



**CEI LIMITED**

(Company Registration No. 199905114H)  
(Incorporated in the Republic of Singapore)

**Directors**

Tien Sing Cheong (Executive Chairman)  
Tan Ka Huat (Managing Director)  
Gan Chee Yen (Non-Executive Director)  
Tan Bien Chuan (Independent Director)  
Tang Martin Yue Nien (Independent Director)  
Colin Ng Teck Sim (Independent Director)  
Wang Ya Lun Allen (Alternate Director to Gan Chee Yen)

**Registered Office:**

2 Ang Mo Kio Avenue 12  
Singapore 569707

28 March 2017

To: The shareholders of CEI Limited (“**Shareholders**”)

Dear Sir/Madam

**PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

We refer to the Notice of Annual General Meeting (the “**AGM**”) of CEI Limited (the “**Company**”) dated 28 March 2017 in respect of the AGM to be held on Wednesday, 12 April 2017 at 11.00 a.m. and resolution 9 set out under “Special Business” in the Notice of the said AGM (“**Resolution 9**”).

1. **Background**

Shareholders had approved the renewal of a mandate (the “**2016 Share Purchase Mandate**”) at the last Annual General Meeting of the Company held on 6 April 2016 to enable the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (“**Shares**”). The authority conferred on the Directors under the 2016 Share Purchase Mandate will expire on the forthcoming AGM of the Company to be held on 12 April 2017 (“**2017 AGM**”).

Accordingly, the Directors propose to seek the approval of Shareholders for the renewal of the 2016 Share Purchase Mandate (the “**Proposed Share Purchase Mandate**”). The Proposed Share Purchase Mandate is set out in Resolution 9. The purpose of this letter is to provide Shareholders with information in relation to the Proposed Share Purchase Mandate.

2. **Rationale for the Proposed Share Purchase Mandate**

The mandate sought by the Company for the share purchase is in conjunction with the Share Performance Plan (“**SPP**”) and the Restricted Share Plan (“**RSP**”) to reward the Employees and Non-Executive Directors respectively. The shares purchased may be held or dealt with as treasury shares which will be transferred to the Employees under the SPP and to the Non-Executive Directors under the RSP.

The purchase by a company of its issued shares is one of the ways in which the return on equity of the company may be improved, thereby increasing shareholder value. By obtaining the Proposed Share Purchase Mandate, the Company will have the flexibility to undertake purchases of Shares at any time, subject to market conditions, during the period when the Proposed Share Purchase Mandate is in force. The Proposed Share Purchase Mandate will also facilitate the return to the Shareholders by the Company of surplus cash (if any), which is in excess of the Company’s financial needs in an expedient and cost-effective manner.

The Directors further believe that Share purchases by the Company may help to mitigate short-term market volatility in the Company’s Share price, off-set the effects of short-term speculation and bolster Shareholders’ confidence.

Shareholders should note that purchases or acquisitions of Shares pursuant to the Proposed Share Purchase Mandate might not be carried out to the full limit as authorised.

### 3. Authority and Limits of the Share Purchase Mandate

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

#### (a) Maximum Number of Shares

Only shares that are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares which may be purchased or acquired by the Company pursuant to the Proposed Share Purchase Mandate shall not exceed **two per cent. (2%)** of the issued ordinary share capital of the Company as at the date of the passing of Resolution 9 set out in the Notice of the 2017 AGM (the "**Maximum Limit**"), where the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered excluding any treasury shares that may be held by the Company from time to time.

The total number of Shares in issue (excluding 1,235,750 treasury shares) as at 10 February 2017 (the "**Latest Practicable Date**") is 86,698,463. Purely for illustrative purposes, on the basis of 86,698,463 Shares in issue (excluding 1,235,750 treasury shares) as at the Latest Practicable Date and assuming that no further Shares are issued on or prior to the 2017 AGM, not more than 1,733,969 Shares (representing 2% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the Proposed Share Purchase Mandate.

The Company will monitor purchases of shares to ensure that the Maximum Limit will not be exceeded.

#### (b) Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company on and from the date of the 2017 AGM at which the Share Purchase Mandate is last approved up to the earliest of:

- (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
- (ii) the date on which the share purchases are carried out to the full extent mandated; or
- (iii) the time when the authority conferred by the Proposed Share Purchase Mandate is revoked or varied by the Shareholders of the Company in general meeting.

