ROTARY ENGINEERING LIMITED.

Company Registration No. 198000255E
(Incorporated in the Republic of Singapore)

Directors:

Roger Chia Kim Piow (Executive Chairman & Managing Director)
Chia Kim Chua (Executive Director)
Jenny Wong Oi Moi (Non-Executive Director)
Badri Narayanan Santhana Krishnan (Non-Executive Director)
Keith Tay Ah Kee (Independent Director)
Lam Khin Khui (Independent Director)

Registered Office:

17 Tuas Avenue 20
Singapore 638828

11 April 2017

To: The Shareholders of Rotary Engineering Limited ("**Shareholders**")

Dear Shareholder

PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE

We refer to the Notice of Annual General Meeting ("**Notice of AGM**") of Rotary Engineering Limited ("**Company**") dated 11 April 2017 in respect of the annual general meeting ("**AGM**") to be held on 26 April 2017 at 10am ("**2017 AGM**") and Ordinary Resolution 8 set out in the Notice of AGM ("**Resolution 8**").

1. Background

Shareholders had approved a general mandate ("**2009 Share Buy-back Mandate**") at the extraordinary general meeting of the Company held on 22 April 2009 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 2009 Share Buy-back Mandate was renewed on the same terms at the Company's 36th AGM on 21 April 2016 ("**2016 Renewal Mandate**") and will expire on the forthcoming AGM unless renewed by the Shareholders.

Accordingly, the Directors propose to seek the approval of Shareholders for the renewal of the 2009 Share Buy-back Mandate as renewed under the 2016 Renewal Mandate ("**Renewed Share Buy-back Mandate**"), to take effect and continue in force until the conclusion of the next AGM of the Company in 2018. The proposed Renewed Share Buy-back Mandate is set out in **Resolution 8**. The purpose of this letter is to provide Shareholders with information on and the basis for the proposed Renewed Share Buy-back Mandate which Shareholders should note, have not changed from that of the 2009 Share Buy-back Mandate and 2016 Renewal Mandate.

2. Rationale for the proposed Renewed Share Buy-back Mandate

The proposed Renewed Share Buy-back Mandate will give the Directors the flexibility to purchase or acquire Shares if and when circumstances permit. The rationale for the Company to undertake any buy-back of its Shares are as follows:

(a) in managing its business, the Company and its subsidiaries ("**Group**") always strive to increase shareholder value by improving, *inter alia*, the return on equity of the Group ("**ROE**") and a share purchase is one way by which ROE may be enhanced;

(b) the Renewed Share Buy-back Mandate will give the Company greater flexibility over management of capital and maximising returns to Shareholders. In particular, the Renewed Share Buy-back Mandate will facilitate the return of funds, which are in excess of the Company's financial and investment needs, to Shareholders in an expedient and cost-efficient manner;

(c) it helps the Company to minimise the dilution impact (if any) arising from employee share schemes, and

(d) share buy-back programmes help to buffer short-term share price volatility.

While the Renewed Share Buy-back Mandate would authorise a purchase or acquisition of Shares by the Company up to the said 10% limit described in paragraph 3(a) below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Renewed Share Buy-back Mandate may not be carried out to the full 10% limit as authorised and no purchases or acquisitions of Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of the Group as a whole.

3. Authority and Limits of the Renewed Share Buy-back Mandate

Any purchase or acquisition of Shares by the Company shall be made in accordance with, and in the manner prescribed by the Companies Act (Cap. 50) of Singapore ("**Act**"), the Company's constitution and the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), in particular, Rule 883, and such other laws and regulations as may for the time being, be applicable. The authority and limitations placed on purchases or acquisitions of Shares by the Company under the proposed Renewed Share Buy-back Mandate are summarised below:

(a) **Maximum Number of Shares**

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

In accordance with Rule 882 of the Listing Manual, the total number of Shares which may be purchased or acquired by the Company pursuant to the proposed Renewed Share Buy-back Mandate shall not exceed ten per cent (10%) of the issued ordinary share capital of the Company as at the date of the passing of Resolution 8 set out in the Notice of AGM ("**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.

