**Letter dated 9 April 2018**

**THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY**

This Letter is circulated to the shareholders of Penguin International Limited (the "**Company**"), together with the Company's Annual Report for the financial year ended 31 December 2017 (the "**Annual Report 2017**"). Its purpose is to provide shareholders with the relevant information relating to the below mentioned proposals. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax, or other professional adviser immediately.

The Notice of Annual General Meeting and the Proxy Form are enclosed with the Annual Report 2017.

If you have sold or transferred all your shares in the issued share capital of the Company held through The Central Depository (Pte) Ltd ("**CDP**"), you need not forward the Annual Report 2017 (including this Letter, the Notice of Annual General Meeting and the attached Proxy Form) to the purchaser or transferee as arrangements will be made by CDP to send these documents to the purchaser or transferee. If you have sold or transferred all your shares in the issued share capital of the Company represented by physical share certificate(s), you should at once hand the Annual Report 2017 (including this Letter, the Notice of Annual General Meeting and the attached Proxy Form) to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

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

Penguin®

# PENGUIN INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.197600165Z)

# LETTER TO SHAREHOLDERS

in relation to

**(1) PROPOSED RENEWAL OF MANDATE FOR INTERESTED PERSON TRANSACTIONS**

**(2) PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE**

**(3) PROPOSED CHANGE OF AUDITORS**

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# DEFINITIONS

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

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| **"ACRA"** | The Accounting and Corporate Regulatory Authority of Singapore |
| **"Act" *or* "Companies Act"** | Companies Act (Chapter 50) of Singapore as amended, supplemented or modified from time to time |
| **"AGM"** | The annual general meeting of the Company |
| **"Associate"** | (a) in relation to any director, chief executive officer, substantial shareholder or Controlling Shareholder (being an individual) means:<br>(i) his immediate family;<br>(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<br>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;<br>(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% or more |
| **"Associated Company"** | A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group |
| **"Audit Committee"** | The audit committee of the Company, which as at the date of this Letter comprises Ong Kian Min, Paul Tan Poh Lee, and Leow Ban Tat. |
| **"Board"** | The board of Directors of the Company for the time being |
| **"CDP"** | The Central Depository (Pte) Limited |
| **"Company"** | Penguin International Limited |
| **"Constitution"** | The constitution of the Company as amended, supplemented or modified from time to time |
| **"Controlling Shareholder"** | A person who:<br>(a) holds directly or indirectly 15% or more of the voting shares of a company (unless the SGX-ST determines that such a person is not a Controlling Shareholder of a company); or<br>(b) in fact exercises control over a company |
| **"Directors"** | The directors of the Company as at the date of this Letter, and from time to time, as the case may be |

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| **"EAR Group"** | (a) the Company;<br><br>(b) Subsidiaries of the Company (excluding subsidiaries listed on the SGX-ST or an approved exchange); and<br><br>(c) Associated Companies of the Company (other than an Associated Company that is listed on the SGX-ST or an approved exchange) over which the Company and its Subsidiaries, or the Group and its Interested Person(s), has or have control |
| **"Executive Director"** | A director of the Company and/or its Subsidiary, as the case may be, who performs an executive function and is otherwise, an employee of the Company |
| **"EY"** | Ernst & Young LLP, Singapore |
| **"FY"** | The twelve (12) months ended or ending 31 December of the relevant year |
| **"FY2017"** | The twelve (12) months ended 31 December 2017 |
| **"Group"** | Collectively, the Company and its Subsidiaries |
| **"Independent Directors"** | The Directors of the Company who are deemed to be independent for the purpose of the Interested Person Transactions, being James Tham Tuck Choong, Tung May Fong, Ong Kian Min, Leow Ban Tat and Paul Tan Poh Lee |
| **"Interested Person(s)"** | Shall have the meaning ascribed to it in the Listing Manual as amended from time to time, and for the purposes of this Letter, refers to the class of interested persons set out at paragraph 2.1.1 |
| **"Interested Person Transactions"** | The categories of transactions with Interested Persons which fall within the scope of the IPT Mandate, as set out at paragraph 2.3.1 of this Letter, and "**Interested Person Transaction**" or "**IPT**" means any one of them |
| **"IPT Mandate"** | The general mandate for the purposes of Chapter 9 of the Listing Manual, for the companies within the EAR Group, to enter into the categories of Interested Person Transactions that are set out at paragraph 2.3.1 of this Letter |
| **"Latest Practicable Date"** | 26 March 2018, being the latest practicable date prior to the printing of this Letter for ascertaining information included herein |
| **"Listing Manual"** | The Listing Manual of the SGX-ST as amended, supplemented or modified from time to time |
| **"Market Day"** | A day on which the SGX-ST is open for trading in securities |
| **"NTA"** | Net Tangible Assets |
| "**PKF**" | PKF-CAP LLP, Singapore |
| **"Relevant Period"** | The period commencing from the date on which the last AGM was held and expiring on the earlier of the date the next AGM is held or is required by law to be held, after the date the resolution relating to the Share Buy-back Mandate is passed |

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| **"Securities Account"** | A securities account maintained by a Depositor with CDP but does not include a securities sub-account |
| **"Securities and Futures Act"** | The Securities and Futures Act (Chapter 289) of Singapore as amended, supplemented or modified from time to time |
| **"SGX-ST"** | Singapore Exchange Securities Trading Limited |
| **"Share Buy-back"** | Purchase or acquisition of Shares by the Company pursuant to the Share Buy-back Mandate |
| **"Share Buy-back Mandate"** | The general mandate from Shareholders to authorise the Directors to make Share Buy-backs within the Relevant Period, in accordance with the terms set out in the Resolution authorising the same and subject to compliance with the Companies Act and the rules and regulations of the SGX-ST |
| **"Shareholders"** | Registered holders of Shares except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors in whose Securities Accounts those Shares are credited. Any reference to Shares held by Shareholders shall include Shares standing to the credit of the respective Shareholders' Securities Accounts |
| **"Shares"** | Ordinary shares in the capital of the Company |
| **"Subsidiary"** | A company which is for the time being a subsidiary of the Company, as defined by section 5 of the Companies Act |
| **"Substantial Shareholder"** | A person who has an interest in one or more voting shares in the Company and the total votes attached to such share(s) is not less than 5% of the total votes attached to all the voting shares in the Company |
| **"$"or "S$" and "cents"** | Singapore dollars and cents respectively, unless otherwise stated |
| **"%"** | Percentage or per centum |

The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively by Section 81SF of the Securities and Futures 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 genders and *vice versa*. References to persons shall include corporations.

Any reference in this Letter to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual or any modification thereof and used in this Letter shall have the same meaning assigned to it under the Companies Act, the Listing Manual or any modification thereof, as the case may be.

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

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

Where any word or expression is defined in this Letter, such definition shall extend to the grammatical variations and cognate expressions of such word or expression.

Any discrepancies in the tables in this Letter between the listed amounts and the totals thereof are due to rounding.

# PENGUIN INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.197600165Z)

**Directors:**

| | |
|---|---|
| Jeffrey Hing Yih Peir | Executive Chairman |
| James Tham Tuck Choong | Managing Director |
| Tung May Fong | Executive Director |
| Ong Kian Min | Lead Independent Director |
| Leow Ban Tat | Independent Director |
| Paul Tan Poh Lee | Independent Director |

**Registered Office:**
18 Tuas Basin Link
Singapore 638784

9 April 2018

To: The Shareholders of **PENGUIN INTERNATIONAL LIMITED**

Dear Sir/Madam

**(I) PROPOSED RENEWAL OF GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**

**(II) PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE**

**(III) PROPOSED CHANGE OF AUDITORS**

## 1. INTRODUCTION

1.1 The Directors are convening the AGM on 24 April 2018 at 10.30 a.m. at 18 Tuas Basin Link, Singapore 638784, to seek Shareholders' approval for, among other matters (i) the proposed renewal of the IPT Mandate; (ii) the proposed renewal of the Share Buy-back Mandate; and (iii) the proposed change of auditors.

