

## APPENDIX DATED 14 APRIL 2015

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

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

This Appendix is issued by 8Telecom International Holdings Co. Ltd. (the “**Company**”). Its purpose is to explain to the shareholders of the Company the rationale and provide information to the shareholders for the proposed renewal of the Share Purchase Mandate (as defined in this Appendix) and the Proposed Share Consolidation (as defined in this Appendix) to be tabled at the annual general meeting of the Company to be held on 29 April 2015 at 9 a.m. at Meeting Room 306, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593 (the “**2015 AGM**”). The notice of the 2015 AGM and the Proxy Form are enclosed in the Annual Report for financial year ended 31 December 2014.

The Company has obtained approval in-principle (the “**Approval In-principle**”) from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of up to 95,780,850 Consolidated Shares (as defined herein) on the Main Board of the SGX-ST pursuant to the Proposed Share Consolidation (as defined herein). The Approval In-principle is not to be taken as an indication of the merits of the Proposed Share Consolidation, the Consolidated Shares, the Company and/or its subsidiaries.

If you have sold or transferred all your shares in the capital of the Company, you should forward this Appendix immediately to the purchaser or 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 Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.



## **8TELECOM INTERNATIONAL HOLDINGS CO. LTD.**

(Incorporated in Bermuda)  
(Company Registration No. 34713)

### **APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING**

#### **IN RELATION TO**

- (1) THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE; AND**
- (2) THE PROPOSED SHARE CONSOLIDATION OF EVERY FIVE (5) ORDINARY SHARES OF PAR VALUE US\$0.02 EACH IN THE ISSUED AND AUTHORISED SHARE CAPITAL OF THE COMPANY (INCLUDING TREASURY SHARES) AS AT A BOOKS CLOSURE DATE TO BE DETERMINED BY THE BOARD OF DIRECTORS, INTO ONE (1) ORDINARY SHARE OF PAR VALUE US\$0.10, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (THE “PROPOSED SHARE CONSOLIDATION”).**

#### **IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	27 April 2015 at 9 a.m.
Date and time of Annual General Meeting	:	29 April 2015 at 9 a.m.
Place of Annual General Meeting	:	Meeting Room 306, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593

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## CONTENTS

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	PAGE
<b>DEFINITIONS</b> .....	3
<b>LETTER TO SHAREHOLDERS</b>	
1. INTRODUCTION.....	7
2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE .....	7
3. THE PROPOSED SHARE CONSOLIDATION .....	20
4. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS .....	25
5. LIMITS ON SHAREHOLDINGS .....	25
6. DIRECTORS' RECOMMENDATION .....	25
7. ANNUAL GENERAL MEETING .....	25
8. ACTION TO BE TAKEN BY SHAREHOLDERS.....	26
9. DIRECTORS' RESPONSIBILITY STATEMENT .....	26
10. DOCUMENTS FOR INSPECTION .....	26

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## DEFINITIONS

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IN THIS APPENDIX, THE FOLLOWING DEFINITIONS APPLY THROUGHOUT UNLESS OTHERWISE STATED:

- “2014 Mandate”* : The general and unconditional mandate granted by the Shareholders to the Directors on 21 April 2014 to exercise all powers of the Company to purchase or otherwise acquire its issued Shares
- “2015 AGM”* : The annual general meeting of the Company to be held on 29 April 2015
- “Appendix”* : This appendix to the notice of 2015 AGM dated 14 April 2015, circulated to Shareholders together with the annual report of the Company for financial year ended 31 December 2014
- “Annual Report”* : The annual report of the Company for financial year ended 31 December 2014
- “Associate”* : (a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustee of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (a) in relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Associated Company”* : A company in which at least 20% but not more than 50% of its shares are held by the Group
- “Bermuda Companies Act”* : The Companies Act of 1981 of Bermuda, as amended from time to time
- “Board” or “Board of Directors”* : The board of directors of the Company
- “Books Closure Date”* : The time and date to be determined by the Directors at and on which the Register of Members and the Share Transfer Books of the Company will be closed to determine the entitlements of Shareholders to the Consolidated Shares under the Proposed Share Consolidation
- “Bye-laws”* : The bye-laws of the Company, as amended or modified from time to time
- “CDP”* : The Central Depository (Pte) Limited

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## DEFINITIONS

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<i>“Company” or “8Telecom”</i>	:	8Telecom International Holdings Co. Ltd.
<i>“Controlling Shareholder”</i>	:	A person who: (i) holds directly or indirectly 15% or more of the Company’s issued share capital (excluding treasury shares); or (ii) in fact exercises control over the Company
<i>“Consolidated Shares”</i>	:	Ordinary shares of par value US\$0.10 each in the issued and authorised share capital of the Company upon the Proposed Share Consolidation taking effect on the Share Consolidation Effective Date
<i>“Depositors”</i>	:	The term “Depositors” shall have the meaning ascribed to it by section 130A of the Singapore Companies Act
<i>“Depository Register”</i>	:	Has the meaning ascribed to it under section 3.1 of this Appendix
<i>“Director”</i>	:	A director of the Company as at the date of this Appendix
<i>“Effective Trading Date”</i>	:	The date on which the Shares will trade on the SGX-ST in board lots of 100 Consolidated Shares
<i>“EPS”</i>	:	Earnings per Share
<i>“FY” or “Financial Year”</i>	:	Financial year ended, or as the case may be, ending 31 December
<i>“Group”</i>	:	The Company and its subsidiaries
<i>“Latest Practicable Date”</i>	:	31 March 2015, being the latest practicable date prior to the despatch of this Appendix
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading of securities
<i>“Market Purchase”</i>	:	On-market purchases of the Shares by the Company transacted on the SGX-ST or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted
<i>“MTP Requirement”</i>	:	Has the meaning ascribed to it under section 3.2 of this Appendix
<i>“Notice of AGM”</i>	:	Notice of the 2015 AGM dated 14 April 2015
<i>“NAV”</i>	:	Net asset value
<i>“New Share Certificates”</i>	:	Has the meaning ascribed to it under section 3.4(a) of this Appendix
<i>“NTA”</i>	:	Net tangible assets
<i>“Off-Market Purchase”</i>	:	Purchases of the Shares by the Company effected otherwise than on the SGX-ST in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Listing Manual
<i>“Old Share Certificates”</i>	:	Has the meaning ascribed to it under section 3.4(a) of this Appendix

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## DEFINITIONS

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<i>“The Proposed Share Consolidation”</i>	:	The proposed consolidation of every five (5) Shares of par value US\$0.02 each in the issued and authorised capital of the Company (including Treasury Shares) as at the Books Closure Date into one (1) Consolidated Share of par value of US\$0.10 each
<i>“Relevant Period”</i>	:	Has the meaning ascribed to it under section 2 of this Appendix
<i>“RMB”</i>	:	PRC Renminbi
<i>“Securities Accounts”</i>	:	The securities account maintained with CDP, but not including the securities accounts maintained with a Depository Agent (as defined in Section 130A of the Act)
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Share Purchase Mandate”</i>	:	The general mandate to authorise the Directors to exercise all the powers of the Company to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the memorandum of association of the Company, the Bye-laws, the Bermuda Companies Act and the Listing Manual
<i>“Shares”</i>	:	Ordinary shares in the capital of the Company
<i>Share Consolidation Effective Date</i>	:	Has the meaning ascribed to it under section 3.1 of this Appendix
<i>“Share Purchase”</i>	:	The purchase of Shares by the Company pursuant to the Share Purchase Mandate
<i>“Shareholders”</i>	:	Registered holders of Shares
<i>“SIC”</i>	:	Securities Industry Council
<i>“Singapore Companies Act”</i>	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
<i>“Substantial Shareholder”</i>	:	A person who has an interest or interests in voting Shares representing not less than 5% of all the voting Shares
<i>“Take-over Code”</i>	:	The Singapore Code on Take-overs and Mergers, as amended and modified from time to time
<i>“Treasury Shares”</i>	:	The Shares that were or are treated as having been acquired and held by the Company and have been held continuously by the Company since they were so acquired and have not been cancelled
<i>“S\$”, “SGD” or “\$” and “cents”</i>	:	Singapore dollars and cents respectively
<i>“US\$”</i>	:	United States Dollar, the currency of the United States of America
<i>“VWAP”</i>	:	Volume weighted average share price
<i>“%”</i>	:	Percentage and per centum

