audit Committee to report on the Interested Person Transactions
<u>“Senior Management Executives”</u>	:	Persons who hold the rank of head of department (or its equivalent) and above in the Company
<u>“SGX-ST”</u>	:	Singapore Exchange Securities Trading Limited
<u>“Share Buyback”</u>	:	The purchase or acquisition of Shares by the Company pursuant to the terms of the Share Buyback Mandate
<u>“Share Buyback Mandate”</u>	:	Shareholders’ mandate to authorise the Directors to make purchases or acquisitions of Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Companies Act and the Listing Manual
<u>“Shareholders”</u>	:	Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the persons named as depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
<u>“Shares”</u>	:	Ordinary shares in the capital of the Company

- “Substantial Shareholder”** : A Shareholder who has an interest in 5.0% or more of the issued voting shares of the Company
- “Take-over Code”** : The Singapore Code on Take-overs and Mergers

Currencies, Units and Others

- “S\$”** and **“cents”** : Singapore dollars and cents, respectively, the lawful currency of the Republic of Singapore
- “%”** or **“per cent.”** : Per centum or percentage

The terms **“depositor”** and **“Depository Register”** shall have the same meanings ascribed to them respectively in Section 130A of the Companies Act in force as at the Latest Practicable Date.

The term **“subsidiary”** shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Appendix to any enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any term defined under the Companies Act or the Listing Manual or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning assigned to it under the Companies Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided. Save as otherwise stated, summaries of the provisions of any laws and regulations (including the Listing Manual) contained in this Appendix are of such laws and regulations (including the Listing Manual) in force as at the Latest Practicable Date.

Any discrepancies in tables included herein between the amounts in the columns of the tables and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day in this Appendix shall be a reference to Singapore time unless otherwise stated.

ACTION ASIA LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200206715M)

Directors

Li Yuan Chen @ Jack Li, *Non-Executive Chairman*
Peng Wen-Chih, *Managing Director*
Dato' Peng Chiun-Ping, *Executive Director*
Chao Teng-Pang, *Non-Executive Director*
Dato' Lai Pin Yong, *Independent Director*
Tang Edmund Koon Kay, *Independent Director*

Registered Office

3 Anson Road #27-01
Springleaf Tower
Singapore 079909

13 April 2015

To: The Shareholders of Action Asia Limited

Dear Sir/Madam

- (1) THE PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS; AND**
- (2) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE.**

1. INTRODUCTION

1.1 AGM

The Company has issued a Notice of AGM dated 13 April 2015 in relation to the 2015 AGM to be held on 28 April 2015. Items 7 and 8 appearing under the heading "As Special Business" in the Notice of AGM are Ordinary Resolutions for the proposed renewal of the IPT Mandate and the proposed renewal of the Share Buyback Mandate respectively, as further explained in paragraphs 2 and 3 below respectively.

1.2 Appendix

The purpose of this Appendix is to provide Shareholders with information relating to the proposed renewal of the IPT Mandate and the proposed renewal of the Share Buyback Mandate, and to seek Shareholders' approval for both proposals at the 2015 AGM.

2. THE PROPOSED RENEWAL OF THE IPT MANDATE

2.1 Chapter 9 of the Listing Manual

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

2.2 Main terms used in Chapter 9 of the Listing Manual

An "entity at risk" means:

- (a) the listed company;
- (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or

- (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has or have control over the associated company.

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

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

An “associate” in relation to any director, chief executive officer or controlling shareholder means (i) his immediate family (that is, the spouse, child, adopted child, step-child, sibling or parent), (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more, and, in relation to a controlling shareholder which is a company, means its subsidiary or holding company or a subsidiary of such holding company or a company in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more.

An “associated company” means a company in which at least 20.0% but not more than 50.0% of its shares are held by the listed company or the group.

A “controlling shareholder” means a person who holds (directly or indirectly) 15.0% or more of the total number of issued shares, excluding treasury shares, in the company or one who in fact exercises control over the company.

2.3 Materiality thresholds, disclosure requirements and shareholders’ approval

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

The materiality thresholds are:

Threshold 1: 3.0% of the latest audited consolidated NTA of the listed company and its subsidiaries.

Threshold 2: 5.0% of the latest audited consolidated NTA of the listed company and its subsidiaries.

In particular, an immediate announcement is required where:

- (a) the transaction is of a value equal to, or more than, 3.0% of the latest audited consolidated NTA of the listed group; or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3.0% or more of the latest audited consolidated NTA of the listed group; and

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

- (i) the transaction is of a value equal to, or more than, 5.0% of the latest audited consolidated NTA of the listed group; or

- (ii) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, 5.0% of the latest audited consolidated NTA of the listed group. The aggregation will exclude any transaction that has been approved by shareholders previously, or is the subject of aggregation with another transaction that has been approved by shareholders.

For the purposes of aggregation, any transaction which is below S\$100,000 in value is to be excluded.

2.4 Shareholders' general mandate

Rule 920(1) of the Listing Manual allows a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials but not in respect of the purchase or sale of assets, undertakings or businesses.

2.5 Existing IPT Mandate

The Company had, at the AGM held on 30 April 2014, sought and obtained the approval of the Shareholders for the renewal of the IPT Mandate for the Company and its subsidiaries or any of them to enter into certain transactions with the Interested Persons, as follows:

- (a) sales of raw materials to, and purchases of raw materials and plant and equipment from, the Action Taiwan Group;
- (b) sales of completed PCB and other components to, and purchases of finished audio and video products from, the Action Taiwan Group;
- (c) provision of Design and Product Development Services by the Action Taiwan Group; and
- (d) sales of finished goods to the Action Taiwan Group.