1.2 The purpose of this Letter is to provide Shareholders with information relating to and explaining the rationale for the proposed renewal of the IPT Mandate, the proposed renewal of the Share Buy-back Mandate, and the proposed change of auditors. Particulars of aforementioned proposals are set out at paragraphs 2, 3 and 4 of this Letter respectively.

## 2. PROPOSED RENEWAL OF IPT MANDATE

### 2.1 Introduction

2.1.1 The Directors are seeking Shareholders' approval for the proposed renewal of the IPT Mandate for certain Interested Person Transactions with the following class of Interested Persons:

(a) Jeffrey Hing Yih Peir; and

(b) Associates from time to time of Jeffrey Hing Yih Peir, including companies in which he has direct and deemed interests of at least 30% of the issued share capital, which, as at the Latest Practicable Date, are Trinity Offshore Pte. Ltd., Agensea Pte. Ltd., Infinity Oil Ltd, Team Engineering and Marine Pte. Ltd., PT Trinity Offshore Indonesia, PT Trinity Offshore Services and Marine Designs (2002) Pte. Ltd.

2.1.2 Pursuant to Chapter 9 of the Listing Manual, the IPT Mandate was first approved by Shareholders on 25 September 2009 at an extraordinary general meeting and renewed at each subsequent AGM including the last preceding AGM held on 27 April 2017. Accordingly, the Directors propose that the IPT Mandate be renewed. The IPT Mandate, when renewed by way of approval by Shareholders will (unless revoked or varied by the Company at a general meeting) continue in force until the next AGM is held or required by law to be held, whichever is the earlier.

2.1.3 There are no modifications in the proposed renewal of the IPT Mandate to the existing IPT Mandate in relation to the scope and nature of the Interested Person Transactions.

2.1.4 There are also no modifications in the proposed renewal of the IPT Mandate to the existing review procedures for the Interested Person Transactions.

**2.2 The EAR Group and Interested Person Transactions with the Interested Persons are referred to at paragraph 2.1.1 of this Letter.**

2.2.1 The EAR Group is an integrated and international marine and offshore services group, with complementary interests in shipbuilding, ship owning, ship operating and ship management. The EAR Group has two main business activities, namely ferry and charter services, and shipbuilding and repair.

2.2.2 Jeffrey Hing Yih Peir is the Chairman and Controlling Shareholder of the Company. As at the Latest Practicable Date, he has a deemed interest in 43,333,549 Shares (or approximately 19.68% of the issued share capital of the Company). He was appointed as a Non-Executive (Non-Independent) Director of the Company with effect from 2 February 2009 and was subsequently appointed Chairman with effect from 24 February 2010. He was then re-designated as Executive Chairman with effect from 28 April 2011. As previously disclosed in the letter to shareholders of the Company dated 12 April 2017, Jeffrey Hing Yih Peir had direct and deemed interests amounting in total to at least 30% of the issued share capital of each of Trinity Offshore Pte. Ltd., Agensea Pte. Ltd., Infinity Oil Ltd, Team Engineering and Marine Pte. Ltd., PT Trinity Offshore Indonesia, PT Trinity Offshore Services and Marine Designs (2002) Pte. Ltd. and he continues to hold such interests in Trinity Offshore Pte. Ltd., Agensea Pte. Ltd., Infinity Oil Ltd, Team Engineering and Marine Pte. Ltd., PT Trinity Offshore Indonesia, PT Trinity Offshore Services and Marine Designs (2002) Pte. Ltd.. Accordingly, Trinity Offshore Pte. Ltd., Agensea Pte. Ltd., Infinity Oil Ltd, Team Engineering and Marine Pte. Ltd., PT Trinity Offshore Indonesia, PT Trinity Offshore Services and Marine Designs (2002) Pte. Ltd. are Associates of Jeffrey Hing Yih Peir as at the Latest Practicable Date.

2.2.3 The principal activities of Trinity Offshore Pte. Ltd. are providing services as ship manager, and as operator and broker of offshore support vessels. Team Engineering and Marine Pte. Ltd. is primarily engaged in steel fabrication and marine engineering works. PT Trinity Offshore Services is primarily engaged in the business of providing services as a general domestic sea-freight liner for goods. PT Trinity Offshore Indonesia is primarily engaged in the business of providing ship repair services. Marine Designs (2002) Pte. Ltd. is primarily engaged in the business of providing marine design services.

2.2.4 Agensea Pte. Ltd. is currently involved primarily in property investment and Infinity Oil Ltd is primarily engaged in exploration, development and production of oil and gas. While Agensea Pte. Ltd. and Infinity Oil Ltd are currently not involved in the marine and offshore services industry, they are companies in which Jeffrey Hing Yih Peir has direct and deemed interests amounting in total to at least 30% of their respective issued share capital, and are thus covered by the IPT Mandate for which Shareholders' approval is being sought. The Company does not preclude the possibility of entering into transactions in the categories set out at paragraph 2.3.1 of this Letter, with Agensea Pte. Ltd., Infinity Oil Ltd or with any other company which in the future may be an Associate of Jeffrey Hing Yih Peir, subject to the review procedures at paragraph 2.8 of this Letter.

2.2.5 In the ordinary course of their respective businesses, transactions between members in the EAR Group and the class of Interested Persons as described at paragraph 2.1.1 above are likely to occur from time to time. Such transactions include, but are not limited to, the provision of goods and services in the ordinary course of business of the EAR Group to the Interested Persons or the obtaining of goods and services from them. The EAR Group has entered into a lease agreement with PT Trinity Offshore Services and PT Trinity Offshore Indonesia for the lease of an office container and PT Trinity Offshore Services and PT Trinity Offshore Indonesia paid a total amount of S$1,237.88 to the EAR Group.

2.2.6 The transactions were conducted in accordance with the review procedures set out at paragraph 2.8 of this Letter and have been reviewed by our Audit Committee which has confirmed that they were conducted on normal commercial terms and were earnings accretive to the EAR Group.

## 2.3 Categories of Interested Person Transactions contemplated under the IPT Mandate

2.3.1 The Interested Person Transactions with the Interested Persons at paragraph 2.1.1 above which will be covered by the IPT Mandate are set out below:

(a) construction, repair or berthing of vessels;

(b) bareboat or time charter of vessels;

(c) management of vessels;

(d) referring and/or brokering contracts with third parties in respect of construction, repair, berthing, chartering or management of vessels;

(e) referring and/or brokering contracts with third parties in respect of sales and purchases of vessels[(1)]; and

(f) the provision or obtaining of such other services which are incidental to or in connection with the provision or obtaining of services in sub-paragraphs (a) to (e) above.

**Note**:

(1) The EAR Group regularly undertakes fleet management and renewal activities in the usual course of its operations. These activities invariably entail the sale of vessels with a view of maximizing the EAR Group's investments, and/or the purchase of new vessels as part of an asset renewal process. Considering that the Interested Persons are also engaged in the marine and off-shore business, it is anticipated that the Interested Persons may refer or broker contracts for the sale and purchase of vessels in the fleet of the EAR Group. Conversely, the EAR Group may similarly refer and/or broker contracts for the sale and/or purchase of the Interested Person's fleet vessels, as part of such Interested Person's own fleet management and renewal activities.

2.3.2 The Interested Person Transactions at paragraphs 2.3.1(a), (b) and (c), as well as the services at paragraph 2.3.1(f), insofar as they relate to paragraphs 2.3.1(a), (b) and (c), arise in the normal course of business of the EAR Group and are necessary for the day-to-day operations of the EAR Group.

2.3.3 The Interested Person Transactions at paragraphs 2.3.1(d) and (e), as well as the services at paragraph 2.3.1(f) insofar as they relate to referring or brokering **by** the Interested Persons **to** the EAR Group of contracts for the construction, repair, berthing, chartering, management, or sale and purchase of vessels, arise in the normal course of business of the EAR Group and are necessary for the day-to-day operations of the EAR Group.