THE TERMS “*DEPOSITORY*” AND “*DEPOSITORY REGISTER*” SHALL HAVE THE MEANINGS ASCRIBED TO THEM RESPECTIVELY IN SECTION 130A OF THE SINGAPORE COMPANIES ACT.

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## DEFINITIONS

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ANY REFERENCE IN THIS APPENDIX TO ANY ENACTMENT IS A REFERENCE TO THAT ENACTMENT AS FOR THE TIME BEING AMENDED OR RE-ENACTED. ANY WORD DEFINED UNDER THE BERMUDA COMPANIES ACT, SINGAPORE COMPANIES ACT OR ANY STATUTORY MODIFICATION THEREOF OR THE LISTING MANUAL AND USED IN THIS APPENDIX SHALL, UNLESS OTHERWISE DEFINED IN THIS APPENDIX, HAVE THE MEANING ASSIGNED TO IT UNDER THE BERMUDA COMPANIES ACT, THE SINGAPORE COMPANIES ACT, OR THE LISTING MANUAL, AS THE CASE MAY BE.

Words importing the singular number shall include the plural number where the context admits and *vice versa*. Words importing the masculine gender shall include the feminine gender where the context admits. Reference to persons shall, where applicable, include corporations.

Any reference to a time of a day in this Appendix is a reference to Singapore time.

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## LETTER TO SHAREHOLDERS

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### 8TELECOM INTERNATIONAL HOLDINGS CO. LTD.

(Incorporated in Bermuda)  
(Company Registration No. 34713)

#### Directors :

Mr. Ye Tianyun (Executive Chairman and Chief Executive Officer)  
Mr. Yu Chunxiang (Executive Director)  
Mr. Chen Xiangjing (Executive Director)  
Mr. Lien Kait Long (Lead Independent Director)  
Mr. Chen Jin (Non-Executive Independent Director)  
Mr. Cartel Yeo See Meng (Non-Executive Independent Director)

#### Registered Office :

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

14 April 2015

To: The Shareholders of the Company

Dear Sir/Madam

- (1) **THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE; AND**
- (2) **THE PROPOSED CONSOLIDATION OF EVERY FIVE (5) ORDINARY SHARES OF PAR VALUE US\$0.02 EACH IN THE ISSUED AND AUTHORISED SHARE CAPITAL OF THE COMPANY AS AT THE BOOKS CLOSURE DATE TO BE DETERMINED BY THE BOARD, INTO ONE (1) ORDINARY SHARE OF PAR VALUE US\$0.10 EACH IN THE CAPITAL OF THE COMPANY, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED.**

#### 1. INTRODUCTION

The purpose of this Appendix is to explain the reasons for, and to provide Shareholders with information relating to the proposed renewal of the Share Purchase Mandate and the Proposed Share Consolidation, and to seek Shareholders' approval in relation thereto at the 2015 AGM to be held on 29 April 2015 at 9 a.m. at Meeting Room 306, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593. The Notice of AGM is set out on pages 88 to 93 of the Annual Report.

#### 2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

The Company had, in its last annual general meeting, obtained the approval of the Shareholders for the renewal of the Share Purchase Mandate and the said Share Purchase Mandate will expire on 29 April 2015, being the date of the forthcoming 2015 AGM.

At the 2015 AGM, the Directors propose to seek the approval of the Shareholders for the renewal of the Share Purchase Mandate to authorise the Directors to purchase Shares by way of Market Purchases and Off-Market Purchases in accordance with the terms and conditions set out in this Appendix, and subject to the terms and requirements under the memorandum of association of the Company, the Bye-laws, the Bermuda Companies Act and the Listing Manual.

Upon renewal with the approval of the Shareholders, the Share Purchase Mandate shall continue in force from the period (the "**Relevant Period**") commencing from the date the renewal of the Share Purchase Mandate is approved by Shareholders at the 2015 AGM and expiring on the earliest of (i) the date on which the next annual general meeting of the Company is held or is required to be held; (ii) the date on which the Share Purchases are carried out to the full extent mandated; or (iii) the date the said mandate is revoked or varied by an ordinary resolution of the Shareholders.

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## LETTER TO SHAREHOLDERS

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### 2.1 THE RATIONALE

Short term speculation may at times cause the market price of the Shares to be depressed below the true value of the Group.

The Share Purchase Mandate will give the Directors the flexibility to purchase Shares, if and when circumstances permit, with a view to enhancing the EPS and/or the NAV per Share of the Company. The Directors believe that a Share Purchase also provides the Company and its Directors with an alternative to facilitate the return of surplus cash over and above its ordinary capital requirements and allows exercise of greater control over the Company's share capital structure.

The Directors further believe that Share Purchases may bolster confidence of Shareholders. With the Share Purchase Mandate, the Directors will have the ability to purchase Shares on SGX-ST, when appropriate, to stabilise the demand for the Shares and to buffer against short-term share price volatility due to market speculation.

The Directors will only make a Share Purchase as and when the circumstances permit and only if the Directors are of the view that such Share Purchase is in the best interests of the Company. No Share Purchases will be made in circumstances which the Directors believe will have or may have a material adverse effect on the liquidity, the orderly trading of the Shares, the working capital requirements and gearing level of the Company and the Group.

### 2.2 MANDATE

Any Share Purchase by the Company will have to be made in accordance with, and in the manner prescribed by, the Bermuda 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 XIII of Chapter 8 of the Listing Manual, which relates to the purchase or acquisition of issued shares in the share capital of a company which is listed on the SGX-ST.

The Share Purchase Mandate was renewed at the annual general meeting of the Company held on 21 April 2014. With the renewal, the Share Purchase Mandate took effect from 21 April 2014 and continues in force and expires on the date of the 2015 AGM, unless prior thereto, Share Purchases are carried out to the full extent mandated or the Share Purchase Mandate is revoked or varied by the Company in a general meeting. It is presently expected that the Share Purchase Mandate will, where appropriate, be put to Shareholders for renewal at each subsequent annual general meeting of the Company.