The Proposed Share Purchase Mandate may be renewed at each Annual General Meeting or other general meeting of the Company.

#### (c) Manner of Purchases or Acquisitions of Shares

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

- (i) on-market purchases ("**Market Purchases**"); and/or
- (ii) off-market purchases, otherwise than on a securities exchange, in accordance with an "equal access scheme" as defined in Section 76C of the Companies Act ("**Off-Market Purchases**").

Market Purchases refer to purchases or acquisitions of Shares by the Company effected on the SGX-ST, through one or more duly licensed dealers appointed by the Company for the purpose.

In an Off-Market Purchase, the Directors may impose such terms and conditions which are not inconsistent with the Proposed Share Purchase Mandate, the SGX-ST Listing Manual, the Companies Act and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An equal access scheme must, however, satisfy the following conditions:

- (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 those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers are the same, except that there shall be disregarded:-

- (aa) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;
- (bb) (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
- (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Under the SGX-ST Listing Manual, if the Company wishes to make an Off-Market Purchase, the Company will issue an offer document containing, *inter alia*, the following information to all Shareholders:

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

(d) **Maximum Purchase Price**

The purchase price (excluding ancillary expenses such as brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for the Shares must not exceed the maximum price (“**Maximum Price**”) as set out below:

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

in each 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 on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period; and

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

4. **Status of Purchased or Acquired Shares under the Share Purchase Mandate**

A Share which is 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 Held by the Company**

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:

(a) **Maximum Holdings**

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) **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 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.

(c) **Disposal and Cancellation**

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

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

6. **Source of Funds**

Previously, any payment made by the Company in consideration of the purchase or acquisition of its own Shares may only be made out of the Company's distributable profits. The Companies Act now permits the Company to also purchase its own Shares out of capital, as well as from its profits.

The Directors do not propose to exercise the Proposed Share Purchase Mandate in a manner and to such an extent that the working capital position of the Group would be materially adversely affected.

The Company will use internal resources or external borrowings or a combination of both to fund purchases of Shares pursuant to the Proposed Share Purchase Mandate.

7. **Financial Effects**

Where the Company chooses to cancel any of the shares it repurchased, 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 are 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.

The consideration paid by the Company for the purchase or acquisition of Shares (including related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

The financial effects on the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Proposed Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases or acquisitions.

In the event that Shares are repurchased by the Company, the financial effect on the EPS, the NTA and the share capital are the same whether the Shares repurchased are cancelled or held as treasury shares. Where the Shares repurchased are held as treasury shares, this is recorded in the balance sheet of the Company as a separate line item.

### 7.1 **Purchase or Acquisition out of capital or profits**

Under the Companies Act, as amended by the Companies Amendment 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. For this purpose, a company is "insolvent" if:

- (a) it is unable to pay its debts as they become due in the normal course of business. The Companies Amendment Act requires the company further to be able to pay its debts as they fall due in the normal course of business not only at the time of the purchase or acquisition but also during the period of 12 months after the purchase or acquisition; or
- (b) the value of its assets is 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 managers of the company know or ought to know affect or may affect such values. The Companies Amendment Act further requires that the value of the company's assets will not be less than the value of its liabilities not only at the time of the purchase or acquisition but also after such purchase or acquisition.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding related brokerages, goods and services tax, stamp duties and clearance fees) 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 available for the distribution of cash dividends by the Company will not be reduced.

### 7.2 **Information as at the Latest Practicable Date**

As at the Latest Practicable Date, the issued share capital of the Company comprised 86,698,463 Shares (excluding treasury shares). As at the Latest Practicable Date, there are no outstanding unexercised Share options.

### 7.3 **Maximum price that may be paid for Shares acquired or purchased**

Based on the existing issued and paid-up ordinary share capital of the Company as at the Latest Practicable Date, the purchase by the Company of 2 per cent. of its issued Shares will result in the purchase or acquisition of 1,733,969 Shares.