2.3.4 Opportunities may arise from time to time for the EAR Group to enter into the Interested Person Transactions at paragraphs 2.3.1(d) and (e), as well as the services at paragraph 2.3.1(f), in respect of referring or brokering **by** the EAR Group **to** Interested Persons of contracts for the construction, repair, berthing, chartering, management, or sale and purchase of vessels. These services are of a revenue nature, and when provided, will increase the revenue of the EAR Group. The Company thus seeks a mandate from Shareholders (subject always to review procedures for Interested Person Transactions as set out at paragraph 2.8 below) in order that the EAR Group is able to take advantage of such business opportunities as and when they arise in order to enhance the financial performance of the EAR Group.

2.3.5 By entering in the Interested Person Transactions above, the EAR Group benefits from: (a) enhanced business opportunities with the Interested Persons; (b) access to competitive rates and quotes in an expedient manner from Interested Persons; and (c) the experience and expertise of the Interested Persons in respect of the services mentioned at paragraph 2.3.1 above.

2.3.6 As set out at paragraph 2.1.3, no modifications will be made to the scope and nature of the Interested Person Transactions to be entered into by the EAR Group and the class of Interested Persons pertaining under the proposed renewal of the IPT Mandate.

**2.4 Proposed renewal of IPT Mandate**

The Directors are seeking Shareholders' approval for the proposed renewal of the IPT Mandate to enable the Group to conduct the Interested Person Transactions with the Interested Persons referred to at paragraph 2.1.1 above covered by the existing IPT Mandate. If Shareholders approve of the proposed renewal, the IPT Mandate will take effect from the forthcoming AGM and (unless revoked or varied by the Company at a general meeting) continue in force until the next AGM is held or is required by law to be held, whichever is the earlier.

**2.5 Rationale for IPT Mandate**

2.5.1 It is envisaged that the EAR Group will, in the ordinary course of business, continue to enter into Interested Person Transactions with the Interested Persons set out at paragraph 2.1.1 above for their mutual benefit.

2.5.2 In view of the time-sensitive nature of the transactions between members of the EAR Group and the class of Interested Persons as described at paragraph 2.1.1, obtaining the proposed renewal of the IPT Mandate pursuant to Chapter 9 of the Listing Manual will enable the EAR Group or any of them to enter into the Interested Person Transactions set out at paragraph 2.3.1 above with the specified class of the Interested Persons set out at paragraph 2.1.1 above which are necessary for the day-to-day operations of the Company or are in the interests of the EAR Group for enhancing its financial performance (as explained at paragraphs 2.3.4 and 2.3.5 above), provided such Interested Person Transactions are made in accordance with the review procedures for such Interested Person Transactions as set out at paragraph 2.8.

**2.6 Scope of the IPT Mandate**

2.6.1 The proposed renewal of the IPT Mandate will apply to transactions in the categories described at paragraph 2.3.1, between any member of the EAR Group and the class of Interested Persons as described at paragraph 2.1.1.

2.6.2 Transactions with Interested Persons (including the class of Interested Persons as described at paragraph 2.1.1) that do not fall within the ambit of the 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. Shareholders should note that sales and/or purchases of assets, undertakings or business do not fall within the ambit of the IPT Mandate.

**2.7 Benefits to Shareholders**

2.7.1 The IPT Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce each transaction, and/or to convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the relevant company in the EAR Group into Interested Person Transactions within the scope of the IPT Mandate. This will substantially reduce administrative time and expenses associated with the convening of general meetings on an *ad hoc* basis, improve administrative efficacy considerably, and allow manpower resources and time to be channelled towards attaining other corporate objectives, without compromising corporate objectives and adversely affecting the business opportunities available to the EAR Group.

2.7.2 The IPT Mandate is intended to facilitate transactions in the normal course of business of the EAR Group that are transacted from time to time with the Interested Persons at paragraph 2.1.1, provided that they are carried out on normal commercial terms, are in the interests of the Company and are not prejudicial to the interests of the Company and minority Shareholders.

**2.8 Review Procedures for Interested Person Transactions**

2.8.1 The EAR Group has established the following procedures to ensure that Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms. As stated at paragraph 2.1.4, there are no modifications made to the existing review procedures for the Interested Person Transactions under the proposed renewal of the IPT Mandate.

2.8.2 In general, there are procedures established by the EAR Group to ensure that the Interested Person Transactions with Interested Persons are undertaken on (i) an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties; or (ii) in any event on terms no less favourable to the EAR Group than prevailing open market rates, and shall not be prejudicial to the interests of the Company and its minority Shareholders.

2.8.3 In particular, the following review procedures have been put in place for the Interested Person Transactions: -

(a) Construction, repair or berthing of vessels for Interested Persons by the EAR Group (as per paragraph 2.3.1(a) above);

Contracts for the construction, repair or berthing of vessels for Interested Persons by the EAR Group shall be based on prevailing prices/rates charged by the relevant company in the EAR Group in third party transactions.

For the above purposes, market rates will be reviewed where applicable. As a basis for comparison to determine whether the price and terms offered to the Interested Person are no more favourable than those extended to third parties, at least two recent contracts for the same or substantially the same types of transactions entered into by the EAR Group with third parties will be used. In the absence of such recent contracts, the EAR Group will try to obtain prevailing market rates for similar transactions in respect of vessels of similar size and specifications by obtaining quotations, whenever practicable, from at least two unrelated third parties.

Where it is impractical or not possible for such contracts or (as the case may be) quotes to be obtained, the terms are to be determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the usual margins to be obtained by the EAR Group in its similar business operations. In such instances, at least two of the following management personnel:

- Managing Director of the Company
- Finance Director of the Company
- Chief Operating Officer of the Company
- Finance Controller of the Company

who have no interest in the Interested Person Transactions, will determine whether the price and terms offered to the Interested Person are fair and reasonable and on normal commercial terms.

All such Interested Person Transactions shall be on terms which are no more favourable to the Interested Person than the usual commercial terms extended to or by as the case maybe) unrelated third parties or otherwise in accordance with applicable industry norms. In determining this, factors such as, but not limited to, requirements, specifications, duration of contract and strategic purposes of the transaction will be taken into account.

All Interested Person Transactions under paragraph 2.3.1(a) will also need to be reviewed and approved by the Managing Director or Finance Director of the Company (provided such person is not an Interested Person in respect of such Interested Person Transactions) prior to such Interested Person Transactions being entered into.

(b) Chartering of vessels and providing vessel management services to or from Interested Persons by the EAR Group (as per paragraphs 2.3.1(b) and (c) above);

Any new charter, revision of charter rates charged to or by (as the case may be) or any renewal of chartering agreements; or any new vessel management contract, revision of management fees to or by (as the case may be) or any renewal of vessel management contracts, between the EAR Group and the Interested Persons shall be based on prevailing prices/rates charged or accepted (as the case may be) by the relevant company in the EAR Group in third party transactions.

For the above purposes, market rates will be reviewed where applicable. As a basis for comparison to determine whether the price and terms offered to the Interested Person are no more favourable than those extended

to third parties, at least two recent contracts for the same or substantially the same types of transactions entered into by the EAR Group with third parties will be used. To determine whether the terms offered by the Interested Person are fair and reasonable and on normal commercial terms (after taking into account relevant factors), quotations will be obtained whenever possible from at least two third party suppliers, for the same or substantially similar transactions.

Where it is impractical or not possible for such contracts or (as the case may be) quotes to be obtained, the terms are to be determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the usual margins to be obtained by the EAR Group in its similar business operations. In such instances, at least two of the following management personnel:

- Managing Director of the Company
- Finance Director of the Company
- Chief Operating Officer of the Company
- Finance Controller of the Company

who have no interest in the Interested Person Transactions, will determine whether the price and terms offered to or by (as the case may be) the Interested Person are fair and reasonable and on normal commercial terms.

All such Interested Person Transactions shall be on terms which are no more favourable to the Interested Person than the usual commercial terms extended to or by (as the case may be) unrelated third parties or otherwise in accordance with applicable industry norms. In determining this, factors such as, but not limited to, requirements, specifications, duration of contract and strategic purposes of the transaction will be taken into account.