The IPT Mandate is subject to annual renewal. The IPT Mandate was last renewed without modifications at the AGM held on 30 April 2014 and will expire at the 2015 AGM.

2.6 Renewal of the existing IPT Mandate

It is proposed that the IPT Mandate be tabled to Shareholders for renewal and approval at the 2015 AGM without any modifications.

Further details of the IPT Mandate are set out in the Annex to this Appendix.

3. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

3.1 Background

It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval from its shareholders to do so at a general meeting of its shareholders. It is also a requirement under the Listing Manual that an issuer which wishes to purchase its own shares has to obtain approval from its shareholders to do so at a general meeting of its shareholders.

In this regard, the Share Buyback Mandate was approved by Shareholders at the AGM held on 30 April 2014 to enable the Directors to exercise all powers of the company to purchase or otherwise acquire Shares on the terms of the Share Buyback Mandate. This approval conferred on the Directors will, unless renewed, expire on the date of the 2015 AGM.

Therefore, approval is being sought from Shareholders at the 2015 AGM for the renewal of the Share Buyback Mandate.

3.2 Rationale for the Share Buyback Mandate

The approval of the Share Buyback Mandate authorising the Company to purchase or acquire its issued Shares would allow the Company the flexibility to undertake Share purchases or acquisitions up to the 10.0% limit described in paragraph 3.3.1 below at any time as and when appropriate, subject to market conditions, during the period when the Share Buyback Mandate is in force.

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

- (a) in managing the business of the Group, the management team strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. Share purchase is one of the ways through which the return on equity of the Group may be enhanced;
- (b) subject to prevailing legislation, the Memorandum and Articles and the Listing Rules, the Company has the discretion whether to issue new Shares, deemed fully paid upon issuance and allotment, to participants of any share incentive scheme(s) established by the Company, or to transfer existing Shares to such participants (whether held as treasury shares or otherwise). Shares bought back under the Share Buyback Mandate can be held by the Company as treasury shares to satisfy the Company's obligation to furnish Shares to participants of such share incentive scheme(s) established by the Company, thus giving the Company greater flexibility to select the method of providing Shares to employees most beneficial to the Company and its Shareholders;
- (c) the Share Buyback Mandate is an expedient, effective and cost-efficient way for the Company to return surplus cash/funds over and above its ordinary capital requirements, if any, which are in excess of the financial and possible investment needs of the Group to its Shareholders. In addition, the Share Buyback Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure and its dividend policy; and
- (d) the Share Buyback Mandate helps buffer short-term share price volatility and off-set the effects of short-term share price speculation.

While the Share Buyback Mandate would authorise a purchase or acquisition of Shares up to the said 10.0% limit during the period referred to in paragraph 3.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full 10.0% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate will 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 on the financial condition 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 Buyback 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.

3.3 Authority and Limits on the Share Buyback Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:

3.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. Rule 882 of the Listing Manual states that the total number of Shares which may be purchased or acquired pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than 10.0% of the total number of issued Shares (excluding treasury shares) as at the

date of the 2015 AGM. If the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Companies Act, or the court has, at any time during the Relevant Period, made an order under Section 78I of the Companies Act confirming the reduction of share capital of the Company, the total number of issued Shares shall be taken to be the total number of issued Shares as altered after such capital reduction. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10.0% limit.

For illustrative purposes only, on the basis of 398,035,000 Shares (excluding treasury shares) in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2015 AGM, and that the Company does not reduce its share capital, not more than 39,803,500 Shares (representing 10.0% of the total number of issued Shares (excluding treasury shares) as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buyback Mandate during the period when the Share Buyback Mandate is in force as referred to in paragraph 3.3.2 below.

3.3.2 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 2015 AGM at which the Share Buyback Mandate is approved, up to:

- (a) the date on which the next AGM is held or required by law to be held, whichever is the earlier;
- (b) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by Shareholders in a general meeting; or
- (c) the date on which the Share Buybacks are carried out to the full extent mandated,

whichever is the earliest.

The Share Buyback Mandate may be renewed at each AGM or other general meeting of the Company. When seeking the approval of Shareholders for such renewal, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the proposed Share Buyback Mandate made during the previous 12 months, including the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for such purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions.

3.3.3 Manner of Purchase

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

- (a) on-market purchases ("**Market Purchase**") effected on the SGX-ST through the SGX-ST trading system, through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or
- (b) off-market purchases ("**Off-Market Purchase**") effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate, the Listing Rules and the Companies Act, as they consider fit 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 pursuant to the Companies Act:

- (i) 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;

- (ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded (A) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (B) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and (C) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

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

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;
- (3) the reasons for the proposed purchase or acquisition of Shares;
- (4) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (5) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (6) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase 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 of Shares; and
- (7) whether the Shares purchased or acquired by the Company will be cancelled or kept as treasury shares.

3.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses ("**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 Share Buyback must not exceed:

- (a) in the case of a Market Purchase, 105.0% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120.0% of the Average Closing Price,

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

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 on which transactions in the Shares were recorded, immediately preceding the day on which the purchase or acquisition of Shares was made or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days; and

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating 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.

3.4 Status of Purchased or Acquired Shares

Under the Companies Act, Shares purchased or acquired by the Company shall be deemed cancelled immediately upon such purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. All cancelled Shares will be automatically delisted by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase or acquisition. 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. The Company may decide to cancel Shares which have been purchased or acquired by the Company or hold such Shares as treasury shares, depending on whether it is in the interests of the Company to do so. It is presently intended by the Company that Shares which are purchased or acquired by the Company will be held as treasury shares, up to the maximum number of treasury shares permitted by law to be held by the Company.

