

CIRCULAR DATED 13 APRIL 2015

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

THIS CIRCULAR IS ISSUED BY KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED (THE "COMPANY"). IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Unless otherwise stated, capitalized terms on this cover are defined in this Circular under the Section entitled "DEFINITIONS".

If you have sold or transferred all of your ordinary shares in the capital of the Company held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all of your ordinary shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Circular together with the Notice of the Extraordinary General Meeting and the attached Proxy Form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The Circular has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements made, reports contained/referred to, or opinions expressed in this Circular.

*This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Canaccord Genuity Singapore Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this Circular. The contact person for the Sponsor is Ms Alice Ng, Director and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.*



KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

(Company Registration Number: 201311482K)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE

IMPORTANT DATES AND TIMES

- | | | |
|--|---|---|
| Last date and time for lodgement of Proxy Form | : | 27 April 2015 at 10.00 a.m. |
| Date and time of Extraordinary General Meeting | : | 29 April 2015 at 10.00 a.m. (or such time immediately following the conclusion or adjournment of the AGM to be held at 9.30 a.m. on the same day and at the same place) |
| Place of Extraordinary General Meeting | : | Jurong Country Club, Ficus Rooms 2 & 3, Level 2, 9 Science Centre Road, Singapore 609078 |

CONTENTS

	Page
DEFINITIONS	3
LETTER TO SHAREHOLDERS	
1. INTRODUCTION	6
2. PROPOSED SHARE BUYBACK MANDATE	6
3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	21
4. ABSTENTION FROM VOTING	22
5. DIRECTORS' RECOMMENDATION	23
6. ACTION TO BE TAKEN BY SHAREHOLDERS	23
7. INSPECTION OF DOCUMENTS	23
8. DIRECTORS' RESPONSIBILITY STATEMENT	23
NOTICE OF EXTRAORDINARY GENERAL MEETING	N-1
PROXY FORM	

DEFINITIONS

Unless otherwise stated, the following definitions apply throughout this Circular:

“AGM”	:	The annual general meeting of the Company to be convened on 29 April 2015 at 9.30 a.m.
“ACRA”	:	The Accounting and Corporate Regulatory Authority
“Approval Date”	:	The date on which the Share Buyback Mandate is approved by the Shareholders at the EGM
“Articles of Association”	:	The Articles of Association of the Company, as may be amended, supplemented, or modified from time to time
“Board”	:	The board of Directors of the Company as at the date of this Circular
“Catalist Rules”	:	Section B: Rules of Catalist of the Listing Manual of the SGX-ST, as may be amended, varied, supplemented, or modified from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 13 April 2015
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as may be amended or modified from time to time
“Company”	:	Kim Heng Offshore & Marine Holdings Limited
“Controlling shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over the Company
“Director(s)”	:	The director(s) of the Company as at the date of this Circular
“EGM”	:	The extraordinary general meeting of the Company to be held on 29 April 2015, notice of which is set out on pages N-1 to N-3 of this Circular
“EPS”	:	Earnings per Share
“FY”	:	Financial year of the Company ended or ending 31 December as the case may be
“Group”	:	The Company and its subsidiaries
“Independent Director”	:	An independent director of the Company as at the date of this Circular
“Latest Practicable Date”	:	27 March 2015, being the latest practicable date prior to the printing of this Circular
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Market Purchase”	:	Has the meaning ascribed to it in Section 2.3.3 of this Circular

DEFINITIONS

“Maximum Price”	:	Has the meaning ascribed to it in Section 2.3.4 of this Circular
“Memorandum”	:	The memorandum of association of the Company, as may be amended, supplemented, or modified from time to time
“NAV”	:	Net asset value
“Notice of EGM”	:	The notice of the EGM of the Company as set out on pages N-1 to N-3 of this Circular
“NTA”	:	Net tangible assets
“Off-Market Purchase”	:	Has the meaning ascribed to it in Section 2.3.3 of this Circular
“Proxy Form”	:	The proxy form sent with the Notice of EGM
“Relevant Period”	:	The period commencing from the date when the EGM is held and expiring on the date when the next annual general meeting of the Company is or required by law to be held, whichever is the earlier, after the resolution authorizing the Share Buyback Mandate is passed
“S\$” and “cents”	:	Singapore dollars and cents respectively, being the lawful currency of Singapore
“Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289) of Singapore, as may be amended or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Buyback”	:	The purchase or acquisition of Shares by the Company pursuant to the terms of the Share Buyback Mandate
“Share Buyback Mandate”	:	The general mandate given by Shareholders (including the subsequent renewal thereof if approved by Shareholders) that authorizes the Directors to purchase or acquire Shares in accordance with the terms set out in this Circular, as well as rules and regulations set forth in the Companies Act and the Catalist Rules
“Share(s)”	:	Ordinary share(s) in the capital of the Company
“Shareholder(s)”	:	Registered holders of Shares in the register of members of the Company, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose securities accounts maintained with CDP are credited with Shares
“SIC”	:	Securities Industry Council of Singapore
“Substantial Shareholder”	:	A person who has an interest in not less than five per cent (5%) of all the issued voting shares of the Company
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as may be amended or modified from time to time, and all practice notes, rules and guidelines thereafter, as may be issued or amended from time to time

DEFINITIONS

“Treasury Shares” : Shares of the Company which were (or treated as if having been) purchased and held by the Company and have been held continuously by the Company since they were so acquired and have not been cancelled in accordance with Section 76H of the Companies Act

“%” or “per cent” : Percentage or per centum

The terms **“Depositor”**, **“Depository Register”** and **“Depository Agent”** shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

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

References to persons shall include corporations.