### 2.3 TERMS OF THE MANDATE

The authority and limitations placed on the purchase or acquisition of Shares by the Company under the Share Purchase Mandate, including the information required under Rule 883(1) of the Listing Manual, 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 under the Share Purchase Mandate. Subject to the Bermuda Companies Act, the memorandum of association of the Company and the Bye-laws, the Share Purchase Mandate will authorise the Company, from time to time, to purchase such number of Shares which represents up to a maximum of ten per cent (10%) of the issued ordinary share capital of the Company (excluding Treasury Shares) as at the date on which the renewal of the Share Purchase Mandate is approved by the Shareholders at the 2015 AGM. Under the Bermuda Companies Act, there is no percentage threshold restriction on the aggregate number of shares a company may hold as treasury shares, save that a company may not acquire its own shares to be held as treasury shares if, as a result of the acquisition, all of the company's issued shares, other than the shares to be held as treasury shares, would



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## LETTER TO SHAREHOLDERS

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be non-voting shares. Furthermore, under the memorandum of association of the Company, the minimum subscribed share capital of the Company is US\$12,000. Accordingly, the Company may not acquire its own Shares if as a result thereof, the issued share capital of the Company would be reduced below the abovementioned minimum subscribed capital.

As at the Latest Practicable Date, the Company has a total issued share capital comprising 463,154,250 Shares (excluding Treasury Shares). Following the implementation of the Proposed Share Consolidation, whereby every five (5) Shares in the issued and authorised capital of the Company (including Treasury Shares) will be consolidated into one (1) Consolidated Share, the Company will have a total issued share capital comprising 92,630,850 Consolidated Shares (excluding Treasury Shares). Please refer to Section 3 of this Circular for further details on the Proposed Share Consolidation.

**For illustrative purposes only**, on the basis of 463,154,250 Shares in issue as at the Latest Practicable Date (being the number of Shares as at the Latest Practicable Date excluding Treasury Shares), and assuming that no further Shares are issued on or prior to the 2015 AGM, not more than 46,315,425 Shares (representing ten per cent (10%) of the Shares in issue (excluding Treasury Shares) as at that date) (rounded to the nearest whole Share) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate, if approved at the 2015 AGM.

### 2.3.2 Duration of authority

Unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the Relevant Period, up to:

- (a) the date on which the next annual general meeting of the Company is held or required to be held;
- (b) the date on which the Share Purchase are carried out to the full extent mandated; or
- (c) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by an ordinary resolution of Shareholders.

### 2.3.3 Manner of purchase of Shares

Share Purchases can be effected by the Company by either Market Purchases or Off-Market Purchases or a combination of both.

For Share Purchases made by way of an Off-Market Purchase, the Company shall as required by the Listing Manual, issue an offer document to all Shareholders. The offer document shall contain, *inter alia*, at least the following information:

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed Share Purchases;
- (iv) the consequences, if any, of Share Purchases by the Company that will arise under the Take-over Code or other applicable takeover rules;
- (v) whether the Shares Purchases, if made, would have any effect on the listing of the Company's securities on the Official List of the SGX-ST;

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## LETTER TO SHAREHOLDERS

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- (vi) details of any Share Purchases made by the Company in the previous 12 months whether Market Purchases or Off-Market Purchases, 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 the purchases; and
- (vii) whether the Shares purchased by the Company will be cancelled or kept as Treasury Shares.

All offeree Shareholders shall be given a reasonable opportunity to accept any offer made by the Company to purchase their Shares under the Share Purchase Mandate.

The Company may offer to purchase Shares from time to time under the Share Purchase Mandate, subject to the requirement that the terms of any offer to purchase Shares by the Company shall be *pari passu* in respect of all offeree Shareholders, save for under the following circumstances:

- (i) where there are differences in consideration attributable to the fact that an offer relates to Shares with different accrued dividend entitlements;
- (ii) where there are differences in consideration attributable to the fact that an offer relates to Shares with different amounts remaining unpaid; and
- (iii) where there are differences in an offer introduced solely to ensure that every Shareholder is left with a whole number of Shares in board lots of 100 Shares after the Share Purchases, in the event that there are offeree Shareholders holding odd numbers of Shares.

### 2.3.4 Maximum purchase price

The maximum purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) at which the Shares can be purchased pursuant to the proposed Share Purchase Mandate (“**Maximum Price**”) shall not exceed:

- (i) in the case of a Market Purchase, the sum constituting five per cent (5%) above the Average Closing Price (or 105% of the Average Closing Price); and
- (ii) in the case of an Off-Market Purchase, the sum constituting twenty per cent (20%) above the Highest Last Dealt Price (or 120% of the Highest Last Dealt Price)(as defined hereafter).

For the above purposes:

“**Average Closing Price**” means the average closing price of the Shares over the period of five (5) Market Days on SGX-ST, on which transactions in the Shares on the SGX-ST were recorded, immediately preceding the day of the Market Purchase by the Company, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) day period;

“**Highest Last Dealt Price**” means the highest price transacted for a Share on the Market Day on which the Shares were transacted on the SGX-ST immediately preceding the date of the making of the offer pursuant to the Off-Market Purchase; and

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

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## LETTER TO SHAREHOLDERS

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### 2.4 STATUS OF PURCHASED SHARES UNDER THE SHARE PURCHASE MANDATE

Any Shares purchased or acquired pursuant to the Share Purchase Mandate will be dealt with in such manner as may be permitted by the Bermuda Companies Act. Currently, under the Bermuda Companies Act, any Share which is purchased or acquired by the Company can either (i) be cancelled immediately on purchase or acquisition whereupon all rights and privileges attached to that Share will expire and the amount of the Company's issued share capital shall be diminished by the nominal value of the Share accordingly; or (ii) be held as Treasury Shares if authorised by the memorandum of association of the Company or by its Bye-laws, both (i) and (ii) being subject to the requirements of the Bermuda Companies Act. In the case of (i), Shares purchased or acquired by the Company for cancellation will be automatically cancelled and 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 such purchase or acquisition.

The Company proposes that the Share Purchase Mandate include that Shares purchased or acquired by the Company may be held or dealt as treasury shares under the Bermuda Companies Act. This allows the Directors more flexibility because treasury shares may be disposed of or transferred for cash or other consideration, or may be cancelled. Some of the provisions on treasury shares under the Bermuda Companies Act are summarised below.

#### 2.4.1 Voting and other rights

The Company cannot exercise any rights in respect of Treasury Shares, including any right to attend or vote at meetings and any purported exercise of such right shall be void.

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 but such shares allotted shall be treated for the purposes of the Bermuda Companies Act as if they had been acquired by the Company at the time they were allotted.

#### 2.4.2 Disposal and cancellation

Where purchased Shares are held as Treasury Shares, the Company may:

- (a) hold all of or any of the Treasury Shares;
- (b) dispose of or transfer all or any of the Treasury Shares for cash or other consideration; and
- (c) cancel all or any of the Treasury Shares.

Pursuant to Rule 704(28) of the Listing Manual, any sale, transfer, cancellation and/or use of treasury shares must be announced, stating the following:

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

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## LETTER TO SHAREHOLDERS

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### 2.5 SOURCE OF FUNDS

Under the Bermuda Companies Act, the purchase by a company of its own shares may only be funded out of the capital paid up on the shares to be purchased, or out of the funds of the company which would otherwise be available for dividends or distribution, or out of the proceeds of a fresh issue of shares made for the purpose of the share purchase, and the premium, if any, payable on purchase (i.e. the amount paid in excess of the nominal value of the shares to be purchased) must be provided for out of the funds of the company which would otherwise be available for dividends or distribution, or out of the company's share premium account before the shares are purchased.

Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by the company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws.

No purchase by a company of its own shares to be held as treasury shares or for cancellation may be effected if, on the date on which the share purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due.

The Company will use internal resources or external borrowings or a combination of both to finance purchases of Shares pursuant to the Share Purchase Mandate. The Directors do not propose to exercise the proposed Share Purchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

The Company will make prompt public announcement of any Share Purchase and has given an undertaking to the SGX-ST to comply with all requirements that the SGX-ST may impose in the event of any Share Purchase.