3.5 Treasury Shares

Under the Companies 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 Companies Act are summarised below:

3.5.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10.0% of the total number of issued Shares. In the event that the Company holds more than 10.0% of the total number of its issued Shares as treasury shares, the Company shall cancel or dispose of the excess treasury shares in the manner set out under paragraph 3.5.3 below within six (6) months beginning with the day on which that contravention occurs, or such further period as the Registrar of Companies may allow.

3.5.2 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 Companies 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 (whether in cash or otherwise) 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 (or when the CAA comes into force, a greater or smaller number) is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

3.5.3 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 (or when the CAA comes into force, for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons);

- (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.

3.6 Reporting Requirements

Within 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.

The Company shall notify the Registrar of Companies within 30 days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchases or acquisitions 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 and after the purchase or acquisition of Shares, the amount of consideration paid by the Company for the purchase or acquisition of Shares, whether the Shares were purchased or acquired out of profits or capital of the Company, and such other particulars as may be required in the prescribed form.

The Listing Rules specify 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 acceptances of the offer.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details as 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.

The Company, upon undertaking any sale, transfer, cancellation and/or use of treasury shares, will comply with Rule 704(28) of the Listing Manual, which provides that an issuer must make an immediate announcement thereof, stating the following:

- (i) date of the sale, transfer, cancellation and/or use;
- (ii) purpose of such sale, transfer, cancellation and/or use;
- (iii) number of treasury shares sold, transferred, cancelled and/or used;
- (iv) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (v) percentage of the number of treasury shares against the total number of Shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

The Board shall lodge with the Registrar of Companies within 30 days of the cancellation or disposal of treasury shares the notice of the cancellation or disposal of treasury shares in the prescribed form with such particulars as may be required in the form, together with payment of the prescribed fee.

3.7 Source of Funds

The Company may only apply funds for the purchase or acquisition of Shares as provided in the Articles 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.

The Companies Act permits the Company to purchase or acquire Shares out of capital, as well as from its distributable profits, provided that:

- (a) the Company is able to pay its debts in full at the time it purchases or acquires the Shares and will be able to pay its debts as they fall due in the normal course of business in the 12 months immediately following the purchase; and
- (b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase or acquisition of Shares become less than the value of its liabilities (including contingent liabilities), having regard to the most recent financial statements of the Company and all other circumstances that the Directors or management of the Company know or ought to know affect or may affect the value of the Company's assets or estimates of liabilities (including contingent liabilities) that are reasonable in the circumstances.

After the CAA comes into force, the conditions set out in paragraphs 3.7(a) and 3.7(b) above will be replaced by the following:

- (i) there is no ground on which the Company could be found to be unable to pay its debts;
- (ii) if it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up or if it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (iii) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use its internal sources of funds or external borrowings or a combination of both to finance the purchase or acquisition of Shares pursuant to the Share Buyback Mandate.

3.8 Financial Effects

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 Buyback Mandate on the NTA and EPS as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase is made out of capital or profits, the purchase prices paid for such Shares, 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.

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

Where the Company chooses not to hold the purchased Shares in treasury, such Shares shall be cancelled. The Company shall:

- (a) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;
- (b) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or
- (c) reduce the amount of its share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled (including after the CAA comes into force, any expenses (including brokerage or commission) incurred in the purchase or acquisition of Shares which is paid out of the Company's capital or profits). Where the purchased Shares are held in treasury, the total number of issued Shares will remain unchanged.

The Directors do not propose to exercise the Share Buyback 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 Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The Share Buyback Mandate will be exercised with a view to enhancing the earnings and/or the NTA value per Share of the Group.

For illustrative purposes only, and based on the assumptions set out below:

- (i) based on 398,035,000 Shares (excluding treasury shares) in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2015 AGM, and that the Company does not reduce its share capital, not more than 39,803,500 Shares (representing 10.0% of the total number of issued Shares (excluding treasury shares) as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buyback Mandate;
- (ii) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires 39,803,500 Shares at the Maximum Price of S\$0.196 for one (1) Share (being the price equivalent to 5.0% above the Average Closing Price of the Shares for the five (5) 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 39,803,500 Shares (excluding related expenses) is approximately S\$7,801,486;
- (iii) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 39,803,500 Shares at the Maximum Price of S\$0.224 for one (1) Share (being the price equivalent to 20.0% above the Average Closing Price of the Shares for the five (5) 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 39,803,500 Shares (excluding related expenses) is approximately S\$8,915,984; and
- (iv) the Company uses internal sources of funding to finance the purchase or acquisition of Shares pursuant to the Share Buyback Mandate,

the financial effects of the:

- (A) purchase or acquisition of 39,803,500 Shares by the Company pursuant to the Share Buyback Mandate which is made entirely out of capital, of which 38,035,000 Shares are held as treasury shares and 1,768,500 Shares are cancelled at the Maximum Price of S\$0.196 per Share for Market Purchases or the Maximum Price of S\$0.224 per Share for Off-Market Purchases, as the case may be; and

(B) purchase or acquisition of 39,803,500 Shares by the Company pursuant to the Share Buyback Mandate which is made entirely out of capital and cancelled,

on the audited financial statements of the Group and the Company for FY2014 are set out below:

(A) ***Purchases made entirely out of capital, of which 38,035,000 Shares are held as treasury shares and 1,768,500 Shares are cancelled***