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

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act, or the Catalist Rules or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, the Securities and Futures Act or the Catalist Rules or such modification thereof, as the case may be.

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

Any discrepancies in the figures in this Circular between the figures listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

(Company Registration Number: 201311482K)
(Incorporated in the Republic of Singapore)

Directors:

Tan Keng Siong Thomas (Executive Chairman and CEO)
Yeo Seh Hong (Executive Director and COO)
Tan Chow Boon (Non-Executive Director)
Douglas Owen Chester (Lead Independent Director)
Ho Boon Chuan Wilson (Independent Director)
Ong Sie Hou Raymond (Independent Director)

Registered Office:

9 Pandan Crescent
Singapore 128465

13 April 2015

To: The Shareholders of Kim Heng Offshore & Marine Holdings Limited

Dear Sir/Madam,

THE PROPOSED SHARE BUYBACK MANDATE**1. INTRODUCTION**

The Company intends to adopt a proposed Share Buyback Mandate. The purpose of this Circular is to provide Shareholders with the relevant information pertaining to the proposed Share Buyback Mandate, and to seek Shareholders' approval for the resolution in respect thereof to be tabled at the EGM, notice of which is set out on pages N-1 to N-3 of this Circular.

Shareholders are advised that the SGX-ST and the Sponsor assume no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.

2. PROPOSED SHARE BUYBACK MANDATE**2.1 INTRODUCTION**

The Companies Act allows a Singapore-incorporated company to purchase or otherwise acquire its issued ordinary shares, stocks and preference shares if the purchase or acquisition is permitted under the company's articles of association. Any purchase or acquisition of shares by the company would have to be made in accordance with, and in the manner prescribed by, the Companies Act and such other laws and regulations as may, for the time being, be applicable. As the Company is listed on the SGX-ST, it is also required to comply with Part XI of Chapter 8 of the Catalist Rules, which relates to the purchase or acquisition of issued ordinary shares in the capital of a company which is listed on Catalist.

It is also a requirement under the Companies Act that a company which wishes to purchase or acquire its own shares must obtain approval from its shareholders to do so at a general meeting of the company. Accordingly, approval is being sought from Shareholders at the EGM for the Share Buyback Mandate to be given for the purchase or acquisition by the Company of its issued Shares. The resolution will be proposed as an ordinary resolution pursuant to which the Share Buyback Mandate will be given to the Directors to exercise all powers on behalf of the Company to purchase or otherwise acquire its issued Shares in accordance with the terms of the Share Buyback Mandate as well as the rules and regulations set forth in the Companies Act and the Catalist Rules.

LETTER TO SHAREHOLDERS

If approved by Shareholders at the EGM, the authority conferred by the Share Buyback Mandate will take effect from the date of the EGM and continue in force until the date when the next annual general meeting of the Company is held, or is required by law to be held, whichever is the earlier, whereupon it will lapse, unless it is renewed at such meeting. The authority may be revoked or varied in any general meeting of the Company held prior to the date when the next annual general meeting is held or is required by law to be held.

2.2 RATIONALE AND BENEFITS

The rationale for the Share Buyback Mandate is as follows:

- (i) The Directors and management constantly seek to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Group. A Share Buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.
- (ii) The Share Buyback Mandate allows the Directors to optimise the share capital structure of the Group as well as provide flexibility (a) to purchase Shares; and (b) over its dividend policy.
- (iii) Short-term speculation may at times cause the market price of the Shares to be depressed below the true value of the Company and the Group. The Share Buyback Mandate provides the Directors with the means to restore investors' confidence and to protect existing Shareholders' investments in the Company in a depressed share-price situation through judicious Share Buybacks to enhance the EPS and/or the NAV per Share. The Share Buybacks enhance the NAV per Share if the Share Buybacks are made at a price below the NAV per Share.
- (iv) In addition, Shares purchased or acquired pursuant to the Share Buyback Mandate and which are held as Treasury Shares may be utilised by the Company to satisfy options or awards granted under any employee share scheme, thus giving the Company greater flexibility to select the most beneficial method of providing Shares to employees.

If and when circumstances permit, the Directors will decide whether (a) to effect the Share Buybacks via market purchases or off-market purchases; (b) to make the Share Buybacks using the capital and/or the profits of the Company; and (c) the Shares purchased or otherwise acquired should be held as Treasury Shares or cancelled, after taking into account the amount of surplus cash (if any) available, the prevailing market conditions and the most cost-effective and efficient approach.

While the Share Buyback Mandate would authorize a purchase or acquisition of Shares up to the said 10% limit during the duration referred to in Section 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full 10% limit as authorized. The Directors will only propose to carry out purchases or acquisitions of Shares pursuant to the Share Buyback Mandate as and when they consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in a material adverse effect on the liquidity and/or the orderly trading of the Shares and/or financial position of the Group, or result in the Company being de-listed from the SGX-ST.

LETTER TO SHAREHOLDERS

2.3 TERMS

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

2.3.1 Maximum Number of Shares

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

The total number of Shares that may be purchased or acquired by the Company 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 Approval Date (unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of Shares shall be taken to be the total number of Shares as altered (excluding any treasury shares that may be held by the Company from time to time)). For purposes of calculating the percentage of issued Shares above, any of the Shares which are held as treasury shares will be disregarded.