Purely for illustrative purposes, on the basis of 567,518,000 Shares in issue as at 13 March 2017 ("**Latest Practicable Date**") and assuming that no further Shares are issued on or prior to the 2017 AGM, not more than 56,751,800 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the proposed Renewed Share Buy-back Mandate.

(b) **Duration of Authority**

The authority conferred on the Directors pursuant to the proposed Renewed Share Buy-back Mandate, unless varied or revoked by the Company in a general meeting, may be exercised by the Directors at any time and from time to time during the period commencing from the obtaining of the proposed Renewed Share Buy-back Mandate and expiring on the earliest of:

(i) the conclusion of the next AGM of the Company or the date by which such AGM is required to be held;

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Renewed Share Buy-back Mandate are carried out to the full extent mandated, or

(iii) the date on which the authority contained in the Renewed Share Buy-back Mandate is varied or revoked by ordinary resolution of the Company in a general meeting.

The proposed Renewed Share Buy-back Mandate may be renewed at each AGM 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 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 Renewed Share Buy-back Mandate, the Listing Manual, the 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 in respect of all persons offered, 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 in board lots of 100 Shares after the Share purchases, in the event there are offeree Shareholders holding odd numbers of Shares.

Under the 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), (5) and (6) of the Listing Manual.

(aa) the reasons for the proposed share buy-back;

(bb) the consequences, if any, of share purchases by the Company that will arise under the Takeover Code or other applicable takeover rules;

(cc) whether the share buy-back, if made, could affect the listing of the Company's equity securities on the SGX-ST;

(dd) details of any share buy-back made by the Company in the previous 12 months (whether market acquisitions or off-market acquisitions in accordance with an equal access scheme), giving the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases, and

(ee) whether the shares purchased by the Company will be cancelled or kept as treasury shares.

(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, 110% 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 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. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company, which are cancelled and are not held as treasury shares. All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Act) will be automatically de-listed by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

5. Treasury Shares Held by the Company

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Act are summarised 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 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. A subdivision or consolidation of any treasury share into treasury shares of a 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.

(c) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time, but subject always to the Singapore Code on Take-overs and Mergers ("**Take-over Code**"):

(i) sell the treasury shares for cash;

(ii) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;

(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

The Company may purchase or acquire its own Shares out of capital, as well as from its profits. The Company intends to use internal sources of funds, i.e. its cash and bank balances to finance any purchases of its Shares. The Directors do not propose to exercise the Renewed Share Buy-back Mandate to such an extent that it would materially affect the working capital requirements or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Group.

(a) If Shares are purchased out of capital and cancelled, the Company's total issued share capital will be diminished by the total amount and number of the Shares purchased by the Company. The purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the funds of the Company otherwise available for dividend or distribution.

(b) Solvency Test

Under the 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:

(i) there is no ground on which the Company could be found to be unable to pay its debts;

(ii) if it is intended to commence winding up of the Company within the period of twelve (12) months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of twelve (12) months after the date of commencement of the winding up or if it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of twelve (12) months immediately after the date of the payment; or

(iii) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase, acquisition or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

7. Financial Effects

The financial effects on the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Renewed Share Buy-back Mandate will depend on, *inter alia,* whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired and the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The illustrative financial effects on the Group, based on the audited financial statements of the Group for the financial year ended 31 December ("**FY**") 2016, after adjusting for the purchase of 56,751,800 Shares by way of Market Purchases amounting to S$23,835,756 subsequent to 21 April 2016 and up to the Latest Practicable Date are based on the assumptions set out below.

(a) Purchase or Acquisition out of Profits and/or Capital

Under the Act, purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of 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 dividends by the Company will not be reduced.

As stated in paragraph 6 above, the intention of the Company in the foreseeable future is to only purchase or acquire its own shares out of capital.

(b) Number of Shares Acquired or Purchased

Based on the number of issued Shares as at the Latest Practicable Date and on the assumptions set out in paragraph 3(a) above, 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 56,751,800 Shares.