### 2.6. FINANCIAL AND OTHER EFFECTS OF THE SHARE PURCHASE MANDATE

The financial effects on the Company and the Group arising from a Share Purchase will depend on, *inter alia*, whether the Shares are purchased out of funds otherwise available for dividends or distribution, or out of capital paid up on those Shares, or out of the share premium account of the Company, the aggregate number of Shares purchased, the price at which such Shares are purchased at the relevant time and whether the purchased Shares are held in treasury or cancelled. If the purchased Shares are cancelled, the Share Purchase will reduce the issued share capital of the Company by the aggregate nominal value of the Shares purchased. No reduction is made to the Company's authorised share capital. Any Share Purchase will also reduce the Company's retained earnings by the aggregate sum of the purchase price, to the extent the Company's retained earnings are utilised for the payment of the purchase price.

The impact of the Share Purchase by the Company pursuant to the proposed Share Purchase Mandate on the Company's and the Group's financial positions is illustrated below based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2014 and the following assumptions:

- (a) the acquisition of Shares pursuant to the Share Purchase Mandate had taken place on 1 January 2014 for the purpose of computing the financial effects on the EPS of the Group and the Company;

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## LETTER TO SHAREHOLDERS

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- (b) the acquisition of Shares pursuant to the Share Purchase Mandate had taken place on 31 December 2014 for the purpose of computing the financial effects on the shareholders' equity, NTA per share and gearing of the Group and the Company;
- (c) transaction costs incurred for the acquisition of Shares pursuant to the Share Purchase Mandate are assumed to be insignificant and have been ignored for the purpose of computing the financial effects;
- (d) no Share was purchased by the Company after the Latest Practicable Date; and
- (e) the Proposed Share Purchase Mandate is exercised in full. The Directors do not propose to exercise the proposed Share Purchase Mandate to such extent as would result in the Company being in a negative working capital position.

### **2.6.1 Number of Shares Acquired or Purchased**

Based on the existing issued and paid-up ordinary share capital of the Company of 463,154,250 Shares (excluding Treasury Shares) as at the Latest Practicable Date, the exercise in full of the Share Purchase Mandate would result in the purchase of 46,315,425 Shares.

### **2.6.2 Maximum Price Paid for Shares Acquired or Purchased**

Assuming that the Company purchases the 46,315,425 Shares at the Maximum Price applicable to Market Purchases or Off-Market Purchases, the maximum amount of funds required is approximately:

- (a) in the case of Market Purchases, S\$4,688,047 (approximately RMB20,839,120 based on an exchange rate of S\$1 : RMB4.44516) on the basis of a Maximum Price of S\$0.10122 (approximately RMB0.4499 based on an exchange rate of S\$1 : RMB4.44516) (being the price equivalent to 5% above the Average Closing Price of the Shares traded on the SGX-ST for the 5 consecutive Market Days immediately preceding the Latest Practicable Date); and
- (b) in the case of Off-Market Purchases, S\$5,357,768 (approximately RMB23,816,138 based on an exchange rate of S\$1 : RMB4.44516) on the basis of a Maximum Price of S\$0.11568 (approximately RMB0.5142 based on an exchange rate of S\$1 : RMB4.44516) (being the price equivalent to 20% above the Highest Last Dealt Price of the Shares traded on the SGX-ST on the Market Day immediately preceding the Latest Practicable Date).

## LETTER TO SHAREHOLDERS

### 2.6.3 Illustrative Financial Effects

For illustration purposes only, and on the basis of the assumptions set out above and hereunder, the impact of the Share Purchases by the Company undertaken in accordance with the proposed Share Purchase Mandate on the Company's and the Group's audited financial statements for the financial year ended 31 December 2014 is as follows:

#### Market Purchases

	← GROUP →		← COMPANY →	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
<b><u>As at 31 December 2014</u></b>				
Profit after tax attributable to equity holders of the Company (RMB'000)	8,039	8,039	3,689	3,689
Shareholders' equity (RMB'000)	530,764	509,925	186,605	165,766
NTA <sup>(1)</sup> (RMB'000)	508,180	487,341	186,605	165,766
Current Assets (RMB'000)	978,863	957,024	154,322	154,322
Current Liabilities (RMB'000)	593,446	593,446	27,717	48,556
Working Capital (RMB'000)	385,417	364,578	126,605	105,766
Total Liabilities (RMB'000)	752,343	752,343	27,717	48,556
Number of Shares <sup>(2)</sup>	463,154,250	416,838,825	463,154,250	416,838,825
Number of Treasury Shares	15,750,000	62,065,425	15,750,000	62,065,425

#### Financial Ratios

NTA Per Share (RMB cents) <sup>(3)</sup>	109.72	116.91	40.29	39.77
Earnings per share (RMB cents)	1.74	1.93	0.80	0.88
Gearing <sup>(4)</sup> (%)	1.42	1.48	0.15	0.29
Current ratio <sup>(5)</sup> (%)	1.65	1.61	5.57	3.18

#### **Notes:**

- (1) Net tangible assets ("NTA") equal Shareholders' equity less intangible assets and non-current prepayments.
- (2) Number of shares equal total number of shares issued excluding treasury shares. This is on assumption that all shares purchased under the Share Purchase Mandate are held as treasury shares.
- (3) NTA per share equal to NTA divided by number of shares issued excluding treasury shares.
- (4) Gearing equals total liabilities divided by Shareholders' equity.
- (5) Current ratio equals current assets divided by current liabilities.

As at 31 December 2014, the Group had cash balances of approximately RMB177,259,000. In order to effect Market Purchases of up to 46,315,425 Shares at the Maximum Price computed in the above illustration, cash reserves of S\$4,688,047 will be required. For the purpose of this illustration, it is assumed that the Company borrows RMB20,839,120 from its related corporations to finance purchases of its Shares. The Company may, however, when making Share Purchases pursuant to the Share Purchase Mandate, use internal resources and/or external borrowings to finance the purchases.

As illustrated above, the purchase of Shares will have the effect of reducing the working capital and NTA of the Group and the Company by the RMB value of the Shares purchased.

## LETTER TO SHAREHOLDERS

### Off-Market Purchases

	← GROUP →		← COMPANY →	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
<b><u>As at 31 December 2014</u></b>				
Profit after tax attributable to equity holders of the Company (RMB'000)	8,039	8,039	3,689	3,689
Shareholders' equity (RMB'000)	530,764	506,948	186,605	162,789
NTA <sup>(1)</sup> (RMB'000)	508,180	484,364	186,605	162,789
Current Assets (RMB'000)	978,863	955,047	154,322	154,322
Current Liabilities (RMB'000)	593,446	593,446	27,717	51,533
Working Capital (RMB'000)	385,417	361,601	126,605	102,789
Total Liabilities (RMB'000)	752,343	752,343	27,717	51,533
Number of Shares <sup>(2)</sup>	463,154,250	416,838,825	463,154,250	416,838,825
Number of Treasury Shares	15,750,000	62,065,425	15,750,000	62,065,425

### Financial Ratios

NTA Per Share (RMB cents) <sup>(3)</sup>	109.72	116.20	40.29	39.05
Earnings per share (RMB cents)	1.74	1.93	0.80	0.88
Gearing <sup>(4)</sup> (%)	1.42	1.49	0.15	0.32
Current ratio <sup>(5)</sup> (%)	1.65	1.61	5.57	2.99

#### **Notes:**

- (1) Net tangible assets ("NTA") equal Shareholders' equity less intangible assets and non-current prepayments.
- (2) Number of shares equal total number of shares issued excluding treasury shares. This is on assumption that all shares purchased under the Share Purchase Mandate are held as treasury shares.
- (3) NTA per share equal to NTA divided by number of shares issued excluding treasury shares.
- (4) Gearing equals total liabilities divided by Shareholders' equity.
- (5) Current ratio equals current assets divided by current liabilities.