All Interested Person Transactions under paragraphs 2.3.1(b) and (c) will also need to be reviewed and approved by the Managing Director or Finance Director of the Company (provided such person is not an Interested Person in respect of such Interested Person Transactions) prior to such Interested Person Transactions being entered into.

(c) Referring and/or brokering contracts with third parties in respect of construction, repair, berthing, chartering, management or sales or purchases of vessels (as per paragraphs 2.3.1(d) and (e) above); and

All referring and/or brokering contracts with third parties in respect of construction, repair, berthing, chartering, management, or sales or purchases of vessels, provided by or to (as the case may be) Interested Persons shall be based on prevailing fees/rates charged or accepted (as the case may be) by the relevant company in the EAR Group in third party transactions.

For all such referring and/or brokering contracts, at least two of the following management personnel:

- Managing Director of the Company
- Finance Director of the Company
- Chief Operating Officer of the Company
- Finance Controller of the Company

who have no interest in the Interested Person Transactions, will determine whether the price and terms offered to or by (as the case may be) the Interested Person are fair and reasonable and on normal commercial terms. Where possible, comparison of the relevant terms of such referring and/or brokering contracts will be made against those granted to or from unrelated third parties. All such Interested Person Transactions shall be on terms which are no more favourable to the Interested Person than the usual commercial terms extended to or by (as the case may be) unrelated third parties or otherwise in accordance with applicable industry norms. In determining this, factors such as, but not limited to, requirements, specifications, nature of services provided, strategic purposes of the transaction and quotations (whenever practicable) from at least two unrelated third parties, will be taken into account.

Where the EAR Group refers or brokers contracts to Interested Persons, the Company shall ensure that neither the Interested Person nor the third party (with whom the Interested Person shall contract) shall have recourse to the EAR Group in the event that either party (the Interested Person or the third party, as the case may be) commits a breach of the contract being referred or brokered by the EAR Group.

Furthermore, where the EAR Group refers or brokers contracts to Interested Persons for services which a relevant company of the EAR Group ordinarily undertakes or is capable of undertaking, the Audit Committee shall ensure that such referral or brokering service provided to the Interested Person is more advantageous to the EAR Group than for a relevant company of the EAR Group to itself undertake the provision of the relevant service to the third party. The Audit Committee may take into account the comparative profit due to the EAR Group, the timing and scope of work involved *vis-à-vis* the capacity of the EAR Group, and other such relevant circumstances and exigencies.

All Interested Person Transactions under paragraphs 2.3.1(d) and (e) will also need to be reviewed and approved by the Managing Director or Finance Director of the Company (provided such person is not an Interested Person in respect of such Interested Person Transactions) prior to such Interested Person Transactions being entered into.

(d) The provision or obtaining of such other services which are incidental to or in connection with the provision or obtaining of services at paragraphs 2.3.1(a) to (e) above (as per paragraph 2.3.1(f)).

(i) Where the provision of services at paragraph 2.3.1(f) is incidental to or in connection with the services at paragraph 2.3.1(a), the review procedure at paragraph 2.8.3(a) shall apply.

(ii) Where the provision of services at paragraph 2.3.1(f) is incidental to or in connection with the services at paragraphs 2.3.1(b) or (c), the review procedure at paragraph 2.8.3(b) shall apply.

(iii) Where the provision of services at paragraph 2.3.1(f) is incidental to or in connection with the services at paragraphs 2.3.1(d) or (e), the review procedure at paragraph 2.8.3(c) shall apply.

2.8.4 Approval Process:

In addition to the above review procedures, the EAR Group will supplement its internal systems to ensure that Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms as follows:

(a) Category 1 transactions (as defined at paragraph 2.8.5) must be approved by the Audit Committee prior to being contracted.

Subject to the principle of aggregation set out at paragraph 2.8.6 below, Category 2 transactions (as defined at paragraph 2.8.5) need not have the prior approval of the Audit Committee but shall be reviewed on a quarterly basis by the Audit Committee.

The Audit Committee may at its discretion obtain independent advice or valuations from external or professional sources.

(b) If a member of the Audit Committee has an interest in the Interested Person Transactions, he will abstain from making any recommendation and any decision-making in respect of that transaction and the review and approval of that transaction will be undertaken by the remaining members of the Audit Committee.

(c) Notwithstanding paragraph 2.8.4(a), the approval of the Audit Committee shall be required in cases where the EAR Group refers or brokers contracts to Interested Persons for services which a relevant company of the EAR Group ordinarily undertakes or is capable of undertaking, pursuant to the second last paragraph of paragraph 2.8.3(c).

2.8.5 Threshold Limits:

(a) For Interested Person Transactions under paragraphs 2.3.1(a), (b) or (c):

(i) Category 1 transaction is one under paragraphs 2.3.1(a), (b) or (c), where the EAR Group's proportionate share in a transaction with an Interested Person is **in excess** of 3% of the Group's latest audited consolidated NTA, except that in the case of construction of vessels, the EAR Group's proportionate share in such a transaction with an Interested Person is one **in excess** of S$8,000,000; and

(ii) Category 2 transaction is one under paragraphs 2.3.1(a), (b) or (c), where the EAR Group's proportionate share in a transaction with an Interested Person is **below or equal** to 3% of the Group's latest audited consolidated NTA, except that in the case of construction of vessels, the EAR Group's proportionate share in such a transaction with an Interested Person is one **below or equal** to S$8,000,000.

For illustrative purposes, as at the Latest Practicable Date, 3% of the Group's latest audited consolidated NTA was S$4,252,186.

(b) For Interested Person Transactions under paragraphs 2.3.1(d) and (e):

(i) Category 1 transaction is one under paragraphs 2.3.1(d) and (e) where the fees to be paid or charged to an Interested Person for referring or brokering a contract is **in excess** of S$1,000,000, except that if the contract referred or brokered related to the construction or sale and purchase of vessels, such fees shall be **in excess** of 5% of the price of the vessel; and

(ii) Category 2 transaction is one under paragraph 2.3.1(d) or (e), where the fees to be paid or charged to an Interested Person for referring or brokering a contract is **below or equal** to S$1,000,000, except that if the contract referred or brokered related to the construction or sale and purchase of vessels, such fees shall be **below or equal** to 5% of the price of the vessel.

(c) For Interested Person Transactions under paragraph 2.3.1(f):

(i) where the provision of services at paragraph 2.3.1(f) is incidental to or in connection with the services at paragraph 2.3.1(a), (b) or (c), the categories at paragraph 2.8.5(a) shall apply; and

(ii) where the provision of services at paragraph 2.3.1(f) is incidental to or in connection with the services at paragraph 2.3.1(d) or (e), the categories at paragraph 2.8.5(b) shall apply.

2.8.6 Aggregation

In cases where the aggregate value of Category 2 Transactions (with the same Interested Person (as defined in Rule 908 of the Listing Manual) in the current financial year exceeds the relevant threshold limits of 3% of the Group's latest audited NTA or S$8,000,000, as the case may be for the classes of Interested Person Transactions referred to under paragraph 2.8.5(a)(ii) (and paragraph 2.8.5(c)(i) where applicable), or exceeds the relevant limits of S$1,000,000 or 5% of the price of the vessel, as the case may be for the classes of Interested Person Transactions referred to under paragraph 2.8.5(b)(ii) (and paragraph 2.8.5(c)(ii) where applicable), the latest and all future Category 2 Transactions of the same class with that same Interested Person (so defined) will be approved by the Audit Committee prior to the Group's entry into such transactions.

**2.9 Register of Interested Person Transactions**

2.9.1 The Company will maintain a register of all transactions carried out with the Interested Persons pursuant to the IPT Mandate with details on the nature of the transactions, and the amount of and basis (including the quotations obtained to support such basis, on which they were entered into) for the fees and charges involved.