(c) Maximum Price Paid for Shares Acquired or Purchased

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 56,751,800 Shares at the maximum price of S$0.42 for one Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 56,751,800 Shares is S$23,835,756.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 56,751,800 Shares at the maximum price of S$0.44 for one Share (being the price equivalent to 110% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 56,751,800 Shares is S$24,970,792.

(d) Illustrative Financial Effects

The financial effects on the Group arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Renewed Share Buy-back Mandate will depend on, *inter alia*, whether the purchase or acquisition is made out of profits and/or capital, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time and whether the Shares purchased or acquired are cancelled or held in treasury.

For illustrative purposes only and on the basis of the assumptions set out in paragraphs 7(b) and 7(c) above and on the basis that the purchase or acquisition of Shares will only be made out of capital, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Renewed Share Buy-back Mandate on the audited financial statements of the Group for FY2016, are set out below and assuming the following:

(i) the purchase or acquisition of 56,751,800 Shares by the Company pursuant to the Renewed Share Buy-back Mandate by way of Market Purchases made out of capital and cancelled, and

(ii) the purchase or acquisition of 56,751,800 Shares by the Company pursuant to the Renewed Share Buy-back Mandate by way of Market Purchases made out of capital and held in treasury.

Scenario 1

Market Purchases of up to a maximum of 10% made out of capital and cancelled

	Group		Company	
S$'000	**Before Buy-back**	**After Buy-back**	**Before Buy-back**	**After Buy-back**
Share Capital	89,365	65,529	89,365	65,529
Other Reserves	(125,775)	(125,775)	–	–
Accumulated Profits	197,169	197,169	60,743	60,743
Treasury Shares	(161)	(161)	(161)	(161)
	160,598	136,762	149,947	126,111
Minority Interests	1,772	1,772	–	–
Total Equity	162,370	138,534	149,947	126,111
Net Assets	162,370	138,534	149,947	126,111
Current Assets	236,542	212,706	223,584	199,748
Current Liabilities	174,563	174,563	135,859	135,859
Total Borrowings	21,220	21,220	14,404	14,404
Cash and Cash Equivalents	86,021	62,185	29,139	5,303
Number of Shares ('000)	567,518	510,766	567,518	510,766
Financial Ratios				
Basic EPS (cents)	2.00	2.22	2.66	2.96
NAV per Share (cents)	28.30	26.78	26.42	24.69
Net Gearing Ratio[(1)] (%)	13%	15%	10%	11%
Current Ratio (times)	1.36	1.22	1.65	1.47

Note:

(1) Net Gearing Ratio means the ratio of net borrowings to the Shareholders' funds, including minority interests.

Scenario 2

Market Purchases of up to a maximum of 10% made out of capital and held as treasury shares

	Group		Company	
S$'000	**Before Buy-back**	**After Buy-back**	**Before Buy-back**	**After Buy-back**
Share Capital	89,365	89,365	89,365	89,365
Other Reserves	(125,775)	(125,775)	–	–
Accumulated Profits	197,169	197,169	60,743	60,743
Treasury Shares	(161)	(23,997)	(161)	(23,997)
	160,598	136,762	149,947	126,111
Minority Interests	1,772	1,772	–	–
Total Equity	162,370	138,534	149,947	126,111
Net Assets	162,370	138,534	149,947	126,111
Current Assets	236,542	212,706	223,584	199,748
Current Liabilities	174,563	174,563	135,859	135,859
Total Borrowings	21,220	21,220	14,404	14,404
Cash and Cash Equivalents	86,021	62,185	29,139	5,303
Number of Shares ('000)	567,518	510,766	567,518	510,766
Financial Ratios				
Basic EPS (cents)	2.00	2.22	2.66	2.96
NAV per Share (cents)	28.30	26.78	26.42	24.69
Net Gearing Ratio[(1)] (%)	13%	15%	10%	11%
Current Ratio (times)	1.36	1.22	1.65	1.47

Note:

(1) Net Gearing Ratio means the ratio of net borrowings to the Shareholders' funds, including minority interests.