(I) **Market Purchases**

	<u>Group</u>		<u>Company</u>	
	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)
As at 31 December 2014				
Profit/(loss) attributable to Shareholders	195	195	(365)	(365)
Share Capital	54,169	53,822	54,169	53,822
Treasury Shares	(253)	(7,707)	(253)	(7,707)
Other Reserves	4,995	4,995	-	-
Retained Profits	32,658	32,658	2,124	2,124
Non-controlling Interests	9,855	9,855	-	-
Total Equity	101,424	93,623	56,040	48,239
NTA	101,424	93,623	56,040	48,239
Current Assets	108,835	101,034	484	-
Current Liabilities	73,307	73,307	6,696	14,013
Borrowings	26,196	26,196	-	-
Cash and Cash Equivalents	29,826	22,025	484	-
Net Debt/(Cash)	(3,630)	4,171	(484)	-
Number of Shares (excluding treasury shares) ('000)	398,035	358,231	398,035	358,231
Financial Ratios				
NTA per Share (cents)	25.48	26.13	14.08	13.47
Gearing (times)	0.29	0.31	-	-
Current Ratio (times)	1.48	1.38	0.07	-
Basic EPS (cents)	0.05	0.05	(0.09)	(0.10)
Diluted EPS (cents)	0.05	0.05	(0.09)	(0.10)

(II) Off-Market Purchases

	<u>Group</u>		<u>Company</u>	
	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)
As at 31 December 2014				
Profit/(loss) attributable to Shareholders	195	195	(365)	(365)
Share Capital	54,169	53,773	54,169	53,773
Treasury Shares	(253)	(8,773)	(253)	(8,773)
Other Reserves	4,995	4,995	-	-
Retained Profits	32,658	32,658	2,124	2,124
Non-controlling Interests	9,855	9,855	-	-
Total Equity	101,424	92,508	56,040	47,124
NTA	101,424	92,508	56,040	47,124
Current Assets	108,835	99,919	484	-
Current Liabilities	73,307	73,307	6,696	15,128
Borrowings	26,196	26,196	-	-
Cash and Cash Equivalents	29,826	20,910	484	-
Net Debt/(Cash)	(3,630)	5,286	(484)	-
Number of Shares (excluding treasury shares) ('000)	398,035	358,231	398,035	358,231
<u>Financial Ratios</u>				
NTA per Share (cents)	25.48	25.82	14.08	13.15
Gearing (times)	0.29	0.32	-	-
Current Ratio (times)	1.48	1.36	0.07	-
Basic EPS (cents)	0.05	0.05	(0.09)	(0.10)
Diluted EPS (cents)	0.05	0.05	(0.09)	(0.10)

(B) Purchases made entirely out of capital and cancelled

(I) Market Purchases

	<u>Group</u>		<u>Company</u>	
	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)
As at 31 December 2014				
Profit/(loss) attributable to Shareholders	195	195	(365)	(365)
Share Capital	54,169	46,368	54,169	46,368
Treasury Shares	(253)	(253)	(253)	(253)
Other Reserves	4,995	4,995	-	-
Retained Profits	32,658	32,658	2,124	2,124
Non-controlling Interests	9,855	9,855	-	-
Total Equity	101,424	93,623	56,040	48,239
NTA	101,424	93,623	56,040	48,239
Current Assets	108,835	101,034	484	-
Current Liabilities	73,307	73,307	6,696	14,013
Borrowings	26,196	26,196	-	-
Cash and Cash Equivalents	29,826	22,025	484	-
Net Debt/(Cash)	(3,630)	4,171	(484)	-
Number of Shares (excluding treasury shares) ('000)	398,035	358,231	398,035	358,231
Financial Ratios				
NTA per Share (cents)	25.48	26.13	14.08	13.47
Gearing (times)	0.29	0.31	-	-
Current Ratio (times)	1.48	1.38	0.07	-
Basic EPS (cents)	0.05	0.05	(0.09)	(0.10)
Diluted EPS (cents)	0.05	0.05	(0.09)	(0.10)

(II) Off-Market Purchases

	<u>Group</u>		<u>Company</u>	
	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)
As at 31 December 2014				
Profit/(loss) attributable to Shareholders	195	195	(365)	(365)
Share Capital	54,169	45,253	54,169	45,253
Treasury Shares	(253)	(253)	(253)	(253)
Other Reserves	4,995	4,995	-	-
Retained Profits	32,658	32,658	2,124	2,124
Non-controlling Interests	9,855	9,855	-	-
Total Equity	101,424	92,508	56,040	47,124
NTA	101,424	92,508	56,040	47,124
Current Assets	108,835	99,919	484	-
Current Liabilities	73,307	73,307	6,696	15,128
Borrowings	26,196	26,196	-	-
Cash and Cash Equivalents	29,826	20,910	484	-
Net Debt/(Cash)	(3,630)	5,286	(484)	-
Number of Shares (excluding treasury shares) ('000)	398,035	358,231	398,035	358,231
Financial Ratios				
NTA per Share (cents)	25.48	25.82	14.08	13.15
Gearing (times)	0.29	0.32	-	-
Current Ratio (times)	1.48	1.36	0.07	-
Basic EPS (cents)	0.05	0.05	(0.09)	(0.10)
Diluted EPS (cents)	0.05	0.05	(0.09)	(0.10)

Shareholders should note that the financial effects set out above are purely for illustrative purposes only and are based only on the assumptions set out above. Although the proposed Share Buyback Mandate would authorise the Company to purchase or acquire up to 10.0% of the total number of issued Shares (excluding treasury shares), the Company may not necessarily purchase or acquire, or be able to purchase or acquire, the entire 10.0% of the total number of its issued Shares (excluding treasury shares). In addition, the Company may cancel all or part of the Shares purchased or acquired, or hold all or part of the Shares purchased or acquired in treasury.

3.9 Take-over Implications

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 below.