As at 31 December 2014, the Group had cash balances of approximately RMB177,259,000. In order to effect Off-Market Purchases of up to 46,315,425 Shares at the Maximum Price computed in the above illustration, cash reserves of S\$5,357,768 will be required. For the purpose of this illustration, it is assumed that the Company borrows RMB23,816,138 from its related corporations to finance purchases of its Shares. The Company may, however, when making Share Purchases pursuant to the Share Purchase Mandate, use internal resources and/or external borrowings to finance the purchases.

As illustrated above, the purchase of Shares will have the effect of reducing the working capital and NTA of the Group and the Company by the RMB value of the Shares purchased.

As illustrated above, as both Market Purchases and Off-Market Purchases will reduce the cash reserves of the Group, there will be a corresponding reduction in the current assets and the shareholders' equity of the Group. The gearing ratios of the Group will thus be increased and the current ratios of the Group will decline. The actual impact of the gearing and current ratios will depend on the number of Shares purchased and the prices at which the Shares were purchased.



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## LETTER TO SHAREHOLDERS

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The Company will take into account both financial factors (e.g. cash surplus, debt position and working capital requirement) and non-financial factors (e.g. share market conditions and the performance of the Shares) in assessing the relative impact of a Share Purchase before execution.

Share Purchases by the Company pursuant to the Share Purchase Mandate will only be made in circumstances where it is considered to be in the best interests of the Company.

**Shareholders should note that the financial effects illustrated above are for illustration purposes only. In particular, it is important to note that the above analysis is based on the latest unaudited accounts of the Company and the Group as 31 December 2014, and are not representative of the future financial performance of the Company or the Group. Although the proposed Share Purchase Mandate would authorise the Company to purchase such number of Shares representing up to ten per cent (10%) of the Company's issued ordinary share capital (excluding Treasury Shares), the Company may not purchase or be able to purchase such number of Shares representing up to ten per cent (10%) of the Company's issued ordinary share capital (excluding Treasury Shares).**

### 2.7. LISTING RULES

The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST, in such reporting format as prescribed by the SGX-ST or the Listing Manual, not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its shares; and (b) in the case of any Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. The Listing Manual restricts a listed company from purchasing shares by way of a Market Purchase at a price which is more than five per cent (5%) above the Average Closing Price (as defined in paragraph 2.3.4 of this Appendix). Hence the Maximum Price for the Purchase or acquisition of Shares by the Company by way of a Market Purchase is required to comply with this requirement.

Although the Listing Manual does not prescribe a maximum price in relation to a purchase or acquisition of shares by way of an Off-Market Purchase, the Company has set a cap of 20% above the Highest Last Dealt Price (as defined in paragraph 2.3.4 of this Appendix) of a Share as the Maximum Price for a Share to be purchased or acquired by way of an Off-Market Purchase.

The Company will not purchase or acquire any Shares during the period of two (2) weeks before the announcement of the Company's interim 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 financial statements for the full financial year (as the case may be).

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of any class of its listed equity securities (excluding preference shares and convertible equity securities) is at all times held by public shareholders. Under the Listing Manual, "public" is defined as persons other than the directors, substantial shareholders, chief executive officers or controlling shareholders of the company and its subsidiaries, as well as the associates of such persons.

As at the Latest Practicable Date, the Company had an issued share capital comprising 463,154,250 Shares (excluding 15,750,000 Shares held as Treasury Shares), of which 101,089,000 Shares (approximately 21.826% of the issued Shares) were held by public Shareholders. In the event that the Company purchases the maximum 10% of its issued Shares (computed based on the number of Shares in issue, excluding Treasury Shares as at the date of the 2015 AGM) from such public Shareholders, the resultant percentage of the issued Shares held by the public Shareholders would be reduced to approximately 13.14%. Accordingly, the Directors are of the view that there is, at present, a sufficient number of Shares in issue held by public Shareholders that would permit the Company to potentially undertake purchases or acquisitions of the Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase



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## LETTER TO SHAREHOLDERS

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Mandate without affecting adversely the listing status of the Shares on the SGX-ST, and that number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect orderly trading of the Shares.

In undertaking any Share Purchases, the Directors will use their best efforts to ensure that a sufficient number of Shares remain in public hands so that the Share Purchase(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 Shares.

### 2.8. APPLICATION OF THE TAKE-OVER CODE

#### 2.8.1 Obligation to make a take-over offer

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, 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);
- (b) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, and any company whose associated companies include any of the above companies. For this purpose, a company is an associated company of another company if the second-mentioned company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

The circumstances under which Shareholders, including Directors, and after a purchase or acquisition of Shares by the Company are set out in Rule 14 and the appendix of the Take-over Code.

Under appendix 2 of the Take-over Code, a Shareholder and persons acting in concert with him will incur an obligation to make a take-over offer after a share buy back if, *inter alia*, their voting rights increase to 30% or more as a result of a Share Purchase by the Company and they acquire any Shares between the date of the notice of resolution to authorise the Share Purchase Mandate and the next annual general meeting of the Company, or, if they already hold between 30% and 50% of the Company's voting rights and as a result of a share buy back by the Company their voting rights increase by more than 1% in any period of six months and they acquire ordinary shares between the date of the notice of resolution to authorise the Share Purchase Mandate and the next annual general meeting of the Company.

In addition, under appendix 2 of the Take-over Code, a Shareholder, not acting in concert with the Directors, will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its ordinary shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate unless so required under the Bermuda Companies Act.

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## LETTER TO SHAREHOLDERS

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In general terms, the effect of Rule 14 and appendix 2 of the Take-over Code is that, subject to the fulfilment of the conditions under note 3(a) of appendix 2 of the Take-over Code, Directors and persons acting in concert with them will be exempted from the obligation to make a take-over offer under Rule 14 within the validity period of the exemption 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 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.

**Shareholders who are in doubt as to whether they would incur any obligation to make a takeover offer under the Take-over code as a result of any purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers and/or the SIC at the earliest opportunity.**

### 2.8.2 Take-over Implication arising from the Share Purchase Mandate

**Purely for illustrative purposes**, on the basis of 463,154,250 Shares (excluding 15,750,000 Shares held as Treasury Shares) in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the 2015 AGM, not more than 46,315,425 Shares (representing ten per cent (10%) of the Shares in issue, excluding Treasury Shares as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate, if so approved by Shareholders at the 2015 AGM.