The financial effects set out above are for illustrative purposes only. Although the Renewed Share Buy-back Mandate would authorise the Company to purchase or acquire Shares up to the Maximum Limit, the Company may not necessarily purchase or acquire or be able to purchase or acquire Shares up to the Maximum Limit. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

8. Requirements in the Listing Manual

The Listing Rules requires a listed company to ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed, is at all times held by the public. As at the Latest Practicable Date, the Substantial Shareholders of the Company have a direct/deemed interest in 321,860,332 Shares representing approximately 56.71% of the Shares in issue. Approximately 39.14% of the issued Shares are held by public shareholders.

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

9. Take-over Implications

Appendix 2 of the Take-over Code ("**Appendix 2**") contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase by the Company of its Shares are set out below:

(a) 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, unless the conditions for exemption pursuant to paragraph 3(a) of Appendix 2 are satisfied.

(b) 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), cooperate, 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 Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

(i) the following companies:

(aa) a company;

(bb) the parent company of (aa);

(cc) the subsidiaries of (aa);

(dd) the fellow subsidiaries of (aa);

(ee) the associated companies of any of (aa), (bb), (cc) or (dd);

(ff) companies whose associated companies include any of (aa), (bb), (cc), (dd) or (ee); or

(gg) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;

(ii) 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);

(iii) directors of a company, together with their close relatives, related trusts and companies controlled by any of the foregoing, which is subject to an offer or where they have reason to believe a *bona fide* offer for their company may be imminent, and

(iv) an individual and his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

The circumstances under which the Shareholders (including the Directors) and persons acting in concert with them respectively will be exempted from 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 Appendix 2.

(c) Effect of Rule 14 and Appendix 2

With effect from 9 April 2012, and in general terms, the effect of Rule 14 and Appendix 2 is that, the Directors and persons acting in concert with them will be exempted from an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months, provided that the conditions for exemption set out in paragraph 3(a) of Appendix 2 are satisfied. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

(d) Exemptions from the Requirement to Make a General Offer Pursuant to Appendix 2

The deemed and direct interests of Roger Chia Kim Piow, Chia Kim Chua, Jenny Wong Oi Moi ("**Chia Family Shareholders**") and REL Investments Pte Ltd ("**REL**") (collectively, the "**Relevant Parties**") are set out in paragraph 14 below. As at the Latest Practicable Date, they have an aggregate direct interest in 222,751,844 Shares, representing 39.25% (ie. between 30% and 50%) in the total voting rights of the Company. **In the event that there is a purchase by the Company of up to the maximum limit of 10% of its issued Shares, ie. 56,751,800 Shares within any 6 month period as permitted by the Share Buy-back Mandate, the voting rights of the Relevant Parties are expected to increase by more than 1% within a 6 month period.**

For illustration, and based on the direct holdings of Shares of the Relevant Parties as at the Latest Practicable Date, and assuming that:

(i) there is no change in their direct holdings of Shares between the Latest Practicable Date and the date of the AGM, and

(ii) no new Shares are issued by the Company between the Latest Practicable Date and the date of the AGM,

the respective holdings of Shares of the Relevant Parties as at the date of the 2017 AGM and after the purchase by the Company of 10% of the issued Shares pursuant to the Renewed Share Buy-back Mandate would be as follows:

	Before Share Buy-back (as at the date of the 2016 AGM)		After Share Buy-back	
	Number of Shares	% of total issued Shares[(1)]	Number of Shares	% of total issued Shares[(2)]
Roger Chia Kim Piow	28,085,916	4.95	28,085,916	5.50
Chia Kim Chua	22,242,400	3.92	22,242,400	4.35
Jenny Wong Oi Moi	6,972,896	1.23	6,972,896	1.37
REL Investments Pte Ltd	165,450,632	29.15	165,450,632	32.39
Total	**222,751,844**	**39.25**	**222,751,844**	**43.61**

Notes:

(1) As a percentage of the total 567,518,000 issued Shares as at the Latest Practicable Date.