3.9.1 Obligation to make a Take-over Offer

Under Rule 14 of the Code, a person will be required to make a general offer for a public company if:

- (a) he acquires 30.0% or more of the voting rights of the company; or
- (b) he holds between 30.0% and 50.0% of the voting rights of the company and he increases his voting rights in the company by more than 1.0% in any six (6) month period.

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 persons acting in concert with him increases, such 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 a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

3.9.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert ("**concert parties**") 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 following persons, *inter alia*, will be presumed under the Take-over Code to be acting in concert, namely:

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated company of the above companies, 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 company 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 10.0% 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, any person who is accustomed to act according to his instructions, 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 20.0% but not more than 50.0% 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 their concert parties 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.

3.9.3 Effect of Rule 14 and Appendix 2

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and their concert parties 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 30.0% or more, or in the event that such Directors and their concert parties hold between 30.0% and 50.0% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1.0% in any period of six (6) months.

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 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30.0% or more or, if such Shareholder holds between 30.0% and 50.0% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1.0% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

Based on the Substantial Shareholders' notifications received by the Company as at the Latest Practicable 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 purchase or acquisitions by the Company pursuant to the Share Buy-Back Mandate.

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 Share Buyback should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

3.10 Listing Rules

While the Listing Rules do not expressly prohibit the purchase or acquisition of shares by a listed company during any particular time(s), because a 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 Buyback Mandate at any time after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as the price-sensitive information has been publicly announced. In particular, in line with Rule 1207(19) of the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

- (a) one (1) month immediately preceding the announcement of the Company's full-year results; and
- (b) two (2) weeks immediately preceding the announcement of the Company's results for each of the first three (3) quarters of its financial year.

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10.0% of the total number of issued Shares (excluding treasury 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 and its subsidiaries, as well as the associates (as defined in the Listing Manual) of such persons.

Based on the Register of Directors’ shareholdings and the Register of Substantial Shareholders, as at the Latest Practicable Date, approximately 79,165,050 Shares, representing 19.89% of the total number of issued Shares (excluding treasury shares), are in the hands of the public. Assuming that (i) the Company purchases its Shares up to the full 10.0% limit pursuant to the Share Buyback Mandate from the public (as defined in the Listing Rules); and (ii) there is no change in the number of Shares held by the Directors and the Substantial Shareholders or in which they are deemed interested, the number of Shares in the hands of the public would be reduced to 39,361,550 Shares, representing 10.99% of the issued share capital of the Company (excluding treasury shares). Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10.0% limit pursuant to the proposed Share Buyback 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.

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.

3.11 Taxation

Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

3.12 Previous Share Buybacks

The details of the purchases or acquisitions of Shares made by the Company in the 12 months immediately preceding the Latest Practicable Date are as follows:

Date of purchase or acquisition	Type of Purchase	Number of Shares purchased or acquired	Highest price paid per Share (S\$)	Lowest price paid per Share (S\$)	Total consideration paid (S\$) (including stamp duties, clearing charges etc)
5 May 2014	Market Acquisition	95,000	0.145	0.140	13,689.42
6 May 2014	Market Acquisition	21,000	0.145	0.144	3,088.29
7 May 2014	Market Acquisition	147,000	0.150	0.149	22,161.44
8 May 2014	Market Acquisition	110,000	0.150	0.150	16,596.67
12 May 2014	Market Acquisition	100,000	0.150	0.150	15,087.88
14 May 2014	Market Acquisition	27,000	0.150	0.150	4,094.86
23 July 2014	Market Acquisition	100,000	0.126	0.126	12,672.81
25 July 2014	Market Acquisition	200,000	0.126	0.126	25,345.60
30 July 2014	Market Acquisition	165,000	0.126	0.126	20,910.12

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Based on the Register of Directors' shareholdings and the Register of Substantial Shareholders maintained by the Company, as at the Latest Practicable Date, the shareholdings of the Directors and the Substantial Shareholders before and after the purchase or acquisition of Shares pursuant to the Share Buyback Mandate, assuming (a) the Company purchases or acquires the maximum amount of 10.0% of the total number of issued Shares, and (b) there is no change in the number of Shares held by the Directors and the Substantial Shareholders or in which they are deemed interested, will be as follows:

	Before Share Buyback (No. of Shares)			Before Share Buyback	After Share Buyback
	Direct Interest	Deemed Interest	Total Interest	% ⁽¹⁾	% ⁽²⁾
<u>Directors</u>					
Li Yuan Chen @ Jack Li	-	157,000 ⁽³⁾	157,000	0.039	0.044
Dato' Peng Chiun-Ping	9,000,730	-	9,000,730	2.26	2.51
Peng Wen-Chih	13,500,000	-	13,500,000	3.39	3.77
Dato' Lai Pin Yong	23,938,910	-	23,938,910	6.01	6.68
Tang Edmund Koon Kay	-	-	-	-	-
Chao Teng-Pang	-	-	-	-	-
<u>Substantial Shareholders</u>					
Action Taiwan	244,937,310	27,336,000 ⁽⁴⁾	272,273,310	68.40	76.00
Almond Garden Corp	27,336,000	-	27,336,000	6.85	7.63
Dato' Lai Pin Yong	23,938,910	-	23,938,910	6.01	6.68

Notes:

- (1) As a percentage of 398,035,000 Shares (excluding treasury shares) in issue as at the Latest Practicable Date.
- (2) As a percentage of 358,231,500 Shares (excluding treasury shares) in issue, assuming that the Company purchases the maximum number of 39,803,500 Shares under the Share Buyback Mandate.
- (3) Li Yuan Chen @ Jack Li has a deemed interest in respect of the 157,000 Shares held by his wife, Wong Shiow Ling.
- (4) Action Taiwan is deemed to have an interest in 27,336,000 Shares held by its wholly owned subsidiary, Almond Garden Corp through UOB Kay Hian Pte Ltd.