2.9.2 The register of Interested Person Transactions shall be prepared, maintained and monitored by personnel of the Company (who shall not be interested in any of the Interested Person Transactions), who is duly delegated to do so by the Audit Committee.

**2.10 Review by the Audit Committee**

2.10.1 The Company shall, on a quarterly basis, report to the Audit Committee on all Interested Person Transactions, and the basis of such transactions, entered into with Interested Persons during the preceding quarter. The Audit Committee shall review these quarterly reports on Interested Person Transactions to ascertain that the established review procedures to monitor Interested Person Transactions have been complied with.

2.10.2 If during these quarterly reviews (or during a review at any time prior to seeking Shareholders' approval for renewal in accordance with paragraph 2.11.1 below) by the Audit Committee, the Audit Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the Company are conducted, to ensure that the mandated Interested Person Transactions will be conducted based on the Company's normal commercial terms and hence, will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will then revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with the Interested Persons to ensure that Interested Person Transactions will be on an arm's length basis and on normal commercial terms. During the period prior to obtaining a fresh mandate from the Shareholders, all Interested Person Transactions will be subject to prior review and approval by the Audit Committee.

**2.11 Validity Period and Renewal of IPT Mandate**

2.11.1 The IPT Mandate, when renewed, will take effect from the passing of the resolution relating thereto, and will (unless revoked or varied by the Company in general meeting) continue in force until the next AGM of the Company. Approval from the Shareholders will be sought for the renewal of the IPT Mandate at the next AGM and at each subsequent AGM of the Company, subject to satisfactory review by the Audit Committee of its continued application to the transactions with the class of Interested Persons at paragraph 2.1.1.

**2.12 Disclosure in the Annual Report and Financial Statements**

2.12.1 The Company will announce the aggregate value of transactions conducted with the Interested Persons pursuant to the IPT Mandate for the relevant financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such reports.

2.12.2 In accordance with Chapter 907 of the Listing Manual, disclosure will also be made in the Company's annual report of the aggregate value of transactions conducted with Interested Persons pursuant to the IPT Mandate during the financial year, and in the annual reports for subsequent financial years that the IPT Mandate continues in force.

2.12.3 The names of Interested Persons and the corresponding aggregate value of the Interested Person Transactions will be presented in the following format:–

| Name of Interested Person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S$100,000) |
|---|---|---|

**2.13 Statement of the Audit Committee**

Having considered, *inter alia*, the terms, the rationale and benefits of the Interested Person Transactions and the IPT Mandate, the Audit Committee is satisfied that the review procedures as set out at paragraph 2.8 have not changed since the previous date of the approval of the existing IPT Mandate on 27 April 2017 and if adhered to, are

sufficient to ensure that the Interested Person Transactions will be carried out with the Interested Persons set out at paragraph 2.1.1 on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

**2.14 Independent Directors' Recommendation**

2.14.1 Having fully considered the rationale for the IPT Mandate and benefits to Shareholders as set out at paragraphs 2.5 and 2.7, respectively, of this Letter, the Independent Directors believe that a renewal of the IPT Mandate is in the interest of the Company. The Independent Directors of the Company are of the opinion that the Interested Person Transactions will be undertaken on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

2.14.2 Accordingly, the Independent Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed renewal of the IPT Mandate as set out in the notice of AGM.

2.14.3 Jeffrey Hing Yih Peir, being an Interested Person, has abstained from making any recommendation in respect of, or voting on, the proposed renewal of the IPT Mandate at Board-level decision-making processes and from making a recommendation to Shareholders in relation to the proposed renewal of the IPT Mandate.

2.14.4 The Independent Directors, in rendering their recommendation, have not had regard to the specific investment objectives, financial situation, tax position and/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 the IPT Mandate should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

**2.15 Abstention from Voting**

2.15.1 In accordance with Rule 920(1)(b)(viii) of the Listing Manual, an Interested Person shall abstain and undertake to ensure that its Associates will abstain, from voting on the resolutions approving the interested person transactions involving themselves and their Associates. Furthermore, such Interested Persons and their Associates shall not act as proxies in relation to such resolutions unless voting instructions have been given by the Shareholder appointing them.

2.15.2 As discussed at paragraph 2.1.1 above, Jeffrey Hing Yih Peir and his Associates are Interested Persons in relation to the proposed renewal of the IPT Mandate. In accordance with the requirements of Chapter 9 of the Listing Manual, Jeffrey Hing Yih Peir will abstain, and has undertaken to ensure that his Associates will abstain, from voting on the resolution relating to the proposed renewal of the IPT Mandate at the AGM. The Company will not accept nominations for Jeffrey Hing Yih Peir or his Associates to act as proxy, unless the Shareholder appointing them indicates clearly how votes are to be cast in respect of such resolution.

**3. PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE**

**3.1 Introduction**

3.1.1 The Directors are seeking Shareholders' approval for the proposed renewal of the Share Buy-back Mandate (which will expire on the date of the forthcoming AGM) without any changes, at the forthcoming AGM to take effect until the next AGM of the Company.

3.1.2 The Share Buy-back Mandate was first approved by Shareholders on 28 April 2008 at an extraordinary general meeting and renewed at each subsequent AGM including the last preceding AGM held on 27 April 2017. Accordingly, the Company will be seeking the approval of Shareholders for a renewal of the Share Buy-back Mandate, without any changes, at the forthcoming AGM. The Share Buy-back Mandate, if renewed, will (unless varied or revoked by Shareholders in a general meeting) continue in force until the next AGM is held or is required by law to be held, or when Share Buy-backs pursuant to a Share Buy-back Mandate are carried out to the full extent mandated, whichever is the earlier. If not renewed at the forthcoming AGM, the existing Share Buy-back Mandate will expire.

3.1.3 The authority and limits placed on the Share Buy-back Mandate, if renewed at the AGM, are the same as that previously approved by Shareholders on 27 April 2017.

**3.2 Authority and Limits on the Share Buy-back Mandate**

3.2.1 Maximum number of Shares

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buy-back Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares of the Company as at the date of the AGM. For the purpose of calculating the total number of the issued Shares of the Company, any of the Shares held as treasury shares and subsidiary holdings will be disregarded.

For illustrative purposes only, based on the existing issued and paid-up capital of the Company as at the Latest Practicable Date comprising 220,169,774 Shares, assuming no further Shares are issued and no Shares are held by the Company as treasury shares or subsidiary holdings, on or prior to the AGM, the purchase by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 22,016,977 Shares.

3.2.2 Duration of authority

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

(a) the date on which the next AGM of the Company is held or required by law to be held; or

(b) the date on which the Share Buy-backs are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by the Shareholders in general meeting,

whichever is the earlier.

3.2.3 Manner of purchase

A Share Buy-back may be made by way of:

(a) an on-market Share Buy-back ("**On-Market Share Buy-back**"), transacted on the SGX-ST through the ready market or the special trading counter on the SGX-ST trading system, through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(b) an off-market Share Buy-back ("**Off-Market Equal Access Share Buy-back**") effected pursuant to an equal access scheme as defined in section 76C of the Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy-back Mandate, the Listing Manual and the 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 equal access scheme must, however, satisfy all the following conditions:

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

(b) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and

(c) the terms of all the offers are the same except that there shall be disregarded:

(i) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements;

(ii) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and

(iii) differences in the offers introduced solely to ensure that each Shareholder is left with a whole number of Shares.

3.2.4 Purchase Price

The purchase price (excluding brokerage, commission, applicable taxes and other related expenses) to be paid for a Share will be determined by the committee constituted for the purposes of effecting Share Buy-backs. The purchase price to be paid for Shares pursuant to Share Buy-backs for On-Market Share Buy-backs and Off-Market Equal Access Share Buy-backs must not exceed 105% and 110%, respectively, of the Average Closing Price of the Shares (excluding related expenses of the purchase or acquisition) ("**Maximum Price**").