Assuming the Company purchases or acquires the 1,733,969 Shares at the Maximum Price, the maximum amount of funds required (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) is:

- (a) in the case of Market Purchases of Shares, approximately \$1,680,563 based on 96.92 cents for one Share (being the price equivalent to five per cent. above the Average Closing Price of the Shares traded on the SGX-ST for the five consecutive Market Days immediately preceding the Latest Practicable Date); and
- (b) in the case of Off-Market Purchases of Shares, approximately \$1,680,563 based on 96.92 cents for one Share (being the price equivalent to five per cent. above the Average Closing Price of the Shares traded on the SGX-ST for the five consecutive Market Days immediately preceding the Latest Practicable Date).

For illustrative purposes only, on the basis of the assumptions set out in 7.2 and 7.3 above, and assuming that the purchases of Shares are financed solely by internal resources, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made entirely out of capital on the audited financial statements of the Group and the Company for the financial year ended 31 December 2016 would have been as follows:

**Market Purchases and/or Off-Market Purchases of up to a maximum of 2% made out of capital and cancelled**

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
<u>As at 31 December 2016</u>				
Shareholders' Funds	40,164,405	38,483,842	37,928,473	36,247,910
Treasury Shares	(836,625)	(836,625)	(836,625)	(836,625)
Net Tangible Assets	39,100,941	37,420,378	36,865,163	35,184,600
Current Assets	59,148,569	57,468,006	59,399,031	57,718,468
Current Liabilities	27,712,769	27,712,769	29,172,489	29,172,489
Total Borrowings	2,501,183	2,501,183	2,501,183	2,501,183
Cash and Cash Equivalents	11,698,440	10,017,877	10,962,134	9,281,571
Number of Shares as at				
31 December 2016 ('000)	86,698	84,964	86,698	84,964
Weighted average shares ('000)	86,698	84,964	86,698	84,964
<u>Financial Ratios</u>				
NTA per Share (cents) <sup>(1)</sup>	45.10	44.04	42.52	41.41
Basic Earnings per Share (cents) <sup>(2)</sup>	10.16	10.36	9.71	9.91
Gearing (%)	6.23%	6.50%	6.59%	6.90%
Current Ratio (times) <sup>(3)</sup>	2.13	2.07	2.04	1.98

**Market Purchases and/or Off-Market Purchases of up to a maximum of 2% made out of capital and held as treasury shares**

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
<u>As at 31 December 2016</u>				
Shareholders' Funds	40,164,405	38,483,842	37,928,473	36,247,910
Treasury Shares	(836,625)	(2,517,188)	(836,625)	(2,517,188)
Net Tangible Assets	39,100,941	37,420,378	36,865,163	35,184,600
Current Assets	59,148,569	57,468,006	59,399,031	57,718,468
Current Liabilities	27,712,769	27,712,769	29,172,489	29,172,489
Total Borrowings	2,501,183	2,501,183	2,501,183	2,501,183
Cash and Cash Equivalents	11,698,440	10,017,877	10,962,134	9,281,571
Number of Shares as at				
31 December 2016 ('000)	86,698	84,964	86,698	84,964
Weighted average shares ('000)	86,698	84,964	86,698	84,964
<u>Financial Ratios</u>				
NTA per Share (cents) <sup>(1)</sup>	45.10	44.04	42.52	41.41
Basic Earnings per Share (cents) <sup>(2)</sup>	10.16	10.36	9.71	9.91
Gearing (%)	6.23%	6.50%	6.59%	6.90%
Current Ratio (times) <sup>(3)</sup>	2.13	2.07	2.04	1.98

**Notes:**

- (1) NTA per share is calculated by the Net Tangible Assets divided by the number of shares as at 31 December 2016.
- (2) Basic EPS is calculated by the profit attributable to shareholders divided by the weighted average number of shares.
- (3) Current ratio is derived based on current assets divided by current liabilities.



**Shareholders should note that the financial effects set out above are for illustration purposes only (based on the aforementioned assumptions). The actual impact will depend on, *inter alia*, the number and price of the Shares purchased or acquired (if any). In particular, Shareholders should note that the above analysis is based on the audited financial statements of the Company for the financial year ended 31 December 2016 and is not necessarily representative of future financial performance.**