For illustrative purposes only, on the basis of 710,000,000 issued Shares as at the Latest Practicable Date and assuming that no further Shares are issued on or prior to the EGM, not more than 71,000,000 Shares (representing approximately 10% of the total number of issued Shares of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

2.3.2 Duration of Authority

Purchases or acquisitions of Shares pursuant to the proposed Share Buyback Mandate may be made, at any time and from time to time, on and from the Approval Date, up to the earlier of:

- (i) the date by which the next annual general meeting of the Company is held or required by law to be held;
- (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
- (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by Shareholders in a general meeting.

The authority conferred on the Directors by the Share Buyback Mandate to purchase or acquire Shares may be renewed at the next annual general meeting of the Company or an extraordinary general meeting to be convened immediately after the conclusion or adjournment of the next annual general meeting of the Company. When seeking the approval of the Shareholders for the renewal of the Share Buyback Mandate, the Company is required to disclose the details pertaining to purchases or acquisitions of Shares including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

2.3.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of, *inter alia*:

- (i) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST through the ready market, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

LETTER TO SHAREHOLDERS

- (ii) off-market purchases (“**Off-Market Purchase**”) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme or schemes as defined in Section 76C of the Companies Act as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the following conditions:
 - (a) offers for the purchase or acquisition of issued Shares shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;
 - (b) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and
 - (c) the terms of all the offers are the same, except that there shall be disregarded:
 - (aa) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;
 - (bb) differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid (if applicable); and
 - (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

In addition, the Catalist Rules provide that, in making an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders which must contain at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed purchase or acquisition of Shares;
- (d) the consequences, if any, of the purchase or acquisition of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the purchase or acquisition of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (e) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (e) whether the Shares purchased or acquired by the Company will be cancelled or kept as Treasury Shares.

LETTER TO SHAREHOLDERS

2.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Buyback Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

- (i) in the case of a Market Purchase, one hundred and five per cent (105%) of the Average Closing Price (as defined hereinafter) of the Shares; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent (120%) of the Average Closing Price of the Shares,

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

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 (as defined hereinafter) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) day period;

“**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 Purchase, stating the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 STATUS OF PURCHASED SHARES

2.4.1 Cancellation of Shares

Any Share which is purchased or acquired by the Company shall, unless held as Treasury Shares to the extent permitted under the Companies Act (as set out below) and the Company’s Articles of Association, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. 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.

All Shares purchased or acquired by the Company (other than Treasury Shares held by the Company to the extent permitted under the Companies Act) will be automatically delisted 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.

At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as Treasury Shares, or partly cancelled and partly kept as Treasury Shares, depending on the needs of the Company and as the Directors deem fit in the interest of the Company at that time.

LETTER TO SHAREHOLDERS

2.4.2 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as Treasury Shares. Some of the provisions on Treasury Shares under the Companies Act are summarised below:

(a) Maximum Holdings

The number of Shares held as Treasury Shares cannot at any time exceed 10% of the total number of issued Shares. As at the Latest Practicable Date, the Company does not hold any Treasury Shares.

(b) Voting and Other Rights

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

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of Treasury Shares. However, the allotment of shares as fully paid bonus shares in respect of Treasury Shares is allowed. 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:

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

The Company will make immediate announcement of any sale, transfer, cancellation and/or use of treasury shares in accordance with Rule 704(31) of the Catalist Rules. Such announcement will state the following:

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of Treasury Shares sold, transferred, cancelled and/or used;
- (d) number of issued Shares before and after such sale, transfer, cancellation and/or use;

LETTER TO SHAREHOLDERS

- (e) percentage of the number of Treasury Shares against the total number of Shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (f) value of the Treasury Shares if they are used for a sale or transfer, or cancelled.

2.5 SOURCES OF FUNDS

In financing the purchase and acquisition of Shares, the Company may only apply funds legally available in accordance with its Memorandum and Articles of Association and the applicable laws in Singapore.

The Company may not purchase or acquire its Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The purchase and acquisition of Shares by the Company shall be made out of the Company's capital and/or distributable profits that are available for payment as dividends so long as the Company is solvent.

For the purposes of the Companies Act, the Company is solvent if it is able to pay its debts in full at the time of the payment for the purchase or acquisition of its own shares and will be able to pay its debts as they fall due in the normal course of business during the period of 12 months immediately following the date of the payment. In addition, the value of the Company's assets must not be less than the value of its liabilities (including contingent liabilities) and will not after the purchase or acquisition, become less than the value of its liabilities (including contingent liabilities).

In determining that the Company is solvent, the Directors must have regard to the most recently audited financial statements and all other relevant circumstances, and may rely on valuations or estimates of assets or liabilities that are reasonable in the circumstances. In determining the value of contingent liabilities, the Directors may take into account the likelihood of the contingency occurring, as well as any claims that the Company is entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability.

The Company may use internal source of funds and/or external borrowings to finance purchases or acquisitions of its Shares pursuant to the Share Buyback Mandate.

The Directors do not propose to exercise the Share Buyback Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Group would be materially adversely affected.

2.6 FINANCIAL EFFECTS

It is not possible for the Company to realistically calculate or quantify the financial effects of purchases or acquisitions of Shares (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) that may be made pursuant to the Share Buyback Mandate as it would depend on factors such as, *inter alia*, the aggregate number of Shares purchased or acquired, the purchase prices at the relevant time of purchase or acquisition, the amount (if any) borrowed by the Company to fund the Share Buyback, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased or acquired are held in treasury or immediately cancelled on purchase or acquisition.

Where 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 capital.

LETTER TO SHAREHOLDERS

Where the purchase of Shares is financed through internal resources, it will reduce the cash reserves of the Group and of the Company, and thus the current assets and shareholders' funds of the Group and the Company. This will result in an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the purchase or acquisition of Shares is financed through borrowings, there would be an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

2.6.1 Purchase or Acquisition Out of Capital and/or Profits

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital and/or profits so long as the Company is solvent.