5. AUDIT COMMITTEE'S STATEMENT

The Audit Committee confirms that:

- (a) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the AGM held on 30 April 2014; and
- (b) the methods or procedures set out in paragraph 5(a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

However, in the event the Audit Committee is subsequently no longer of this view, the Company shall seek a fresh mandate from Shareholders for the Interested Person Transactions based on new guidelines and/or review procedures.

6. DIRECTORS' RECOMMENDATION

6.1 Proposed Renewal of the IPT Mandate

The Independent Directors, having considered the terms, rationale and benefits of the IPT Mandate and taking into account the statements of the Audit Committee in paragraph 5 above, are of the opinion that the IPT Mandate is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the Ordinary Resolution in respect of the renewal of the IPT Mandate at the 2015 AGM.

The Independent Directors, in rendering their recommendation, and the Audit Committee, in rendering their confirmation, have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to his Shares consults his legal, financial, tax or other professional advisers.

6.2 Proposed Renewal of the Share Buyback Mandate

The Directors are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company and accordingly recommend that the Shareholders vote in favour of the Ordinary Resolution relating to the Share Buyback Mandate at the 2015 AGM.

7. ANNUAL GENERAL MEETING

The 2015 AGM, notice of which is circulated with this Appendix, will be held at Imperial Ballroom, Level 35, Orchard Wing, Mandarin Orchard Singapore, 333 Orchard Road, Singapore 238867 on 28 April 2015 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the resolutions as set out in the Notice of AGM.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the 2015 AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at 3 Anson Road #27-01, Springleaf Tower, Singapore 079909, not less than 48 hours before the time fixed for the 2015 AGM. The completion and return of a proxy form by a Shareholder does not preclude him from attending and voting in person at the 2015 AGM if he wishes to do so. In such an event, the relevant proxy form will be deemed to be revoked. A depositor shall not be regarded as a member entitled to attend, speak and vote at the 2015 AGM unless his name appears in the Depository Register 48 hours before the time appointed for holding the 2015 AGM.

9. DIRECTORS' RESPONSIBILITY STATEMENT

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 IPT Mandate and proposed renewal of the Share Buyback Mandate, and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where 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.

10. ABSTENTION FROM VOTING

Action Taiwan, and Dato' Peng Chiun-Ping, Peng Wen-Chih and Chao Teng-Pang (being directors of Action Taiwan) will abstain from voting on the Ordinary Resolution in respect of the renewal of the IPT Mandate at the 2015 AGM. Each of Action Taiwan, Dato' Peng Chiun-Ping, Peng Wen-Chih and Chao Teng-Pang has undertaken to the Company to ensure that its Associates will abstain from voting on the Ordinary Resolution in respect of the renewal of the IPT Mandate at the 2015 AGM.

Such persons will also not accept appointment as proxies for any Shareholder to vote at the 2015 AGM on the Ordinary Resolution in respect of the renewal of the IPT Mandate unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for the aforesaid Ordinary Resolution.

11. DOCUMENTS FOR INSPECTION

A copy of each of the following documents are available for inspection at the registered office of the Company at 3 Anson Road #27-01, Springleaf Tower, Singapore 079909 during normal business hours from the date hereof up to and including the date of the 2015 AGM:

- (a) the Memorandum and Articles; and
- (b) the Annual Report 2014.

BY ORDER OF THE BOARD

Peng Wen-Chih
Managing Director

ANNEX

1. Classes of Interested Persons

- 1.1 The IPT Mandate will apply to the Interested Person Transactions with the Action Taiwan Group.
- 1.2 Action Taiwan is a Controlling Shareholder and holds, as at the Latest Practicable Date, directly and indirectly, 272,273,310 Shares, representing approximately 68.40% of the total number of Shares (excluding treasury shares).
- 1.3 Transactions with the Action Taiwan Group that do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

2. Categories of Interested Person Transactions

The transactions that will be covered by the IPT Mandate are:

- (a) sales of raw materials to, and purchases of raw materials and plant and equipment from, the Action Taiwan Group;
- (b) sales of completed PCB and other components to, and purchases of finished audio and video products from, the Action Taiwan Group;
- (c) provision of Design and Product Development Services by the Action Taiwan Group; and
- (d) sales of finished goods to the Action Taiwan Group.

3. Rationale for and benefits of the IPT Mandate

- 3.1 In respect of the sales of raw materials to, and purchases of raw materials and plant and equipment from, the Action Taiwan Group, the Group benefits through (i) discounts from suppliers enjoyed from bulk purchases when our orders are aggregated with those made by the Action Taiwan Group and (ii) the advantage of access to a wider network of suppliers.
- 3.2 With the present manufacturing capabilities of the Group, it may not be cost-efficient to produce certain products for our customers in their required volumes. Therefore, the sale of completed PCB and other components (which we produce on a large scale at our manufacturing facilities), to the Action Taiwan Group, and the subsequent sales of the finished audio and video products to the Group, is beneficial as it provides greater cost efficiencies as compared to the Group undertaking the entire production and assembly process of such goods at our present manufacturing facilities. It also enables the Group to better cater to the needs and requirements of our customers.
- 3.3 In respect of the provision of Design and Product Development Services by the Action Taiwan Group, the Group will benefit from such transactions as (i) we require such services in order to develop products according to our specification for sale to our clients, and (ii) they are usually undertaken only where the Group's research and development facilities are unable to perform the specific functions required in the development of certain products. The Group has previously been producing mainly analog products with technical knowledge and expertise in that area. However, as the Group is moving towards the production of digital products, we may from time to time require Design and Product Development Services from a third party in the event that we do not have the requisite technical expertise in relation to such digital products.