The Company may take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

## 8. Requirements in the SGX-ST Listing Manual

- (a) The SGX-ST Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (i) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was effected, and (ii) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptances of the offer. The notification of such purchases or acquisitions to the SGX-ST shall be in such form, and shall include such details, as may be prescribed by the SGX-ST in the SGX-ST Listing Manual.
- (b) The SGX-ST Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time(s). However, as the Company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate in the following circumstances:
  - (i) at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of a decision of the Board until the price-sensitive information has been publicly announced; and
  - (ii) in the case of Market Purchases, during the period commencing one month immediately before the announcement of the Company’s half-year or full-year results, as the case may be, and (if applicable) the period of two weeks before the announcement of the Company’s other interim results, as the case may be.
- (c) The SGX-ST Listing Manual requires a company to ensure that at least 10% of equity securities (excluding preference shares and convertible equity securities) in a class that is listed are held by public shareholders. The “public”, as defined under the SGX-ST Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its, as well as the associates of such persons.

As at the Latest Practicable Date, there are approximately 56,960,923 Shares in the hands of the public, representing approximately 65.70% of the issued ordinary share capital of the Company. Accordingly, the Company is of the view that there is, at present, a sufficient number of Shares held by public shareholders which would permit the Company to undertake purchases and acquisitions of its Shares up to the full 2% limit pursuant to the Proposed Share Purchase Mandate, without adversely affecting the listing status of its Shares on the SGX-ST.

## 9. Certain Take-over Code Implications

### 9.1 Obligation to Make a Take-over Offer

Any resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following any purchase or acquisition of Shares by the Company, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code (“**Rule 14**”). Consequently, depending on the number of Shares purchased or acquired by the Company and the Company’s issued share capital at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make a take-over offer under Rule 14.

### 9.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely, (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts), and (ii) a company, its parent, and fellow, and their associated companies and companies of

which such companies are associated companies, all with each other. For this purpose, a company is an Associate of another company if the second company owns or controls at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the voting rights of the first-mentioned company.

### 9.3 **Effect of Rule 14 and Appendix 2**

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code. In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more, or, if the voting rights of such Directors and their concert parties fall between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) 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 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent. (30%) or more, or, if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Proposed Share Purchase Mandate.

Based on the shareholdings of the Directors in the Company as at the Latest Practicable Date, none of the Directors will become obligated to make a mandatory offer by reason only of the purchase of 2% Shares by the Company pursuant to the Proposed Share Purchase Mandate.

The Directors are not aware of any Shareholder or group of shareholders acting in concert who may become obligated to make a mandatory offer in the event that the Directors exercise the power to repurchase Shares pursuant to the Proposed Share Buy Back Mandate.

**Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Proposed Share Purchase Mandate are advised to consult their professional advisers before they acquire any Shares in the Company during the period when the Proposed Share Purchase Mandate is in force.**

**The statements herein do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisers and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any purchase or acquisition of Shares by the Company.**

### 9.4 **Tax Implications**

Pursuant to sections 10I and 10J of the Income Tax Act (Cap 134) of Singapore ("**Income Tax Act**"), where a company purchases its own shares and makes payment out of its contributed capital, it will not be regarded as a payment of dividend but a return of capital. Where a company purchases its own shares using its distributable profits, it is deemed as having paid a dividend to the shareholders from whom the shares are purchased or acquired.

In relation to a Market Purchase, in the case of the Company (since it is listed on the SGX-ST), the Company may apply to the SGX-ST for a special trading counter for the purposes of effecting the Market Purchase, subject to approval being obtained from Shareholders for the Share Buy-Back Mandate at the 2017 AGM.

Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the special trading counter set up on the SGX-ST will, subject to the fulfillment of certain conditions by the Shareholders, be treated for income tax purposes, in the hands of the Shareholders as the receipt of a dividend. This dividend is exempt from tax under the one-tier corporate tax system, which became effective on 1 January 2003. Under the one-tier corporate tax system, resident companies pay a final income tax on their corporate profits and any distributions of dividends from their corporate profits will be exempt from tax in the hands of its shareholders.



Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the normal ready counters will be treated for income tax purposes like any other disposal of shares and not as a dividend. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipt of an income or a capital nature.

Proceeds received by Shareholders who sell their Shares to the Company in an Off-Market Purchase in accordance with an equal access scheme authorized by the Company, and such Shareholders are not transferees to whom Section 10N of the Income Tax Act applies, will be treated for income tax purposes as the receipt of dividends and therefore exempt from tax in the hands of the Shareholders.