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

In any case, no purchase or acquisition of Shares, whether out of capital and/or profits, will be made in circumstances which would have or may have a material adverse effect on the liquidity, working capital requirements and gearing of the Company or the liquidity and capital adequacy position of the Group as a whole.

2.6.2 Number of Shares Purchased or Acquired

Based on 710,000,000 issued Shares as at the Latest Practicable Date and on the assumptions set out in paragraph 2.3.1, the purchase or acquisition by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 71,000,000 Shares.

2.6.3 Based on Maximum Price Paid for Shares Purchased or Acquired

Assuming that the Company purchases or acquires 71,000,000 Shares (representing the maximum limit of 10% of its issued Shares) at the Maximum Price, the maximum amount of funds required is approximately:

- (a) in the case of Market Purchases of Shares, S\$9,230,000 based on S\$0.13 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date); and
- (b) in the case of Off-Market Purchases of Shares, S\$10,650,000 based on S\$0.15 for one Share (being the price equivalent to 20% above the Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date).

The Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date was S\$0.1254 (*Source: Bloomberg*).

LETTER TO SHAREHOLDERS

For illustrative purposes only, on the basis of the assumptions set out in Sections 2.6.2 and 2.6.3 above as well as the following:

- (a) the Share Buyback Mandate had been effective on 1 January 2014;
- (b) there was no issuance of Shares, whether pursuant to the exercise of share options and/or vesting of awards or otherwise, after the Latest Practicable Date;
- (c) there was no usage and/or cancellation of Treasury Shares after the Latest Practicable Date;
- (d) such Share purchases are made entirely out of capital and held as Treasury Shares; and
- (e) such Share purchases are funded solely by internal resources,

the financial effects on the audited financial statements of the Company and the Group for FY2014 would have been as set out below.

	Market Purchase			
	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
Share Capital	74,409	74,409	74,409	74,409
Reserves	(32,740)	(32,740)	–	–
Accumulated Profits	56,383	56,383	9,016	9,016
Treasury Shares	–	(9,230)	–	(9,230)
Total Equity	98,052	88,822	83,425	74,195
Profit After Tax	5,617	5,617	8,566	8,566
NTA	98,052	88,822	83,425	74,195
Current Assets	66,751	57,521	47,884	38,654
Current Liabilities	21,421	21,421	596	596
Non-current Liabilities	10,573	10,573	–	–
Total Borrowings	8,127	8,127	–	–
Cash and Cash Equivalents	49,894	40,664	32,168	22,938
Working Capital	45,330	36,100	47,288	38,058
Net Debt/(Net Cash)	(41,767)	(32,537)	(32,168)	(22,938)
No. of Issued Shares excluding Treasury Shares (in Thousand)	710,000	639,000	710,000	639,000
Financial Indicators				
NTA per Share (cents)	13.81	13.90	11.75	11.61
Gearing (Net D/E)	0.08	0.09	Nil	Nil
Current Ratio (times)	3.1	2.7	80.3	64.9
Basic EPS (cents)	0.8	0.9	1.2	1.3

LETTER TO SHAREHOLDERS

	Off-Market Purchase			
	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
Share Capital	74,409	74,409	74,409	74,409
Reserves	(32,740)	(32,740)	–	–
Accumulated Profits	56,383	56,383	9,016	9,016
Treasury Shares	–	(10,650)	–	(10,650)
Total Equity	98,052	87,402	83,425	72,775
Profit After Tax	5,617	5,617	8,566	8,566
NTA	98,052	87,402	83,425	72,775
Current Assets	66,751	56,101	47,884	37,234
Current Liabilities	21,421	21,421	596	596
Non-current Liabilities	10,573	10,573	–	–
Total Borrowings	8,127	8,127	–	–
Cash and Cash Equivalents	49,894	39,244	32,168	21,518
Working Capital	45,330	34,680	47,288	36,638
Net Debt/(Net Cash)	(41,767)	(31,117)	(32,168)	(21,518)
No. of Issued Shares excluding Treasury Shares (in Thousand)	710,000	639,000	710,000	639,000
Financial Indicators				
NTA per Share (cents)	13.81	13.68	11.75	11.39
Gearing (Net D/E)	0.08	0.09	Nil	Nil
Current Ratio (times)	3.1	2.6	80.3	62.5
Basic EPS (cents)	0.8	0.9	1.2	1.3

Notes:

- (1) *NTA means Net Tangible Assets; Net D/E means Net Debt-to-Equity; EPS means Earnings per Share*
- (2) *The disclosed financial effects remain the same irrespective of whether:*
 - a. *the purchase of the Shares is effected out of capital or profits; or*
 - b. *the purchased Shares are held in treasury or are cancelled.*
- (3) *NTA equals total equity less non-controlling interests and intangible assets. NTA per Share is calculated based on the number of issued Shares excluding treasury shares.*
- (4) *Current Ratio equals Current Assets divided by Current Liabilities.*

Shareholders should note that the financial effects illustrated above are for illustration purposes only. In particular, it is important to note that the analysis above is based on historical numbers, and is not necessarily representative of future financial performance of the Company and the Group. Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the total number of Shares issued by the Company as at the date that the Share Buyback Mandate is obtained, the Company may not necessarily purchase or acquire or be able to purchase or acquire 10% of the total number of Shares issued in full. In addition, the Company may cancel all or part of the Shares purchased or acquired, or hold all or part of the Shares purchased or acquired in treasury.