The costs of procuring such Design and Product Development Services are considered to be part of the costs of our manufacturing business. Such costs are not capitalised as capital expenditure in our financial statements and are not treated as assets by the Group. As the Group is principally involved in the design, manufacturing and assembly of audio and video products, we are of the opinion that such transactions would be of a recurrent nature, as we may require such Design and Product Development Services whenever we develop new products throughout the year.

In a typical contract for the provision of Design and Product Development Services, the Group will appoint one of the companies in the Action Taiwan Group to undertake the job of designing and developing new products as required by our specifications and to provide all necessary technical support and warranty services thereafter. It will usually take five (5) months for that company to design and develop the new product to our specifications.

Procuring such services from the Action Taiwan Group rather than an unrelated third party would also help to reduce the possibility of a leakage of the Group's technical design knowledge during the course of product development. We believe that the Action Taiwan Group will not act in a manner detrimental to the Group's interest as Action Taiwan (the parent company of the companies in the Action Taiwan Group) is a Controlling Shareholder. In addition, the Action Taiwan Group has historically not been in competition with the Group as our customer base and the geographical sectors in which we serve are different.

- 3.4 In respect of the sales of finished goods to the Action Taiwan Group (comprising a range of mobile and home entertainment LCD products), the sale of such goods to the Action Taiwan Group would enhance the ability of the Group to utilise the resources of the Action Taiwan Group in the marketing and promotion of our finished goods.
- 3.5 Given that such transactions are recurrent in nature and will occur at any time, and due to the time sensitive nature of commercial transactions, the Company is proposing to seek Shareholders' approval pursuant to Chapter 9 of the Listing Manual for the proposed renewal of the IPT Mandate to enable the Group to continue to transact with the Action Taiwan Group, provided that such Interested Person Transactions are necessary for its day-to-day operations or of a revenue or trading nature and on normal commercial terms.

The IPT Mandate is intended to facilitate transactions in our normal course of business which are transacted from time to time with the Action Taiwan Group, provided that they are carried out at arm's length and on our normal commercial terms and are not prejudicial to the interests of our Company and its minority Shareholders. The IPT Mandate and the renewal of the IPT Mandate on an annual basis will eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential Interested Person Transactions with the Action Taiwan Group arise, thereby reducing substantially, the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to us.

4. Disclosure

Disclosure will be made in our annual report of the aggregate value of Interested Person Transactions conducted pursuant to the IPT Mandate during the current financial year, and in the annual reports for the subsequent financial years during which an IPT Mandate is in force. In addition, we will announce the aggregate value of transactions entered into pursuant to the IPT Mandate during the relevant financial period within the required time frame stipulated in the Listing Manual.

5. Scope and validity period

- 5.1 The proposed IPT Mandate will not cover any Interested Person Transaction that is below S\$100,000 in value, as the threshold and aggregation requirements of Chapter 9 of the Listing Manual do not apply to such transactions.
- 5.2 Transactions with Interested Persons which do not fall within the ambit of the proposed IPT Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual, and/or other applicable provisions of the Listing Manual and/or the Companies Act, if any.
- 5.3 If approved by the Shareholders at the 2015 AGM, the IPT Mandate will take effect from the date of the 2015 AGM, and will, unless revoked or varied by the Company in a general meeting, continue in force until the next AGM. Approval from Shareholders will be sought for the renewal of the IPT Mandate at the next AGM and at each subsequent AGM, subject to satisfactory review by the Audit Committee of its continued application to the Interested Person Transactions.

6. Review procedures for the Interested Person Transactions

All Interested Person Transactions with the Action Taiwan Group shall be approved by the Senior Management Committee. We have implemented the following procedures to supplement existing internal control procedures to ensure that (i) the sales of raw materials to, and purchases of raw materials and plant and equipment from, the Action Taiwan Group, (ii) the sales of completed PCB and other components to, and purchases of finished audio and video products from, the Action Taiwan Group, (iii) the provision of Design and Product Development Services by the Action Taiwan Group and (iv) the sales of finished goods to the Action Taiwan Group are undertaken on normal commercial terms consistent with our usual business practices and policies, which are generally not more favourable to the Action Taiwan Group than those extended to unrelated third parties.

In particular, the following review procedures have been established:

- (a) Sales of raw materials to, and purchases of raw materials and plant and equipment from, the Action Taiwan Group

Such transactions will only be entered into by the Group where bulk discounts may be enjoyed or where access to such suppliers may only be achieved through such transactions.

In addition, where the Group purchases raw materials and plant and equipment from the Action Taiwan Group, the purchase prices are fixed at 3.0% to 10.0% over cost. The 3.0% to 10.0% mark-up is designed to cover the freight costs and handling charges incurred by the Action Taiwan Group in relation to such transactions. Similarly, where the Group sells raw materials to the Action Taiwan Group, the sale prices are fixed at 3.0% to 10.0% over the cost to the Group.

All transactions will be properly documented by the Senior Management Committee which shall forward a quarterly report to the Audit Committee on such transactions.

The quarterly report shall detail the bases and procedures used to determine the terms of the transactions and whether the terms are on normal commercial terms and not prejudicial to the interests of our minority Shareholders and the Company. Based on the quarterly report, the Audit Committee shall review such Interested Person Transactions on a quarterly basis.

In addition, the Audit Committee may from time to time appoint an internal auditor to perform reviews and forward a half-yearly review report to the Audit Committee on all transactions. The half-yearly report shall review the bases and procedures used to determine the terms of the transactions and whether the terms are on normal commercial terms and not prejudicial to the interests of our minority Shareholders and the Company.