For the above purpose:

"**Average Closing Price**" means the average of the last dealt prices of an ordinary Share for the five (5) consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the On-Market Share Buy-back by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Equal Access Share Buy-back, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five (5)-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 an Off-Market Equal Access Share Buy-back, stating the purchase price which shall not be more than 110% of the Average Closing Price of the Shares (excluding related expenses of the purchase or acquisition) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Equal Access Share Buy-back.

**3.3 Status of Purchased Shares**

Shares purchased or acquired by the Company are deemed cancelled immediately on 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. 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.

**3.4 Treasury Shares**

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 of the Company.

(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 dividends 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. A subdivision or consolidation of any treasury shares into treasury shares of smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

### 3.5 Disposal and Cancellation

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

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under Rule 704(28) of the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares of the usage, the number of treasury shares before and after the usage, and the percentage of the number of treasury shares of the usage against the total number of issued Shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage.

### 3.6 Funding of Share Buy-backs

The Company may use internal sources of funds, or a combination of internal resources, i.e., out of distributable profits or out of capital, and external borrowings, to finance the Share Buy-backs. The Directors do not propose to exercise the Share Buy-back Mandate to such an extent that it would materially affect the working capital requirements or investment ability of the Group.

### 3.7 Solvency Test

Under Section 76F of the Companies Act, the Company may not enter into any Share Buy-back transaction unless it is solvent. For the purpose of the definition of "solvent", a company is solvent if:-

(a) the company is able to pay its debts in full at the time of the payment referred to in subsection (1) of Section 76F of the Companies Act and will be able to pay its debts as they fall due in the normal course of business during the period of twelve (12) months immediately following the date of the payment; 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 proposed purchase, acquisition or release, become less than the value of its liabilities (including contingent liabilities).

### 3.8 Financial Effects of the Share Buy-backs

3.8.1 If the purchased or acquired Shares are cancelled, the issued share capital of the Company will be reduced by the corresponding total purchase price of the Shares purchased or acquired by the Company; if on the other hand, the purchased or acquired Shares are not cancelled but held in treasury, then there will be no change in the Company's issued share capital. Where the consideration paid by the Company for the Share Buy-back is out of the profits of the Company, such consideration (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the Share Buy-backs is out of the capital reserves of the Company, the amount available for the distribution of cash dividends will not be reduced. However, there will be financial effects, as illustrated at paragraph 3.8.5.

3.8.2 The financial effects on the Company and on the Group arising from Share Buy-backs will depend, *inter alia*, on the number of Shares purchased or acquired, the price paid for such Shares, the manner in which the purchase or acquisition is funded and whether the Shares are cancelled or held in treasury. It is, therefore, not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Buy-back Mandate on the NTA and earnings per Share.

3.8.3 Based on 220,169,774 Shares in issue as at the Latest Practicable Date, the exercise in full of the Share Buy-back Mandate on the Latest Practicable Date would result in the purchase or acquisition of 22,016,977 Shares, representing 10% of the total number of issued Shares.

3.8.4 In the case of an On-Market Share Buy-back, and assuming that the Company purchased or acquired, on the Latest Practicable Date, the 22,016,977 Shares at the Maximum Price of S$0.3560 for each Share (being the price equivalent to 5% above the Average Closing Price), the amount of funds required would be S$7,838,044. In the case of an Off-Market Equal Access Share Buy-back, and assuming that the Company purchased or acquired, on the Latest Practicable Date, the 22,016,977 Shares at the Maximum Price of S$0.3729 for each Share (being the price equivalent to 10% above the Average Closing Price), the amount of funds required would be S$8,210,131.

3.8.5 For illustrative purposes only, on the basis of the assumptions set out above, and based on the audited financial statement of the Group and the Company for the financial year ended 31 December 2017 ("**FY2017**"), and assuming that: (i) purchases of Shares are made to the extent as aforesaid; and (ii) such purchases of Shares are funded wholly by internal resources, the financial effects on the audited financial statements of the Company and the Group for the financial year ended 31 December 2017 would have been as follows:

**ON-MARKET AND OFF-MARKET PURCHASE**

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Before Share Purchase S$'000 | After On-Market Purchase [1] S$'000 | After Off-market Purchase [1] S$'000 | Before Share Purchase S$'000 | After On-Market Purchase [1] S$'000 | After Off-market Purchase[1] S$'000 |
| **As at 31 December 2017** | | | | | | |
| Shareholders' funds | 141,816 | 133,978 | 133,606 | 114,302 | 106,464 | 106,092 |
| Net assets[2] | 141,816 | 133,978 | 133,606 | 114,302 | 106,464 | 106,092 |
| Current assets | 87,188 | 79,350 | 78,978 | 56,146 | 48,308 | 47,936 |
| Current liabilities | 25,193 | 25,193 | 25,193 | 55,320 | 55,320 | 55,320 |
| Total borrowings | 3,333 | 3,333 | 3,333 | - | - | - |
| Cash and cash equivalents | 37,953 | 30,115 | 29,743 | 32,529 | 24,691 | 24,319 |
| Profit attributable to shareholders | 3,133 | 3,133 | 3,133 | 2,249 | 2,249 | 2,249 |
| **Number of Shares** | | | | | | |
| Issued and paid-up share capital (in '000) | 220,170 | 198,153 | 198,153 | 220,170 | 198,153 | 198,153 |
| **Financial ratios** | | | | | | |
| NAV per Share (cents)[3] | 64.41 | 67.61 | 67.43 | 51.92 | 53.73 | 53.54 |
| Gearing ratio (times)[4] | 0.02 | 0.02 | 0.02 | - | - | - |
| Current ratio (times)[5] | 3.46 | 3.15 | 3.13 | 1.01 | 0.87 | 0.87 |
| Profit per Share (cents) | 1.42[6] | 1.58[7] | 1.58[7] | 1.02[6] | 1.13[7] | 1.13[7] |

**Notes:**

(1) The disclosed financial effects remain the same irrespective of whether (i) the purchase of Shares is affected out of capital or profits, or (ii) the purchased Shares are held in treasury or cancelled.
(2) Net assets as disclosed above exclude minority interests.
(3) NAV per share is computed based on the number of shares issued.
(4) Gearing ratio equals to total borrowings divided by shareholders' funds.
(5) Current ratio equals to current assets divided by current liabilities.
(6) The profit per Share was calculated based on the number of Shares in issue of 220,169,774 at the end of FY2017 before adjusting for the share price.
(7) The profit per Share was calculated based on the number of Shares in issue of 198,152,797 at the end of FY2017 before adjusting for the share price.

**Shareholders should note that the financial effects, based on the respective aforementioned assumptions, are for illustrative purpose only. In particular, it is important to note that it is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions that may be made pursuant to the Share Buy-back Mandate on the net asset value per Share and earnings per Share as the resultant effect would depend on factors such as the aggregate number of Shares purchased, the purchase price paid at the relevant time, and the amount borrowed by the Company to fund the purchases or acquisitions, if any. The above analysis is based on the historical FY2017 numbers, and is not necessarily representative of the Company's financial performance in the future.**

It should also be noted that purchases or acquisitions of Shares by the Company pursuant to the Share Buy-back Mandate would only be made in circumstances where it is considered to be in the best interest of the Company, and the purchases or acquisitions of Shares may not be carried out to the full 10% as mandated. Further, the Directors would emphasise that they do not propose to carry out Share Buy-backs to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST.

**3.9 Requirements in the Listing Manual**

3.9.1 Under Rule 884 of the Listing Manual, a listed company may purchase shares by way of On-Market Share Buy-back at a price per share which is not more than 5% above the average closing market price, being the average of the closing market prices of the shares over the last five (5) Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made. The Maximum Price for a Share in relation to On-Market Share Buy-back by the Company, referred to at paragraph 3.2.4 above, conforms to this restriction.

3.9.2 Rule 886 of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.: (i) in the case of an On-Market Share Buy-back, on the Market Day following the day on which the Market Purchase was effected, and (ii) in the case of an Off-Market Equal Access Share Buy-back 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 Listing Manual.