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

LETTER TO SHAREHOLDERS

2.7 TAX IMPLICATIONS

Shareholders who are in doubt as to their respective tax positions or the tax implications of Share Buybacks by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

2.8 REPORTING REQUIREMENTS UNDER THE COMPANIES ACT

Within 30 days of the passing of a Shareholders' resolution to approve the purchases or acquisitions of Shares by the Company, the Company shall lodge a copy of such resolution with ACRA.

Within 30 days of a purchase or acquisition of Shares on the SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including, *inter alia*, details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before the purchase and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

Within 30 days of the cancellation or disposal of Treasury Shares in accordance with the provisions of the Companies Act, the Company shall lodge with ACRA the notice of cancellation or disposal of Treasury Shares in the prescribed form as required by ACRA.

2.9 CATALIST RULES

Under the Catalist Rules, a listed company may only purchase shares by way of Market Purchases at a price per share which is not more than five per cent (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 Market Purchases by the Company, referred to in Section 2.3.4 of this Circular, conforms to this restriction.

Although the Catalist Rules do not prescribe a maximum price in relation to purchases of shares by way of Off-Market Purchases, the Company has set a cap of twenty per cent (20%) above the Average Closing Price of a Share as the Maximum Price for a Share to be purchased or acquired by way of an Off-Market Purchase.

Rule 871 of the Catalist Rules specifies that a listed company shall notify all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

- (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 (which must be in the form of Appendix 8D to the Catalist Rules) shall include *inter alia*, details of the total number of shares authorised for purchase, the date of purchase, the total number of shares purchased, the purchase price per share (or the highest price and lowest price per share in the case of Market Purchases), the total consideration (including stamp duties and clearing charges) paid for the shares and the number of issued shares (excluding treasury shares) after purchase.

LETTER TO SHAREHOLDERS

While the Catalist Rules do not expressly prohibit any purchase of shares by a listed company during any particular time, 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 of Shares pursuant to the Share Buyback Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company will not purchase or acquire any Shares during the period of one (1) month before the announcement of the Company’s half year and full year financial statements or, where the Company is required to announce quarterly financial statements, during the period commencing two (2) weeks before the announcement of the Company’s financial statements for each of the first three (3) quarters of its financial year and one (1) month before the announcement of the Company’s full year financial statements.

2.10 LISTING STATUS OF THE SGX-ST

The Company does not have any individual shareholding limit or foreign shareholding limit.

The Catalist Rules require a listed company to ensure that at least 10% of equity securities (excluding preference shares and convertible equity securities) in any class that is listed is at all times held by the public. The “public”, as defined under the Catalist Rules, are persons other than Directors, chief executive officer and Substantial Shareholders or Controlling Shareholders of the Company and its subsidiaries, as well as the associates (as defined in the Catalist Rules) of such persons.

As at the Latest Practicable Date, there are 283,869,550 Shares in the hands of the public (as defined above), representing 39.98% of the issued and paid-up share capital of the Company. Assuming that the Company purchases 71,000,000 Shares through Market Purchases up to the full 10% limit pursuant to the Share Buyback Mandate and held as Treasury Shares, the number of Shares in the hands of the public would be reduced to 212,869,550 Shares, representing 33.31% of the issued and paid-up share capital of the Company, excluding Treasury Shares.

In undertaking any purchases or acquisitions of its Shares through Market Purchases, the Directors will use their best efforts to ensure that a sufficient number of Shares remain in public hands so that the Share Buyback(s) will not:

- (a) adversely affect the listing status of the Shares on the SGX-ST;
- (b) cause market illiquidity; or
- (c) adversely affect the orderly trading of the Shares.

2.11 TAKE-OVER IMPLICATIONS UNDER THE TAKE-OVER CODE

Appendix 2 of the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

2.11.1 Obligation to Make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its 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 Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

LETTER TO SHAREHOLDERS

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

- (i) he acquires 30% or more of the voting rights of the company; or
- (ii) he already holds between 30% and 50% of the voting rights of the company, and he increases his voting rights in the company by more than 1% in any period of six (6) months.

2.11.2 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), 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 following persons will, *inter alia*, be presumed to be acting in concert:

- (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. For this purpose, ownership or control of at least 20% but not more than 50% of the equity share capital of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.11.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its own 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 more than 1% in any period of six (6) months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder 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 approving the Share Buyback Mandate.

Shareholders are advised to consult their professional advisers and/or the SIC and/or the relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases or acquisitions by the Company pursuant to the Share Buyback Mandate.

LETTER TO SHAREHOLDERS

2.11.4 Concert Party Group

As at the Latest Practicable Date,

- (a) Mr. Tan Keng Siong Thomas (“**Thomas Tan**”), the Executive Chairman and CEO of the Company, is the registered owner of 1,500,000 Shares, representing 0.21% of the issued and paid-up share capital of the Company;
- (b) KH Group Holdings Pte. Ltd. (“**KH Group**”) is the registered owner of 299,200,000 Shares representing 42.14% of the issued and paid-up share capital of the Company;
- (c) Mr. Tan Sek Khoon is the registered owner of 30,850 Shares, representing 0.004% of the issued and paid-up share capital of the Company;
- (d) Mr. Tan Keng Hoe, Melvin is the registered owner of 100,000 shares, representing 0.014% of the issued and paid-up share capital of the Company;
- (e) Mr. Tan Xing Kuan is the registered owner of 70,100 Shares, representing 0.01% of the issued and paid-up share capital of the Company; and

Mr. Thomas Tan and his wife, Mdm Ng Chwee Lian Natalie Amanda, are deemed interested in the Shares held by KH Group by virtue of Section 4 of the Securities and Futures Act. Mr. Thomas Tan is the brother of Mr. Tan Sek Khoon and Mr. Tan Keng Hoe, Melvin, as well as the uncle of Mr. Tan Xing Kuan. Under the Take-over Code, Mr. Thomas Tan, Mdm Ng Chwee Lian Natalie Amanda, KH Group, Mr. Tan Sek Khoon, Mr. Tan Keng Hoe Melvin and Mr. Tan Xing Kuan (collectively, the “**Concert Party Group**”) are presumed to be concert parties under the Take-over Code.