- (b) Sales of completed PCB and other components to, and purchases of finished audio and video products from, the Action Taiwan Group

Such transactions will only be entered into by the Group where our present manufacturing facilities are unable to perform such assembly functions or where it would be more cost-effective to engage the assembly services of the Action Taiwan Group. In addition, the following procedures are adopted before such transactions are entered into:

- (i) prior to the transaction, comparisons will be made with quotes obtained from unrelated third parties providing similar assembly services to ensure that the prices charged by the Action Taiwan Group in relation to the assembly of the components for the subsequent sale of finished audio and video products to us is reasonable;
- (ii) as a basis of comparison to determine whether the prices and terms offered by or to the Action Taiwan Group are no more favourable than those extended to unrelated third parties, at least two (2) quotes from unrelated third parties will be used. Where

it is not possible for such quotes to be obtained (for instance, if there is no unrelated third party who is able to perform the same function), the terms will (where applicable) be at rates or prices consistent with the usual market prices paid by us for such services;

- (iii) all transactions will be properly documented by the Senior Management Committee which shall forward a quarterly report to the Audit Committee on such transactions;
- (iv) the quarterly report shall detail the bases and procedures used to determine the terms of the transactions and whether the terms are on normal commercial terms and not prejudicial to the interests of our minority Shareholders and the Company. Based on the quarterly report, the Audit Committee shall review such Interested Person Transactions on a quarterly basis; and
- (v) the Audit Committee may from time to time appoint an internal auditor to perform reviews and forward a half-yearly review report to the Audit Committee on all transactions. The half-yearly report shall review the bases and procedures used to determine the terms of the transactions and whether the terms are on normal commercial terms and not prejudicial to the interests of our minority Shareholders and the Company.

(c) Provision of Design and Product Development Services by the Action Taiwan Group

Such transactions will only be entered into by the Group where our present research and development facilities are unable to perform such functions or where it would be more cost-effective. Such transactions would also involve a lower risk of the leakage of technical design knowledge of the Group when we engage the services of the Action Taiwan Group rather than an unrelated third party. In addition, the following procedures are adopted before such transactions are entered into:

- (i) prior to the transaction, comparisons will be made with at least two (2) quotes obtained from unrelated third parties providing similar Design and Product Development Services to ensure that the fee charged by the Action Taiwan Group is fair and reasonable;
- (ii) all transactions will be properly documented by the Senior Management Committee which shall forward a quarterly report to the Audit Committee on such transactions;
- (iii) the quarterly report shall detail the bases and procedures used to determine the terms of the transactions and whether the terms are on normal commercial terms and not prejudicial to the interests of our minority Shareholders and the Company. Based on the quarterly report, the Audit Committee shall review such Interested Person Transactions on a quarterly basis; and
- (iv) the Audit Committee may from time to time appoint an internal auditor to perform reviews and forward a half-yearly review report to the Audit Committee on all transactions. The half-yearly report shall review the bases and procedures used to determine the terms of the transactions and whether the terms are on normal commercial terms and not prejudicial to the interests of our minority Shareholders and the Company.

(d) Sales of finished goods to the Action Taiwan Group

The sales of finished goods to the Action Taiwan Group are to be carried out on normal commercial terms which are no more favorable to the Action Taiwan Group than those extended to unrelated third parties. As the terms extended to the Action Taiwan Group are dependent on the local market demand and acceptance levels of goods, we will seek as a basis of comparison, the terms of at least two (2) other transactions with unrelated third parties for similar products.

All transactions will be properly documented by the Senior Management Committee which shall forward a quarterly report to the Audit Committee on such transactions.

The quarterly report shall detail the bases and procedures used to determine the terms of the transactions and whether the terms are on normal commercial terms and not prejudicial to the interests of our minority Shareholders and the Company. Based on the quarterly report, the Audit Committee shall review such Interested Person Transactions on a quarterly basis.

In addition, the Audit Committee may from time to time appoint an internal auditor to perform reviews and forward a half-yearly review report to the Audit Committee on all transactions. The half-yearly report shall review the bases and procedures used to determine the terms of the transactions and whether the terms are on normal commercial terms and not prejudicial to the interests of our minority Shareholders and the Company.

Our Audit Committee believes that the above guidelines and procedures are sufficient to ensure that these Interested Person Transactions will be on normal commercial terms and will not be prejudicial to our minority Shareholders and the Company. Our Audit Committee will carry out periodic reviews (not less than twice in a financial year) to ensure that the established guidelines and procedures for Interested Person Transactions have been complied with and the relevant approvals obtained. Further, if during these periodic reviews, our Audit Committee is of the view that the above guidelines and procedures are not sufficient to ensure that these Interested Person Transactions will (a) be on normal commercial terms and (b) not be prejudicial to our minority Shareholders and the Company, we will revert to our Shareholders for a fresh mandate based on new guidelines and procedures for transactions with the Action Taiwan Group. Pending the approval of such a fresh mandate from our Shareholders, we will not enter into any such Interested Person Transactions.

7. Review by Audit Committee

Our Audit Committee will review all future Interested Person Transactions on at least a quarterly basis to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of our Company and its minority Shareholders. Our Audit Committee shall also, from time to time, review such guidelines and procedures to determine if they continue to be adequate and/or commercially practicable in ensuring that transactions between the Action Taiwan Group and us are conducted at arm's length and on normal commercial terms.

Our Audit Committee will also review all Interested Person Transactions to ensure that the then prevailing rules and regulations of the SGX-ST (in particular Chapter 9 of the Listing Manual) are complied with.