Assuming that such granted Share Purchase Mandate is valid and fully exercised prior to the next annual general meeting of the Company for it to re-purchase the maximum allowed number of Shares being 46,315,425 Shares (on the basis that there would have been no change to the number of Shares in issue at the time of such exercise) and that such re-purchased Shares are not acquired from Directors and the Substantial Shareholders and are deemed cancelled immediately upon purchase, based on the Register of Directors' Shareholdings and Register of Substantial Shareholders of the Company as at the Latest Practicable Date, the shareholdings of the Directors and Substantial Shareholders would be changed as follows:

#### Before Share Purchase

Director	Direct Interest	% <sup>(1)</sup>	Deemed Interest	% <sup>(1)</sup>
Ye Tianyun <sup>(2)</sup>	14,479,000	3.126	332,212,250	71.728
Chen Xiangjing <sup>(3)</sup>	—	—	1,500,000	0.324
Yeo See Meng <sup>(4)</sup>	—	—	13,874,000	2.996
<b>Substantial Shareholder (more than 5%) (Other than Directors)</b>				
Manfaith Investments Ltd. <sup>(5)</sup>	271,232,250	58.562	60,980,000	13.166

## LETTER TO SHAREHOLDERS

### After Share Purchase

Director	Direct Interest	% <sup>(6)</sup>	Deemed Interest	% <sup>(6)</sup>
Ye Tianyun <sup>(2)</sup>	14,479,000	3.474	332,212,250	79.698
Chen Xiangjing <sup>(3)</sup>	–	–	1,500,000	0.360
Yeo See Meng <sup>(4)</sup>	–	–	13,874,000	3.328
Substantial Shareholder (more than 5%) (Other than Directors)				
Manfaith Investments Ltd. <sup>(5)</sup>	271,232,250	65.069	60,980,000	14.629

#### Notes:-

- (1) Based on issued shares of 463,154,250 shares excluding 15,750,000 treasury shares.
- (2) Deemed to have an interest in the 332,212,250 Shares held by Manfaith Investments Ltd.
- (3) Deemed to have an interest in the 1,500,000 Shares held through RHB Securities Singapore Pte Ltd.
- (4) Deemed to have an interest in the 13,874,000 Shares held by his spouse either in her own name or through DBS Nominee Pte. Ltd.
- (5) Deemed interest in 60,980,000 Shares include:
  - (a) 25,880,000 shares held by its nominee, KGI Fraser Securities Pte. Ltd.
  - (b) 35,100,000 shares held by its nominee, Raffles Nominees (Pte) Ltd.
- (6) Based on issued shares of 416,838,825 shares (excluding treasury shares).

In the event the Company undertakes Share Purchases within the Relevant Period of up to ten per cent (10%) of the issued share capital of the Company, excluding Treasury Shares, as permitted by the Share Purchase Mandate, the shareholdings and voting rights of the Substantial Shareholders (comprising Mr. Ye Tianyun and Manfaith Investments Ltd.) will remain above fifty per cent (50%). Accordingly, no general offer is required to be made pursuant to the Take-over Code.

## 2.9. REPORTING REQUIREMENTS

Under Rule 886 of the Listing Manual, the Company shall notify the SGX-ST in respect of any Share Purchases from time to time, not later than 9.00 a.m. (a) in the case of an 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 should be made in compliance with Appendix 8.3.1 of the Listing Manual and currently requires the inclusion of details of the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable.

The Company shall make arrangements with its stockbrokers to ensure that they provide to the Company in a timely fashion the necessary information which will enable the Company to make the aforesaid notification to the SGX-ST.

In its annual reports and accounts, the Company is required to disclose details pertaining to purchases of Shares made during the year, including the total number of Shares purchased during the financial year under review, the price range per Share for such purchases and the aggregate consideration paid. The Directors' report contained in the annual report shall make reference to Share Purchases made during the year (if any), and the Directors' reasons for making such Share Purchases.

## 2.10. SHARES PURCHASED BY THE COMPANY

The Company did not acquire any Shares pursuant to the 2014 Mandate in the last 12 months immediately preceding the Latest Practicable Date

As at the Latest Practicable Date, the Company holds 15,750,000 Treasury Shares, constituting 3.29% of the Company's issued and paid-up share capital (including Treasury Shares).

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## LETTER TO SHAREHOLDERS

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### 3. THE PROPOSED SHARE CONSOLIDATION

On 25 March 2015, the Company announced that it is proposing to seek Shareholders' approval to undertake a share consolidation of every five (5) Shares of par value US\$0.02 each in the issued and authorised capital of the Company (including Treasury Shares) as at Books Closure Date to be determined into one (1) Consolidated Share of par value US\$0.10, fractional entitlements to be disregarded.

#### 3.1 BASIS FOR THE PROPOSED SHARE CONSOLIDATION

Under the Proposed Share Consolidation, every five (5) Shares of par value US\$0.02 each in the issued and authorised capital of the Company (including Treasury Shares) as at the Books Closure Date will be consolidated into one (1) Consolidated Share of par value US\$0.10. The said Proposed Share Consolidation is to take effect on the Market Day immediately following the Books Closure Date (the **"Share Consolidation Effective Date"**), being the date on which the Register of Members of the Company and the depository register (the **"Depository Register"**) (being such register maintained by the CDP in respect of book-entry securities) will be updated to reflect the number of Consolidated Shares held by each Shareholder or Depositor (being such person who has an account directly with CDP) respectively based on the number of existing Shares held by such Shareholder, or the number of shares credited to the Securities Account of such Depositor, as the case may be, as at the Books Closure Date. Each Consolidated Share will rank *pari passu* in all respects with each other. The Consolidated Shares will be traded in board lots of 100 Consolidated Shares.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of US\$9,578,085 (approximately RMB79,369,000 based on an exchange rate of S\$1 : RMB4.44516) comprising 463,154,250 Shares (excluding 15,750,000 Treasury Shares) of par value US\$0.02 each. Following the implementation of the Proposed Share Consolidation, the Company will have an issued and paid-up share capital of US\$9,578,085 (approximately RMB79,369,000 based on an exchange rate of S\$1 : RMB4.44516) comprising 92,630,850 Consolidated Shares (excluding 3,150,000 Treasury Shares on a post-consolidated basis).

**Shareholders should note that the number of Consolidated Shares which Shareholders will be entitled to, based on their holdings of existing Shares as at the Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractions of a Consolidated Share arising from the Proposed Share Consolidation shall be disregarded. Fractions of a Consolidated Share arising from the Proposed Share Consolidation will be aggregated and sold by the Company and the net proceeds retained by the Company or the fractional Shares will be otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the best interests of the Company. Affected Shareholders will not be paid for any fractions of a Consolidated Share which are disregarded.**

The Proposed Share Consolidation will have no impact on the issued and paid-up share capital of the Company. The Proposed Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the shareholders' funds of the Company and its subsidiaries. Shareholders will not be required to make any payment to the Company in respect of the Proposed Share Consolidation. The Proposed Share Consolidation will not cause any changes to the percentage shareholding of each Shareholder, other than non-material changes due to rounding. For illustrative purposes, based on the closing market price of the Shares on the Latest Practicable Date on which the Shares were traded on the SGX-ST of S\$0.1164 upon completion of the Proposed Share Consolidation, the theoretical share price of each Consolidated Share is S\$0.582.

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## LETTER TO SHAREHOLDERS

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### 3.2 RATIONALE FOR THE PROPOSED SHARE CONSOLIDATION

The SGX-ST and the Monetary Authority of Singapore had introduced, with effect from March 2015, a minimum trading price of S\$0.20 for Mainboard-listed stocks as a continuing listing requirement (the “**MTP Requirement**”).

Pursuant to the MTP Requirement, issuers who are unable to record a 6-month volume-weighted average price of its shares of S\$0.20 or above at each of the quarterly review dates, which will first commence in March 2016, will be placed on the watch-list. Affected issuers who fail to take remedial actions during the cure period of 36 months may be delisted from the Mainboard of the SGX-ST.