For illustrative purposes, assuming that:

- (a) the Company purchases or acquires 71,000,000 Shares pursuant to the Share Buyback Mandate; and
- (b) there is no change in the number of Shares held by the Concert Party Group,

the aggregate interest (direct and deemed) of Mr. Thomas Tan and persons acting in concert with him would increase from 42.38% to 47.09%, as shown in the table below:

	Before Share Buyback		After Share Buyback	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾
Thomas Tan ⁽³⁾	300,700,000	42.35	300,700,000	47.06
Ng Chwee Lian Natalie Amanda ⁽⁴⁾	299,200,000	42.14	299,200,000	46.82
KH Group	299,200,000	42.14	299,200,000	46.82
Tan Sek Khoon	30,850	0.004	30,850	0.005
Tan Keng Hoe Melvin	100,000	0.014	100,000	0.016
Tan Xing Kuan	70,100	0.010	70,100	0.011

Notes:

- (1) Based on 710,000,000 Shares in issue as at the Latest Practicable Date.
- (2) Based on 639,000,000 Shares in issue assuming the Company has purchased or acquired a maximum of 71,000,000 Shares pursuant to the Share Buyback Mandate.

LETTER TO SHAREHOLDERS

- (3) Mr. Thomas Tan's direct and deemed interests in the Shares as at the Latest Practicable Date are set out in Section 3.1 of this Circular.
- (4) Mdm Ng Chwee Lian Natalie Amanda's deemed interests in the Shares as at the Latest Practicable Date are set out in Section 3.2 of this Circular.

Assuming that the Company purchased or acquired a maximum of 71,000,000 Shares pursuant to the Share Buyback Mandate and assuming that the voting rights of the Concert Party Group as at the Latest Practicable Date of 42.38% remain unchanged, the voting rights of the Concert Party Group will increase from 42.38% to 47.09%. Under the Take-over Code, in the event that the aggregate voting rights of the Concert Party Group increases by more than 1% in any period of six (6) months, the Concert Party Group will be required to make a general offer to the other Shareholders under Rule 14 of the Take-over Code.

Based on the Register of Directors' Shareholdings and Register of Substantial Shareholders of the Company as at the Latest Practicable Date as set out in Section 3 of this Circular, the Directors are not aware of any other Directors or Shareholders who would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code if the Company undertakes Share Buybacks, as permitted by the proposed Share Buyback Mandate, up to the maximum limit of 10% of its Shares as at the Latest Practicable Date (there being no treasury shares held by the Company as at the Latest Practicable Date).

2.11.5 Exemption under Section 3(a) of Appendix 2 of the Take-over Code

Pursuant to Section 3(a) of Appendix 2 of the Take-over Code, Mr. Thomas Tan and persons acting in concert with him will be exempted from the requirement to make a general offer for the Company under Rule 14 of the Take-over Code due to an increase of more than 1% of their voting rights in any period of six (6) months as a result of Share Buybacks by the Company carried out pursuant to the Share Buyback Mandate, subject to the following conditions:

- (a) the circular to Shareholders seeking their approval for the Share Buyback Mandate will contain advice to the effect that by voting for the resolution to approve the Share Buyback Mandate, Shareholders are waiving their right to a general offer at the required price from Mr. Thomas Tan and persons acting in concert with him who, as a result of the Company buying back the Shares, would increase their voting rights by more than 1% in any period of six (6) months, and the names and voting rights of Mr. Thomas Tan and the persons acting in concert with him at the time of the resolution and after Share Buybacks up to the maximum limit under the Share Buyback Mandate are disclosed in the same circular;
- (b) the resolution to approve the Share Buyback Mandate is approved by a majority of the Shareholders who are present and voting at the EGM on a poll who could not become obliged to make a general offer for the Company as a result of the Share Buybacks by the Company pursuant to the Share Buyback Mandate;
- (c) Mr. Thomas Tan and persons acting in concert with him will abstain from voting on and/or recommending Shareholders to vote in favour of the resolution to approve the Share Buyback Mandate;
- (d) within seven (7) days of passing the resolution to approve the Share Buyback Mandate, Mr. Thomas Tan submits to the SIC a duly signed form as prescribed by the SIC; and

LETTER TO SHAREHOLDERS

- (e) Mr. Thomas Tan and persons acting in concert with him not to have acquired and not to acquire any Shares between the date on which they know that the announcement of the proposal of the Share Buyback Mandate is imminent and the earlier of:
- (i) the date on which the authority of the Share Buyback Mandate expires; and
 - (ii) the date on which the Company announces that it has bought back such number of Shares as authorized by the Company 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 Buybacks, would cause their aggregate voting rights in the Company to increase by more than 1% in the preceding six (6) months.

2.11.6 Waiver

Shareholders are advised that by voting in favour of the resolution to approve the Share Buyback Mandate, they are waiving their rights to a general offer at the required price from Mr. Thomas Tan and persons acting in concert with him who, as a result of the Share Buybacks pursuant to the Share Buyback Mandate, would increase their aggregate voting rights in the Company by more than 1% in any period of six (6) months.