3.9.3 The 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 Buy-back 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) during the two (2) weeks immediately preceding, and up to the time of the announcement of, the Company's results for each of the first three quarters of its financial year and during the one (1) month preceding, and up to the time of announcement of, the Company's results for the full financial year.

**3.10 Take-over implications arising from the Share Buy-back**

3.10.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by a company of shares, a shareholder's proportionate interest in the voting capital of the company increases, such increase will be treated as an acquisition for the purposes of The Singapore Code on Take-overs and Mergers ("**Take-over Code**"). If such increase results in a change of control, or, as a result of such increase, a shareholder or a group of shareholders acting in concert obtains or consolidates control of the company, such shareholder or group of shareholders acting in concert could become obliged to make a mandatory take-over offer under Rule 14 of the Take-over Code.

3.10.2 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 control of that company. Unless the contrary is established, the following

persons will be presumed to be acting in concert, namely, (a) a company with any of its directors, and (b) a company, its parent, Subsidiaries and fellow Subsidiaries, and their Associated Companies and companies of which such companies are Associated Companies, all with each other.

The circumstances under which shareholders (including directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of ordinary shares by the company are set out in the Share Buy-back Guidance Note in Appendix 2 (the "**Guidance Note**") of the Take-over Code.

3.10.3 Effect of Rule 14 and Share Buy-back Guidance Note

The effect of the Guidance Note is that, unless exempted, directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14, if, as a result of the company purchasing or acquiring its ordinary shares, the voting rights of such directors and their concert parties would increase to 30% or more, or if the voting rights of such directors and their concert parties fall between 30% and 50% of the company's voting rights, the voting rights of such directors and their concert parties would increase by 1% in any period of six (6) months.

Under the Guidance Note, a shareholder and persons acting in concert with him will incur an obligation to make a takeover offer after a share buy-back if, *inter alia*, he and persons acting in concert with him who would increase their voting rights to 30% or more as a result of a purchase or acquisition of ordinary shares by the company, has or have acquired any ordinary shares between the date on which they know that the announcement of the share buy-back proposal is imminent and the earlier of the date on which the authority of the share buy-back expires and the date on which the company announces it has bought back such number of shares authorised by shareholders at the latest general meeting or it has decided to cease buying back its shares, as the case may be, or, if they together hold between 30% and 50% of the company's voting rights (who would increase their voting rights by more than 1% as a result of the purchase or acquisition of ordinary shares by the company) has or have acquired any ordinary shares between the date on which they know that the announcement of the share buy-back proposal is imminent and the earlier of the date on which the authority of the share buy-back expires and the date on which the company announces it has bought back such number of shares authorised by shareholders at the latest general meeting or it has decided to cease buying back its shares, as the case may be, if such acquisitions, taken together with the share buy-back, would cause their aggregate voting rights to increase by more than 1% in the preceding six (6) months.

Under the Guidance Note, a shareholder not acting in concert with 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 ordinary shares, the voting rights of such shareholder in the company would increase to 30% or more, or if such shareholder holds between 30% and 50% of the company's voting rights, the voting rights of such shareholder would increase by more than 1% in any period of six (6) months. Such shareholder need not abstain from voting in respect of the resolution authorising the share buy-back mandate.

**3.11 Listing Status of the Ordinary Shares**

3.11.1 The Listing Manual requires a listed company to ensure that at least 10% of its total number of issued shares excluding treasury shares and subsidiary holdings (excluding preference shares and convertible equity securities) in a class that is listed to be held at all times by the public. As at the Latest Practicable Date, there were approximately 162,000,000 Shares in the hands of the public representing approximately 73.7% of the total number of Shares issued by the Company.

3.11.2 The Company is of the view that there is a sufficient number of Shares in issue held by the public which would permit the Company to undertake purchases or acquisitions of its Shares up to the full 10% limit pursuant to the Proposed Share Buy-back Mandate without affecting the listing status of the Shares on the SGX-ST, causing market illiquidity or affecting orderly trading.

### 3.12 Reporting Requirements

Rule 886 of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of an On-Market Share Buy-back, on the Market Day following the day of purchase or acquisition of any of its shares, and (b) in the case of an Off-Market Equal Access Share Buy-back, on the second Market Day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement and the percentage of company's issued shares excluding treasury shares and subsidiary holdings as at the date of the share buy-back resolution (on a cumulative basis), the number of issued shares excluding treasury shares and subsidiary holdings after purchase and the number of treasury shares held after purchase and the number of subsidiary holdings after purchase.

### 3.13 Details of Share Buy-backs in the last twelve (12) months

The Company had not made any Share Buy-back transactions in the twelve (12) months immediately preceding the Latest Practicable Date.

### 3.14 Directors' and Substantial Shareholders' Interests

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

| | Direct Interest | | Deemed Interest | | Number of Shares comprised in outstanding Share Options |
|---|---|---|---|---|---|
| **Director** | **No. of Shares** | **%** | **No. of Shares** | **%** | |
| Jeffrey Hing Yih Peir[(1)] | - | - | 43,333,549 | 19.68 | - |
| James Tham Tuck Choong | 666,666 | 0.3 | - | - | - |
| Tung May Fong | 51,500 | 0.02 | - | - | - |

**Note**:

(1) Mr. Jeffrey Hing Yih Peir's deemed interest is derived as follows:

| | |
|---|---|
| Shares held by Phillip Securities Pte Ltd for Mr. Jeffrey Hing Yih Peir | 40,000,216 |
| Shares held by Citibank Nominees Singapore Pte Ltd for Mdm. Wong Bei Keen (spouse of Jeffrey Hing Yih Peir) | 3,333,333 |
| | **43,333,549** |

3.14.2 **Substantial Shareholders' Interests**

Based on the register maintained by the Company, the Substantial Shareholders' interests in the Shares as at the Latest Practicable Date, were as follows:

| | Direct Interest | | Deemed Interest | | Number of Shares comprised in outstanding Share Options |
|---|---|---|---|---|---|
| **Substantial Shareholder** | **No. of Shares** | **%** | **No. of Shares** | **%** | |
| Jeffrey Hing Yih Peir [(1)] | - | - | 43,333,549 | 19.68 | - |
| KS Investments Pte Ltd | 13,744,583 | 6.24 | - | - | - |
| Keppel Offshore & Marine Ltd [(2)] | - | - | 13,744,583 | 6.24 | - |
| Keppel Corporation Limited [(2)] | - | - | 13,744,583 | 6.24 | - |
| Temasek Holdings (Pte) Ltd [(2)] | - | - | 13,744,583 | 6.24 | - |

**Notes**:

(1) Mr. Jeffrey Hing Yih Peir's deemed interest is derived as follows:

| | |
|---|---|
| Shares held by Phillip Securities Pte Ltd for Mr. Jeffrey Hing Yih Peir | 40,000,216 |
| Shares held by Citibank Nominees Singapore Pte Ltd for Mdm. Wong Bei Keen (spouse of Jeffrey Hing Yih Peir) | 3,333,333 |
| | **43,333,549** |

(2) Keppel Offshore & Marine Ltd, Keppel Corporation Limited and Temasek Holdings (Pte) Ltd are deemed to be interested in the shares owned by KS Investments Pte Ltd by virtue of section 7 of the Companies Act.

In the event the Company undertakes the Share Buy-backs of up to 10% of the total number of issued Shares of the Company as at the date of the AGM as permitted by the Share Buy-back Mandate, none of the Directors and Substantial Shareholders would be required to make a mandatory take-over offer under the Take-over Code.

### 3.15 Obligation to make a Take-over Offer

The interests of the respective Substantial Shareholders of the Company are set out at paragraph 3.14 above.

The Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Buy-back Mandate.

**Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Buy-back Mandate are advised to consult their professional advisers and/or the Securities Industry Council before they acquire any Shares in the Company during the period when the Share Buy-back Mandate is in force.**

### 3.16 Rationale

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

(a) The Directors are of the view that the Company should constantly strive to increase Shareholders' value and to improve, *inter alia*, the return on equity ("**ROE**") of the Group. Share Buy-backs, at the appropriate price level is one of the ways through which the ROE of the Group may be enhanced.