(2) As a percentage of the total 510,766,200 issued Shares (after the purchase, assuming that the Company purchases the maximum number of 56,751,800 Shares under the Renewed Share Buy-back Mandate).

Pursuant to paragraph 3(a) of Appendix 2, for Market Purchases or Off-Market Purchases by a listed company, directors and persons acting in concert with them will be exempted from the requirements to make an offer under Rule 14, subject to the following conditions:

(i) the circular to shareholders on the resolution to approve the share buy-back mandate to contain advice to the effect that by voting for the resolution, shareholders are waiving their rights to a general offer at the required price from directors and parties acting in concert with them, who, as a result of the company buying back its shares would increase their voting rights to 30% or more, or, if they together hold between 30% and 50% of the company's voting rights, would increase their voting rights by more than 1% in any period of 6 months; and the names of such directors and persons acting in concert with them, their voting rights at the time of the resolution and after the proposed buy-back to be disclosed in the same circular;

(ii) the resolution to authorise a share buy-back to be approved by a majority of those shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the share buy-back;

(iii) directors and/or persons acting in concert with them to abstain from voting for and/or recommending the shareholders to vote in favour of the resolution to authorise the share buy-back;

(iv) within 7 days after the passing of the resolution to authorise a buy-back, each of the directors to submit to the Securities Industry Council ("**SIC**"), a duly signed form as prescribed by SIC;

(v) directors and/or persons acting in concert with them not to have acquired and not to acquire any shares between the date on which they know that the announcement of the share buy-back proposal is imminent and the earlier of:

(aa) the date on which the authority of the share buy-back expires; and

(bb) the date on which the company announces it has bought back such number of shares as 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 buy-back, would cause their aggregate voting rights to increase to 30% or more, and

(vi) directors and/or persons acting in concert with them, together holding between 30% and 50% of the company's voting rights, not to have acquired and not to acquire any shares between the date on which they know that the announcement of the share buy-back proposal is imminent and the earlier of:

(aa) the date on which the authority of the share buy-back expires; and

(bb) the date on which the Company announces it has bought back such number of shares as 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 buy-back, would cause their aggregate voting rights to increase by more than 1% in the preceding 6 months.

It follows that where the aggregate voting rights held by a director and persons acting in concert with him increase by more than 1% solely as a result of the share buy-back and none of them has acquired any shares during the relevant period defined above, then such director and/or persons acting in concert with him would be eligible for SIC's exemption from the requirement to make a general offer under Rule 14, or where such exemption had been granted, would continue to enjoy the exemption.

Shareholders should note that by voting for the Renewed Share Buy-Back Mandate, they will be unconditionally and irrevocably waiving their right to receive a mandatory general take-over offer at the required price from the Relevant Parties in the circumstances set forth above. Such a take-over offer, if required to be made and had not been exempted pursuant to the provisions of paragraph 3(a) of Appendix 2, would have to be made in cash or to be accompanied by a cash alternative at not less than the highest price (excluding stamp duty and commission) paid by the Relevant Parties or the Company for any Share within the preceding 6 months.

Save as disclosed 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 not 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 Renewed Share Buy-back Mandate.

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

10. Announcement Requirements

The Listing Rules specify that a listed company shall announce all purchases or acquisitions of its shares not later than 9.00 am (a) in the case of a Market Purchase, 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 Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement 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 (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase.

11. No Purchases during Price Sensitive Developments.

While the Listing Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Renewed Share Buy-back Mandate at any time after a price sensitive development has occurred or has been the subject of a decision, until the price sensitive information has been publicly announced.

In particular, the Company would not purchase or acquire any Shares through Market Purchases during the period of one month immediately preceding the announcement of the Company's full-year results and the period of two weeks before the announcement of each of the first three quarters of its financial year.

12. 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.

For Market Purchases, 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 Renewed 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 fulfilment 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 authorised 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 Renewed 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 Renewed 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.