2.11.7 Form 2 submission to the SIC

Form 2 (submission by directors and their concert parties pursuant to Appendix 2 of the Take-over Code) is the prescribed form to be submitted to the SIC by a director and persons acting in concert with him pursuant to the conditions for exemption (see Section 2.11.5(d) of this Circular) from the requirement to make a take-over offer under Rule 14 of the Take-over Code as a result of the buy back of shares by a listed company under its share purchase mandate.

Mr. Thomas Tan and the persons acting in concert with him have informed the Company that they will be submitting a Form 2 to the SIC within seven (7) days after the passing of the resolution to approve the Share Buyback Mandate.

2.12 SHARES PURCHASED BY THE COMPANY

The Company has not undertaken any purchase or acquisition of its Shares in the 12 months preceding the Latest Practicable Date.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

3.1 DIRECTORS' INTERESTS

The interests of the Directors, direct or indirect, in the Shares as extracted from the Company's Register of Directors' Shareholdings, as at the Latest Practicable Date, are as set out below:

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Thomas Tan ⁽¹⁾	1,500,000	0.21	299,200,000	42.14
Yeo Seh Hong	100,000	n.m. ⁽²⁾	–	–
Tan Chow Boon ⁽³⁾	–	–	124,999,600	17.61
Douglas Owen Chester	–	–	–	–
Ho Boon Chuan Wilson	100,000	n.m. ⁽²⁾	–	–
Ong Sie Hou Raymond	100,000	n.m. ⁽²⁾	–	–

LETTER TO SHAREHOLDERS

Notes:

- (1) Mr. Thomas Tan has a direct interest in 1,500,000 Shares and is deemed interested in the 299,200,000 Shares held by KH Group by virtue of Section 4 of the Securities and Futures Act.
- (2) Not meaningful.
- (3) Mr. Tan Chow Boon is deemed interested in the 124,999,600 Shares held by Credence Capital Fund II (Cayman) Limited by virtue of Section 4 of the Securities and Futures Act.

3.2 SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Substantial Shareholders, direct or indirect, in the Shares as extracted from the Company's Register of Substantial Shareholders, as at the Latest Practicable Date, are as set out below:

Names of Substantial Shareholders	No. of shares registered in the name of Substantial Shareholder or nominees	No. of shares in which Substantial Shareholders are deemed to be interested	Total	Percentage of issued Shares
KH Group	299,200,000	–	299,200,000	42.14
Thomas Tan	1,500,000	299,200,000 ⁽¹⁾	300,700,000	42.35
Ng Chwee Lian Natalie Amanda	–	299,200,000 ⁽²⁾	299,200,000	42.14
Credence Capital Fund II (Cayman) Limited	124,999,600	–	124,999,600	17.61
Tan Chow Boon	–	124,999,600 ⁽³⁾	124,999,600	17.61
Seow Kiat Wang	–	124,999,600 ⁽³⁾	124,999,600	17.61
Koh Boon Hwee	–	124,999,600 ⁽³⁾	124,999,600	17.61
Credence Partners Pte. Ltd.	–	124,999,600 ⁽³⁾	124,999,600	17.61

Notes:

- (1) This represents Mr. Thomas Tan's deemed interest of 299,200,000 Shares held in the name of KH Group.
- (2) This represents Mdm. Ng Chwee Lian Natalie Amanda's deemed interest of 299,200,000 Shares held in the name of KH Group.
- (3) Credence Capital Fund II (Cayman) Limited is a private equity investment fund managed by Credence Partners Pte. Ltd. on a discretionary basis in accordance with the operating and investment conditions and other terms of the management agreement under which Credence Partners Pte. Ltd. is appointed. The shareholders of Credence Partners Pte. Ltd. are Mr. Tan Chow Boon, Mr. Koh Boon Hwee and Mr. Seow Kiat Wang who each have a shareholding of 33.33%. Mr. Tan Chow Boon, Mr. Koh Boon Hwee, Mr. Seow Kiat Wang and Credence Partners Pte. Ltd. are deemed to be interested in all the shares held by Credence Capital Fund II (Cayman) Limited.

4. ABSTENTION FROM VOTING

Pursuant to the conditions referred to in Section 2.11.5 of this Circular, Mr. Thomas Tan and persons acting in concert with him will abstain from voting at the EGM on the resolution approving the proposed Share Buyback Mandate. Mr. Thomas Tan and persons acting in concert with him will also decline to accept appointment as proxies for any Shareholder to vote in respect of the resolution approving the proposed Share Buyback Mandate, unless the Shareholder concerned has given specific instructions in his proxy form as to the manner in which his votes are to be cast in respect of the said resolution.

LETTER TO SHAREHOLDERS

5. DIRECTORS' RECOMMENDATION

Having fully considered the rationale and benefit of the proposed Share Buyback Mandate, the Directors (save for Mr. Thomas Tan who has abstained from making any recommendation) are of the opinion that the proposed Share Buyback Mandate is in the best interests of the Company. For the reasons set out in Section 2.2 of this Circular, the Directors (save for Mr. Thomas Tan who has abstained from making any recommendation) recommend that Shareholders vote in favour of Resolution 1, being the Ordinary Resolution relating to the proposed Share Buyback Mandate at the forthcoming EGM to be held at Jurong Country Club, Ficus Rooms 2 & 3, Level 2, 9 Science Centre Road, Singapore 609078 on Wednesday, 29 April 2015 at 10.00 a.m. (or such time immediately following the conclusion or adjournment of the AGM to be held at 9.30 a.m. on the same day and at the same place).

6. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote on their behalf should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 9 Pandan Crescent, Singapore 128465, not less than 48 hours before the time fixed for the EGM. Appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the EGM if he so wishes.