Accordingly, the Board believes that the Proposed Share Consolidation will generally be beneficial to the Company and its Shareholders in facilitating compliance with the MTP Requirement.

**However, Shareholders should note that there is no assurance that the Proposed Share Consolidation will achieve the desired results, nor is there assurance that such results (if achieved) can be sustained in the longer term.**

### 3.3 APPROVAL AND CONDITIONS

The Proposed Share Consolidation is subject to, *inter alia*,

- (a) the approval of Shareholders by way of an ordinary resolution at the 2015 AGM; and
- (b) the approval in-principle from the SGX-ST for the listing of and quotation for the Consolidated Shares arising from the Proposed Share Consolidation.

On 9 April 2015, the Company obtained the approval in-principle from the SGX-ST for the listing of and quotation for the Consolidated Shares on the Mainboard of the SGX-ST, subject to, *inter alia*, (i) Shareholders' approval being obtained at the 2015 AGM; and (ii) compliance with the SGX-ST's listing requirements. Approval in-principle granted by the SGX-ST for the listing of and quotation for up to 95,780,850 Consolidated Shares (including 3,150,000 Treasury Shares on a post-consolidated basis) on the Official List of the SGX-ST is not to be taken as an indication of the merits of the Company, its subsidiaries, the Shares, the Proposed Share Consolidation or the Consolidated Shares.

Subject to the approval of the Proposed Share Consolidation by Shareholders at the 2015 AGM, an announcement will be made by the Company in due course to notify Shareholders of the Books Closure Date as determined by the Board and the date on which the Consolidated Shares will trade on the Mainboard in board lots of 100 Consolidated Shares (the “**Effective Trading Date**”).

### 3.4 UPDATING OF REGISTER OF SHAREHOLDERS AND DEPOSITORY REGISTER FOR THE CONSOLIDATED SHARES

If Shareholders at the 2015 AGM approve the Proposed Share Consolidation, Shareholders' entitlements to the Consolidated Shares will be determined on the Books Closure Date. The Register of Members and the Depository Register will be updated to reflect the number of Consolidated Shares held by Shareholders and Depositors (as the case may be), and the Consolidated Shares will begin trading in board lots of 100 Consolidated Shares on the Effective Trading Date.

- (a) *Deposit of Share Certificates with CDP*

Shareholders who hold physical share certificates for the existing Shares of par value US\$0.02 each in their own names (the “**Old Share Certificates**”) and who wish to deposit the same with CDP and have their Consolidated Shares credited to the Securities Accounts must deposit their Old Share Certificates, together with duly executed instruments of transfer in favour of CDP, no later than twelve (12) Market Days prior to the Books Closure Date.



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## LETTER TO SHAREHOLDERS

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After the Books Closure Date, CDP will only accept the deposit of share certificates for Consolidated Shares (the “**New Share Certificates**”). Shareholders who wish to deposit their share certificates with CDP after the Books Closure Date must first deliver their Old Share Certificates to the share transfer agent, Tricor Barbinder Share Registration Services either by hand at 80 Robinson Road, #11-02, Singapore 068898 or by post at 80 Robinson Road, #02-00, Singapore 068898 (the “**Share Transfer Agent**”) for cancellation and issuance of New Share Certificates in replacement thereof as described below.

(b) *Issue of New Share Certificates*

Shareholders who have deposited their Old Share Certificates with CDP at least twelve (12) Market Days prior to the Books Closure Date need not take any action. The Company will make arrangements with CDP to effect the exchange for New Share Certificates pursuant to the Proposed Share Consolidation.

**Shareholders who have not deposited their Old Share Certificates as aforesaid or who do not wish to deposit their Old Share Certificates with CDP are advised to forward all their Old Share Certificates to the Share Transfer Agent, Tricor Barbinder Share Registration Services, either by hand at 80 Robinson Road, #11-02, Singapore 068898 or by post at 80 Robinson Road, #02-00, Singapore 068898 as soon as possible after they have been notified of the Books Closure Date, for cancellation and exchange for New Share Certificates. No receipt will be issued by the Share Transfer Agent upon receipt of any Old Share Certificates. The New Share Certificates will be sent by ordinary mail to the registered addresses of Shareholders at their own risk within ten (10) Market Days from the Books Closure Date or the date of receipt of the Old Share Certificates, whichever is later.**

Shareholders should note that New Share Certificates will not be issued to Shareholders unless their Old Share Certificates have already been tendered to the Share Transfer Agent for cancellation.

Shareholders should notify the Share Transfer Agent if they have lost any of their existing Old Share Certificates or if there is any change in their respective addresses from that reflected in the Register of Members of the Company.

Shareholders shall deliver their respective Old Share Certificates to the Share Transfer Agent or CDP in accordance with the provisions set out above, only after the Company's announcement of the Books Closure Date.

(c) *Share Certificates Not Valid for Settlement of Trades on Mainboard*

Shareholders who hold physical share certificates are reminded that their Old Share Certificates are no longer valid for settlement of trading in the Shares (and the Consolidated Shares) on the SGX-ST (as the Company is under a book-entry (scripless) settlement system) but will continue to be accepted for cancellation and issue of New Share Certificates in replacement thereof for an indefinite period by the Share Transfer Agent. The New Share Certificates will not be valid for delivery for trades done on the SGX-ST, though they will continue to be *prima facie* evidence of legal title.

### 3.5 TRADING ARRANGEMENTS FOR THE CONSOLIDATED SHARES AND ODD LOTS

(a) *Trading Arrangements for the Consolidated Shares*

Subject to the approval of the Proposed Share Consolidation by Shareholders at the 2015 AGM, with effect from 9.00 a.m. on the Effective Trading Date, trading in the Consolidated Shares will be in board lots of 100 Consolidated Shares. Accordingly, five (5) existing Shares of par value US\$0.02 each as at 5.00 p.m. on the Market Day immediately preceding the Share Consolidation Effective Date will represent one (1) Consolidated Share with effect from 9.00 a.m. on the Effective Trading Date. Trading in the existing Shares of par value US\$0.02 each will cease after 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date.

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## LETTER TO SHAREHOLDERS

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(b) *Trading Arrangements for Odd Lots*

Fractions of a Consolidated Share arising from the Proposed Share Consolidation will be aggregated and sold by the Company and the net proceeds retained by the Company or the fractional Shares will be otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the best interests of the Company.

The existing Shares of par value US\$0.02 each are currently traded in board lots of 100 Shares in the ready market. Following the completion of the Proposed Share Consolidation, the Securities Accounts maintained with CDP of Depositors holding existing Shares of par value US\$0.02 each may be credited with odd lots of the Consolidated Shares (that is, lots other than board lots of 100 Consolidated Shares).

Shareholders and Depositors who receive odd lots of Consolidated Shares pursuant to the Proposed Share Consolidation and who wish to trade in odd lots on the SGX-ST should note that the unit share market is available to allow trading in odd lots with a minimum size of one (1) Consolidated Share on the SGX-ST. The unit share market will enable trading in odd lots in any quantity less than one (1) board lot of the underlying Consolidated Shares.

To facilitate Depositors holding Consolidated Shares in trading odd lots of the Consolidated Shares, the Company has made an application with the SGX-ST for the establishment of a temporary odd-lot counter in the ready market to allow the Depositors to trade in board lots of one (1) Consolidated Share. This temporary odd-lot counter will be maintained for a period of two (2) calendar months commencing from the Effective Trading Date (the “**Concessionary Period**”). The Company will make a further announcement on the setting up of the temporary counter when the outcome of the application is known.