13. Shares Purchased by the Company

The Company has not bought back any Shares by way of Market Purchase in the last 12 months preceding the Latest Practicable Date.

14. Directors' and Substantial Shareholders' Interests

(a) **Directors' Interests.** As at the Latest Practicable Date, the Directors' interests in Shares as shown in the Register of Directors are as follows:

	Direct Interest		Deemed Interest	
Director	No of Shares	%	No of Shares	%
Roger Chia Kim Piow[1]	28,085,916	4.95	172,423,528	30.38
Chia Kim Chua[2]	22,242,400	3.92	–	–
Lam Khin Khui	842,800	0.15	–	–
Keith Tay Ah Kee	459,200	0.08	–	–
Jenny Wong Oi Moi[3]	6,972,896	1.23	193,536,548	34.10
Badri Narayanan Santhana Krishnan	–	–	–	–

Notes:

(1) Roger Chia Kim Piow is deemed to have an interest in the Shares held by his spouse, Jenny Wong Oi Moi and REL Investments Pte Ltd.

(2) Roger Chia Kim Piow and Chia Kim Chua are brothers.

(3) Jenny Wong Oi Moi is deemed to have an interest in the Shares held by her spouse, Roger Chia Kim Piow and REL Investments Pte Ltd.

Save for their respective interests in the Company, none of the Directors has any other direct or indirect interest in the proposed Renewed Share Buy-back Mandate.

(b) **Substantial Shareholders' Interests.** As at the Latest Practicable Date, the Substantial Shareholders' interests in Shares as shown in the Register of Substantial Shareholders are as follows:

	Direct Interest		Deemed Interest	
Substantial Shareholder	**No of Shares**	**%**	**No of Shares**	**%**
Roger Chia Kim Piow[1]	28,085,916	4.95	172,423,528	30.38
Jenny Wong Oi Moi[2]	6,972,896	1.23	193,536,548	34.10
REL Investments Pte Ltd	165,450,632	29.15	–	–
Funderburk Asia-Pac Investments I Limited[3]	121,350,888	21.38	–	–
Oman Investment Fund	–	–	121,350,888	21.38

Notes:

(1) Roger Chia Kim Piow is deemed to have an interest in the Shares held by his spouse, Jenny Wong Oi Moi and REL Investments Pte Ltd.

(2) Jenny Wong Oi Moi is deemed to have an interest in the Shares held by her spouse, Roger Chia Kim Piow and REL Investments Pte Ltd.

(3) Funderburk Asia-Pac Investments I Limited is the wholly owned subsidiary of Oman Investment Fund.

Save for their respective interests in the Company, none of the Substantial Shareholders has any other direct or indirect interest in the proposed Share Buy-back Mandate.

15. Directors' Recommendations

The following Directors: Badri Narayanan Santhana Krishnan, Keith Tay Ah Kee and Lam Khin Khui are of the opinion that it will be in the interests of the Company to put the proposed Renewed Share Buy-Back Mandate in place. Accordingly, they recommend that Shareholders vote in favour of **Resolution 8**, being the Ordinary Resolution, **to be approved on a poll taken**, relating to the proposed adoption of the Renewed Share Buy-Back Mandate, to be proposed at the 2017 AGM.

As Roger Chia Kim Piow, Chia Kim Chua and Jenny Wong Oi Moi are deemed to be persons acting in concert with the Substantial Shareholder, REL Investments Pte Ltd, by virtue of their shareholdings therein, they are required under Note 3(iii) of Appendix 2 of the Take-over Code to abstain from voting for and/or recommending that Shareholders vote in favour of Resolution 8 and/or acting as proxies in respect of Resolution 8.

16. 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 Renewed Share Buy-back Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this 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.

17. Disclaimer

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this letter.

18. Documents for Inspection

The following documents may be inspected at the registered office of the Company at 17 Tuas Avenue 20, Singapore 638828 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 FY2016.

Yours faithfully,
For and on behalf of
The Board of Directors

Roger Chia Kim Piow
Executive Chairman and Managing Director