A depositor holding shares through CDP in Singapore shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register as certified by CDP, not less than 48 hours before the time fixed for the EGM.

7. INSPECTION OF DOCUMENTS

Copies of the annual report of the Company for FY2014 and the Memorandum and Articles of Association of the Company are available for inspection at the registered office of the Company at 9 Pandan Crescent, Singapore 128465, during normal business hours from the date of this Circular to the date of the EGM.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the proposed adoption of the Share Buyback 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 Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

Yours faithfully

For and on behalf of the Board of Directors of
KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

Tan Keng Siong Thomas
Executive Chairman & CEO

NOTICE OF EXTRAORDINARY GENERAL MEETING

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

(Company Registration Number: 201311482K)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of the shareholders (the “**Shareholders**”) of Kim Heng Offshore & Marine Holdings Limited (the “**Company**”) will be held at Jurong Country Club, Ficus Rooms 2 & 3, Level 2, 9 Science Centre Road, Singapore 609078 on 29 April 2015 at 10.00 a.m. (or such time immediately following the conclusion or adjournment of the 2015 Annual General Meeting of the Company to be held at 9.30 a.m. on the same day and at the same place) for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolution:

All capitalized terms in this Notice which are not defined herein shall have the same meaning as ascribed to them in the Circular to Shareholders dated 13 April 2015.

AS AN ORDINARY RESOLUTION

ORDINARY RESOLUTION 1: THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE

That:

- (a) for the purposes of sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
 - (i) market purchases (each an “**Market Purchase**”) on the SGX-ST; and/or
 - (ii) off-market purchases (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they may, in their absolute discretion, deem fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable (the “**Share Buyback Mandate**”);
- (b) the Directors of the Company may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate, the listing rules of the SGX-ST and the Companies Act, as they consider fit and in the interests of the Company in connection with or in relation to any equal access scheme(s);
- (c) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buyback Mandate shall, at the absolute discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;
- (d) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
 - (i) the date on which the next annual general meeting of the Company (“**AGM**”) is held or is required by law to be held;
 - (ii) the date on which the share buybacks are carried out to the full extent mandated; or

NOTICE OF EXTRAORDINARY GENERAL MEETING

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Company in a general meeting;

(e) in this Resolution:

“Prescribed Limit” means the number of issued Shares representing not more than 10% of the total number of issued Shares (ascertained as at the date of the last AGM held before the passing of this Resolution or as at the date of passing of this Resolution, whichever is higher, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of Shares shall be taken to be the total number of Shares as altered (excluding any treasury shares that may be held by the Company from time to time));

“Relevant Period” means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of passing of this Resolution; and

“Maximum Price” in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price,

where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five 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 (as defined hereinafter) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five day period;

“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 Purchase, stating the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

“market day” means a day on which the SGX-ST is open for trading in securities; and

(f) the Directors of the Company and each of them be and are hereby authorised and empowered to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they/he/she may consider necessary, desirable or expedient to give effect to the transactions contemplated by this Resolution.

By Order of the Board

Pan Mi Keay
Company Secretary
13 April 2015
Singapore

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 9 Pandan Crescent, Singapore 128465 not less than 48 hours before the meeting.
3. The form must be signed by the appointer or his attorney duly authorized in writing.
4. In the case of joint shareholders, all holder must sign the form of proxy.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis of the Company (or its agents or service providers) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

Registration Number: 201311482K
(Incorporated in the Republic of Singapore)

EXTRAORDINARY GENERAL MEETING

PROXY FORM

*I / We, _____ (Name) _____ (NRIC/Passport no.)
of _____ (Address)
being *a member/members of Kim Heng Offshore & Marine Holdings Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholding(s) to be presented by Proxy	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholding(s) to be presented by Proxy	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company to be held at Jurong Country Club, Ficus Rooms 2 & 3, Level 2, 9 Science Centre Road, Singapore 609078 on Wednesday, 29 April 2015 at 10.00 a.m. (or such time immediately following the conclusion or adjournment of the 2015 Annual General Meeting of the Company to be held at 9.30 a.m. on the same day and at the same place), and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolution to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.

Resolution No.	Ordinary Resolution	For [#]	Against [#]
1.	To approve the proposed adoption of the Share Buyback Mandate.		

* Delete accordingly

If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate number of votes "For" or "Against" for each resolution within the box provided.

Dated this _____ day of _____ 2015

Total number of Shares in :	No. of Shares held
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s)/ Common Seal

IMPORTANT: Please read notes overleaf



Notes:

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her behalf, save that no such limit shall be imposed on the number of proxies appointed by members which are nominee companies. A proxy need not be a member of the Company.
2. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the power of attorney or a duly certified copy thereof must be lodged with the instrument.
4. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting in accordance with Section 179 of the Companies Act, Chapter 50.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 9 Pandan Crescent, Singapore 128465 not less than 48 hours before the time appointed for the Extraordinary General Meeting.
6. In the case of joint shareholders, all shareholders must sign the instrument appointing a proxy or proxies.
7. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Extraordinary General Meeting in person, and in such event, the Company reserves the right to refuse the admission of any person or persons appointed under the instrument of proxy, to the Extraordinary General Meeting.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such member(s) are not shown to have shares entered against his/her/their name(s) in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the Extraordinary General Meeting and to speak and vote thereat unless his/her name appears on the Depository Register 48 hours before the time appointed for the Extraordinary General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 13 April 2015.

Affix
Postage
Stamp Here

The Company Secretary
KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED
9 Pandan Crescent
Singapore 128465