Thereafter, Depositors can trade in odd lots of Consolidated Shares on the SGX-ST’s unit share market. Shareholders who hold odd lots (whether before, during, or after the Concessionary Period) may have to bear disproportionate transaction costs in trading their shares. The set-up of the temporary odd-lot counter in the ready market is strictly of a provisional nature. Depositors who continue to hold odd lots of less than 100 Consolidated Shares after the Concessionary Period may find difficulty in realising the fair market price of such Consolidated Shares.

### 3.6 FINANCIAL EFFECTS OF THE PROPOSED SHARE CONSOLIDATION

For illustration purposes only and on the basis of the following assumptions, the financial effects of the Proposed Share Consolidation on the Group and/or the Company are set out below:

- (a) the pro forma financial effects have been computed based on the Group’s and the Company’s unaudited financial statements for the financial period ended 31 December 2014; and
- (b) the pro forma financial effects of the Proposed Share Consolidation on the share capital, NTA per Share and EPS and gearing of the Group and/or the Company are prepared purely for illustration only and do not reflect the actual future financial situation of the Group and/or the Company immediately after the completion of the Proposed Share Consolidation,

#### 3.6.1 Share Capital

	Before the Proposed Share Consolidation	After the Proposed Share Consolidation
Issued and paid up capital (RMB'000)	79,369	79,369
Number of Shares	463,154,250 (excluding 15,750,000 Treasury Shares)	92,630,850 (excluding 3,150,000 Treasury Shares)

## LETTER TO SHAREHOLDERS

### 3.6.2 NTA

	Group		Company	
	Before the Proposed Share Consolidation	After the Proposed Share Consolidation	Before the Proposed Share Consolidation	After the Proposed Share Consolidation
NTA (RMB'000)	508,180	508,180	186,605	186,605
Number of Shares	463,154,250 (excluding 15,750,000 Treasury Shares)	92,630,850 (excluding 3,150,000 Treasury Shares)	463,154,250 (excluding 15,750,000 Treasury Shares)	92,630,850 (excluding 3,150,000 Treasury Shares)
NTA per Share (RMB cents)	109.72	548.61	40.29	201.45

### 3.6.3 EPS

	Group		Company	
	Before the Proposed Share Consolidation	After the Proposed Share Consolidation	Before the Proposed Share Consolidation	After the Proposed Share Consolidation
Earnings attributable to Shareholders (RMB'000)	8,039	8,039	3,689	3,689
Weighted average number of shares for EPS	463,154,250 (excluding 15,750,000 Treasury Shares)	92,630,850 (excluding 3,150,000 Treasury Shares)	463,154,250 (excluding 15,750,000 Treasury Shares)	92,630,850 (excluding 3,150,000 Treasury Shares)
EPS (RMB cents)	1.74	8.68	0.80	3.98

### 3.6.4 Gearing

The Proposed Share Consolidation will not affect the gearing of the Company and the Group.

### 3.7 EFFECT OF THE PROPOSED SHARE CONSOLIDATION ON THE VOLUME WEIGHTED AVERAGE SHARE PRICE

For illustration purposes only, based on the 6-month VWAP of the Company of S\$0.105219 for the period from 30 September 2014 to 31 March 2015, the theoretical 6-month VWAP as adjusted for the Proposed Share Consolidation is S\$0.526095.

### 3.8 NOTICE OF BOOKS CLOSURE DATE

The Books Closure Date for the purpose of determining Shareholders' entitlements pursuant to the Proposed Share Consolidation will be as at a time and date to be determined by the Board, and will be announced by the Company at a later date in due course.



## LETTER TO SHAREHOLDERS

### 4. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the issued share capital of the Company are as follows:

Director	Direct Interest	% <sup>(1)</sup>	Deemed Interest	% <sup>(1)</sup>
Ye Tianyun. <sup>(2)</sup>	14,479,000	3.126	332,212,250	71.728
Chen Xiangjing <sup>(3)</sup>	—	—	1,500,000	0.324
Yeo See Meng <sup>(4)</sup>	—	—	13,874,000	2.996
<b>Substantial Shareholder (more than 5%) (Other than Directors)</b>				
Manfaith Investments Ltd. <sup>(5)</sup>	271,232,250	58.562	60,980,000	13.166

**Notes:**

- (1) Based on issued shares of 463,154,250 shares excluding 15,750,000 treasury shares.
- (2) Deemed to have an interest in the 332,212,250 Shares held by Manfaith Investments Ltd.
- (3) Deemed to have an interest in the 1,500,000 Shares held through RHB Securities Singapore Pte Ltd.
- (4) Deemed to have an interest in the 13,874,000 Shares held by his spouse either in her own name or through DBS Nominee Pte. Ltd.
- (5) Deemed interest in 60,980,000 Shares include:
  - (a) 25,880,000 shares held by its nominee, KGI Fraser Securities Pte. Ltd.
  - (b) 35,100,000 shares held by its nominee, Raffles Nominees (Pte) Ltd.

### 5. LIMITS ON SHAREHOLDINGS

The Company does not have any limits on the shareholding of any Shareholder.

### 6. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate and the Proposed Share Consolidation are in the best interests of and commercial benefit to the Company. Accordingly, they recommend that Shareholders vote in favour of the ordinary resolutions relating to the proposed renewal of the Share Purchase Mandate and the Proposed Share Consolidation.

Any Shareholder who may require advice in the interest of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

### 7. ANNUAL GENERAL MEETING

The 2015 AGM, notice of which is set out on pages 88 to 93 of the Annual Report, will be held at 9.00 a.m. on 29 April 2015 at Meeting Room 306, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593, for the purpose of considering, and if thought fit, passing with or without any modifications, the resolutions, including the ordinary resolutions relating to the proposed renewal of the Share Purchase Mandate and the Proposed Share Consolidation.

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## LETTER TO SHAREHOLDERS

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### 8. ACTION TO BE TAKEN BY SHAREHOLDERS

A Shareholder who is entitled to attend and vote at a general meeting of the Company but is unable to attend the 2015 AGM personally and wishes to appoint a proxy to attend and vote at the 2015 AGM on his behalf should complete, sign and return the proxy form attached to the Notice of 2015 AGM in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of the Share Transfer Agent, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00, Singapore 068898, at no less than 48 hours before the time appointed for the holding of the 2015 AGM. The appointment of a proxy by a Shareholder does not preclude him from attending voting in person at the 2015 AGM if he wishes to do so, and, in such event, his instrument appointing a proxy shall be deemed to be revoked.

A Depositor shall not be regarded as a Shareholder entitled to attend the 2015 AGM and to speak and vote thereat. Depositors who wish to attend and vote at the 2015 AGM, and whose names are shown in the records of CDP as at a time not earlier than 48 hours prior to the time of the 2015 AGM, may attend and vote as CDP's proxies.

### 9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate and the Proposed Share Consolidation, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

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

### 10. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected by Shareholders at the office of the Share Transfer Agent, Tricor Barbinder Share Registration Services, at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours on any weekday (public holiday excepted) from the date of this Appendix up to and including the date of 2015 AGM:

- (i) the memorandum of association and Bye-laws of the Company; and
- (ii) the audited consolidated financial statements of the Group for FY2014.

Yours faithfully  
For and on behalf of the  
Board of Directors of  
**8Telecom International Holdings Co. Ltd.**

Ye Tianyun  
Executive Chairman and Chief Executive Officer

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