The above statements are general in nature and are based on certain aspects of current tax laws in Singapore which are in force as of the date of this letter and are subject to any changes in such laws, or in the interpretation of these laws occurring after the date of this letter, which changes could be made on a retroactive basis. These statements should not be regarded as a comprehensive description of all the tax considerations that may be relevant to a decision to vote in favour of or against the Share Buy-Back Mandate.

**Shareholders should note that the foregoing statements are not to be regarded as advice on the tax position of any Shareholder or on any tax implications arising from the Share Buy-Back Mandate. 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 advisors.**

#### 9.5 Directors and Substantial Shareholders' Interests

As at the Latest Practicable Date, the interests of Directors and Substantial Shareholders of the Company in the Shares, based on the Company's Register of Directors' Shareholdings and Register of Substantial Shareholders respectively are as follows:

Directors/Substantial Shareholders	Direct Interest	Indirect/Deemed Interest	Total Interest	
	Number of Shares	Number of Shares	Number of Shares	%
<b>Directors:</b>			14,055,940	
Tien Sing Cheong	8,671,900	-		10.00
Tan Ka Huat	1,513,340	2,500,000		4.63
Gan Chee Yen	344,300	-		0.40
Tan Bien Chuan	469,700	-		0.54
Tang Martin Yue Nien	399,700	-		0.46
Colin Ng Teck Sim	157,000	-		0.18
Wang Ya Lun Allen	-	-		-
<b>Substantial Shareholders:</b>			24,353,500	
Temasek Holdings (Private) Limited	-	15,681,600		18.09
Temasek Capital (Private) Limited	-	15,681,600		18.09
Seletar Investments Pte Ltd	-	15,681,600		18.09
Republic Technologies Pte Ltd	7,840,800	7,840,800		18.09
TIHT Investment Holdings Pte Ltd	7,840,800	-		9.04
Killian Court Pte. Ltd.	-	7,840,800		9.04
TIH Limited	-	7,840,800		9.04
ASM Ventures Limited	-	7,840,800		9.04
ASM Asia Recovery (Master) Fund	-	7,840,800		9.04
ASM Asia Recovery Fund	-	7,840,800		9.04
ASM Hudson River Fund	-	7,840,800		9.04
Argyle Street Management Limited	-	7,840,800		9.04
Argyle Street Management Holdings Limited	-	7,840,800		9.04
Kin Chan	-	7,840,800		9.04
Li Yick Yee Angie	-	7,840,800		9.04
V-Nee Yeh	-	7,840,800		9.04
Tien Sing Cheong	8,671,900	-		10.00

**Note:**

(1) Based on an issued share capital of 86,698,463, excluding 1,235,750 treasury shares, as at the Latest Practicable Date.

As at the Latest Practicable Date, none of our Directors or Substantial Shareholders will be obliged to make a mandatory take-over offer in the event that the Company purchased the maximum 2% of the issued Shares under the Proposed Share Purchase Mandate.

**9.6 Shares Purchased by the Company**

The Company has not made any market acquisition of ordinary shares in the previous 12 months. As at the latest practicable date, however, the Company has 1,235,750 treasury shares.

**10. Directors' Confirmation and Recommendation**

The share buy-back will not be carried out if it will adversely affect the financial condition of the Company.

The share buy-back will not be carried out one month before the announcement of the Company's half year and full year financial statements.

The terms of this transaction in this application does not contravene any laws and regulations governing the Company and the Constitution of the Company.

The Directors are of the opinion that the Proposed Share Purchase Mandate is in the best interest of the Company and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 9 relating to the renewal of the 2016 Share Purchase Mandate to be proposed at the forthcoming 2017 AGM.

**11. Directors' Responsibility Statement**

This letter has been approved by all the Directors who collectively and individually accept full responsibility for the accuracy of the information given in this letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this letter constitutes full and true disclosure of all material facts about the proposed renewal of the share purchase mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this letter misleading. Where information in the letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the letter in its proper form and context.

**12. Disclaimer**

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this letter.

**13. Documents For Inspection**

The following documents may be inspected at the registered office of the Company during normal business hours from the date hereof up to and including the date of the 2017 AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report of the Company for the financial year ended 31 December 2016.

Yours faithfully  
For and on behalf of  
The Board of Directors



Tien Sing Cheong  
Chairman