(b) The Share Buy-back Mandate will enable the Directors to return part of the Group's surplus funds, in excess of the financial and possible investments needs of the Group, to the Shareholders. It is an expedient and cost-efficient way of returning surplus cash to the Shareholders.

(c) Pursuant to the terms of the Company's existing share performance plan, the Company may purchase or acquire Shares from the market for the purpose of an award of Shares granted under the terms and conditions of the share performance plan.

## 4. PROPOSED CHANGE OF AUDITORS

### 4.1 Background and Rationale

At the last AGM of the Company held on 27 April 2017, EY was re-appointed as auditors of the Company to hold office until the close of the next AGM of the Company. EY has been auditors of the Group since 2002.

The Audit Committee reviews the independence and objectivity of the auditors annually. As part of ongoing good corporate governance initiatives, the Audit Committee was of the view that it would be timely to consider a change of auditors of the Company for the financial year ending 31 December 2018. Accordingly, the Audit Committee invited a number of established accounting firms to submit their proposals to the Company.

Following the evaluation of the proposals received from established accounting firms and after due deliberation, the Audit Committee is of the view that PKF will be a suitable auditor for the Company and that a change of auditors will enable the Company to benefit from fresh perspectives and views of another professional audit firm and enhance the value of the audit.

After due deliberation, the Board, at the recommendation of the Audit Committee, recommends that PKF be appointed the auditors of the Company for the financial year ending 31 December 2018 in place of EY. In assessing the suitability of PKF as auditors of the Company, the Board and the Audit Committee, considered, *inter alia*, various factors such as the adequacy of resources and experience of PKF and that the audit engagement partner assigned to the audit has the appropriate level of experience and that there will be suitably experienced supervisory and professional staff assigned to the audit, having due regard to the size, business and complexity of the Group. Following the review, the Board and the Audit Committee, are of the opinion that PKF will be able to meet the existing needs and audit requirements of the Group. The scope of audit services to be provided by PKF will be comparable to the current services provided by EY.

With this recommendation of the Board, and in compliance with Section 205(11) of the Companies Act, our Chairman, Jeffrey Hing Yih Peir, who is a controlling shareholder of the Company, gave a notice of nomination dated 16 March 2018 nominating PKF to be appointed as the proposed new auditors of the Company for approval of Shareholders at this forthcoming AGM. A copy of the notice of nomination is attached hereto as **Annex**.

As part of the rotation of the auditors, the Company will, at the forthcoming AGM, propose to appoint PKF as its new auditors in place of EY. PKF has given their consent to act as auditors of the Company. The change of auditors is subject to approval of the Shareholders at the AGM of the Company, and upon approval being obtained from Shareholders for the proposed change of auditors, PKF will hold office until the conclusion of the next AGM. In view of the above, EY will retire and will not seek re-appointment as auditors of the Company at the forthcoming AGM, being the end of their current term. The Board wishes to express its appreciation for the past services rendered by EY.

### 4.2 Information on PKF

PKF is a member firm of PKF International Limited, a global network of accountancy firms with over 400 offices in 119 countries, and with 14,500 partners and staff.

As a firm of chartered accountants in Singapore, PKF is registered with ACRA. PKF, together with its affiliated entities has 9 partners, 18 managers/directors and more than 70 professional staff servicing a wide array of auditing, accounting, taxation, corporate secretarial and advisory clients in diversified industries such as agriculture, statutory boards, education, trading and distribution, manufacturing, healthcare, shipping, hospitality, fund management, technology, mining and construction.

Mr. Lee Eng Kian ("**Mr. Lee**"), the partner and head of assurance and advisory division of PKF, will be assigned to the audit of the Group. Mr. Lee has more than 20 years of experience in providing audit and advisory services to a variety of clients, including public companies listed on the SGX-ST which are involved in activities similar to those of the Company. He is also experienced in the review of business and process risks and related controls. Mr. Lee is a practising member of the Institute of Singapore Chartered Accountants and is a public accountant registered with ACRA.

More information about PKF, its core values and services, are provided at PKF's website at: http://www.pkfsingapore.com/.

### 4.3 Opinion of Audit Committee

The Audit Committee has reviewed and deliberated, and after taking into consideration the suitability of PKF and compliance with the Listing Manual, has recommended the proposed change of auditors.

### 4.4 Opinion of Directors

The Board has taken into account the Audit Committee's recommendation and considered the following factors:

(a) the adequacy of the resources and experience of PKF;

(b) the audit engagement partner assigned to the audit;

(c) the other audit engagements of PKF;

(d) the size and complexity of the Group's operations;

(e) the number and experience of supervisory and professional staff assigned to the audit of the financial statements of the Group; and

(f) the Audit Quality Indicators Report provided by PKF which is in line with the Audit Quality Indicators Disclosure Framework issued by ACRA,

and are of the opinion that PKF will be able to meet the audit requirements of the Group under Rule 712 of the Listing Manual and that the change of auditors will be in the best interest of the Company. Accordingly, the Board recommends that Shareholders vote in favour of the ordinary resolution appointing PKF as auditors in place of the retiring auditors, EY, to be proposed at the forthcoming AGM.

### 4.5 Confirmations

In accordance with the requirements of Rule 1203(5) of the Listing Manual:

(a) the outgoing auditors, EY, has confirmed to PKF that it is not aware of any professional reasons why the new auditors, PKF, should not accept the appointment as auditors of the Company;

(b) the Company confirms that there were no disagreements with EY on accounting treatments within the last 12 months of the date of this Letter;

(c) the Company confirms that it is not aware of any circumstances connected with the proposed change of auditors that should be brought to the attention of the Shareholders which has not been disclosed in this Letter;

(d) the specific reasons for the proposed change of auditors are disclosed in Section 4.1 above; and

(e) the Company confirms that it is in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of PKF as auditors of the Company.

## 5. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy or proxies to attend and vote on his behalf, he should complete, sign and return the accompanying Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the corporate office of the Company at 18 Tuas Basin Link, Singapore 638784, not less than 72 hours before the time for holding the AGM. The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting in person at the AGM if he subsequently wishes to do so.

## 6. ANNUAL GENERAL MEETING

The AGM, the notice of which is appended to the annual report of the Company for FY2017, will be held at 18 Tuas Basin Link, Singapore 638784 on 24 April 2018 at 10.30 a.m. for the purposes of considering and, if thought fit, passing with or without any modification, the resolutions set out in the Notice of AGM. A Depositor shall not be regarded as a Shareholder entitled to attend the AGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP as at 72 hours before the AGM.

## 7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors 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 IPT Mandate, the proposed renewal of the Share Buy-back Mandate and the proposed change of auditors. 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.

## 8. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company during normal office hours from the date of this Letter:

(a) the Constitution;

(b) the annual report of the Company for FY2017;

(c) the professional clearance letter issued by EY to PKF; and

(d) the consent letter to act as auditors from PKF

Yours faithfully

For and on behalf of the Board of
**PENGUIN INTERNATIONAL LIMITED**

James Tham Tuck Choong
Managing Director

## NOTICE OF NOMINATION FROM SHAREHOLDER

16 March 2018

The Board of Directors
Penguin International Limited
18 Tuas Basin Link
Singapore 638784

Dear Sirs

**NOTICE OF NOMINATION**

Pursuant to the provisions of Section 205 of the Companies Act, Chapter 50 of Singapore, I, Jeffrey Hing YihPeir, in my capacity as a controlling shareholder of Penguin International Limited (the "**Company**"), hereby give notice of my nomination of PKF-CAP LLP of 6 Shenton Way, #38-01 , OUE Downtown 1, Singapore 068809 for appointment as auditor of the Company in place of its retiring auditor, Ernst & Young LLP, at the forthcoming annual general meeting of the Company on 24 April 2018 or any adjournment thereof.

Yours faithfully,



**Jeffrey Hing Yih Peir**
Controlling Shareholder, Penguin International Limited




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