

## **APPENDIX DATED 27 APRIL 2012**

### **THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

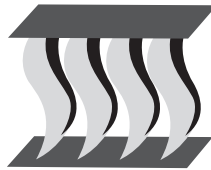
This Appendix is circulated to the shareholders (“**Shareholders**”) of Hoe Leong Corporation Ltd. (the “**Company**”) together with the annual report of the Company for the financial year ended 31 December 2011 (“**Annual Report**”). Its purpose is to explain to the Shareholders the rationale and provide information to the Shareholders for the proposed renewal of the Share Buy-Back Mandate (as defined herein), the proposed grant of options under the ESOS 2009 (as defined herein) and the proposed grant of awards under the PSP 2009 (as defined herein) to be tabled at the Annual General Meeting (“**AGM**”) of the Company to be held at Jurong Country Club, 9 Science Centre Road, Singapore 609078 (Albizia 1 at Level 2) on Monday, 14 May 2012 at 9.30 a.m.

The Notice of the AGM and a proxy form are enclosed with the Annual Report.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Appendix, the Annual Report and proxy form to the purchaser or to the bank, stockbroker or other agent through whom you effected the sale for onward transmission to the purchaser.

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

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



### **HOE LEONG CORPORATION LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration No.: 199408433W)

### **APPENDIX TO SHAREHOLDERS**

#### **IN RELATION TO**

- (1) THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE;**
- (2) THE PROPOSED GRANT OF OPTIONS UNDER THE ESOS 2009; AND**
- (3) THE PROPOSED GRANT OF AWARDS UNDER THE PSP 2009.**

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## LETTER TO SHAREHOLDERS

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### HOE LEONG CORPORATION LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration No.: 199408433W)

#### (1) THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE; (2) THE PROPOSED GRANT OF OPTIONS UNDER THE ESOS 2009; AND (3) THE PROPOSED GRANT OF AWARDS UNDER THE PSP 2009

#### 1. INTRODUCTION

1.1 At the annual general meeting of the Company held on 25 April 2011 (the “**Last General Meeting**”), Shareholders approved a general share buy-back mandate to enable the Company to purchase or otherwise acquire issued Shares (the “**Existing Share Buy-Back Mandate**”).

The rationale for the authority and limitations on, and the financial effects of, the Existing Share Buy-Back Mandate was set out in Appendix 1 to the Notice of Annual General Meeting circulated to Shareholders together with the annual report of the Company for the financial year ended 31 December 2010.

1.2 The Existing Share Buy-Back Mandate will expire on the date of the forthcoming AGM. The Directors propose that the Existing Share Buy-Back Mandate be renewed at the AGM in terms of Resolution 10 that will be proposed at the AGM (the “**Share Buy-Back Mandate**”).

1.3 At the extraordinary general meeting of the Company held on 27 April 2009, Shareholders:

- (a) adopted the Hoe Leong Share Option Scheme 2009 (“**ESOS 2009**”);
- (b) approved the granting of share options under the ESOS 2009 at a discount to Group Employees who are not directors of the Company;
- (c) adopted the Hoe Leong Performance Share Plan 2009 (“**PSP 2009**”); and
- (d) approved the following Controlling Shareholders and their Associates to participate in both the ESOS 2009 and PSP 2009:
  - (i) Mr James Kuah Geok Lin;
  - (ii) Mr Paul Kuah Geok Khim;
  - (iii) Dr Peter Kuah Geok Koon;
  - (iv) Mr Quah Yoke Hwee;
  - (v) Mdm Kuah Geok Khim; and
  - (vi) Mr Raymond Quah Eng Kiat.

1.4 At the annual general meeting of the Company held on 25 April 2011, Shareholders approved the participation of Mr Alvin Kuah Han Zhou, an Associate of a Controlling Shareholder, in both the ESOS 2009 and the PSP 2009.

1.5 At the AGM, Shareholders’ approval is sought:

- (a) under Resolution 10 of the Notice of AGM, for the proposed renewal of the Existing Share Buy-Back Mandate; and
- (b) under Resolutions 11 to 16 of the Notice of AGM, for the proposed grant of options to Mdm Kuah Geok Khim, Mr Raymond Quah Eng Kiat and Mr Alvin Kuah Han Zhou pursuant to the ESOS 2009 and the proposed grant of awards to Mdm Kuah Geok Khim, Mr Raymond Quah Eng Kiat and Mr Alvin Kuah Han Zhou pursuant to the PSP 2009.

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### 2. PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

#### 2.1 Introduction

Under the Companies Act, a company may purchase its own shares, stocks and/or preference shares if it is expressly permitted to do so by its articles of association. Article 4 expressly permits the Company to purchase its issued Shares.

Shareholders' approval is being sought for the proposed Share Buy-Back Mandate at the AGM. If the Share Buy-Back Mandate is approved by Shareholders, it will remain in force until the date on which the next annual general meeting of the Company is held or required by law to be held (when the proposed Share Buy-Back Mandate will lapse unless it is renewed) or the date on which Share Buy-Backs are carried out to the full extent mandated, whichever is the earlier unless prior to that, it is varied or revoked by resolution of the Shareholders in general meeting.

#### 2.2 Rationale

The proposed Share Buy-Back Mandate will give the Directors the flexibility to purchase Shares if and when circumstances permit. The Directors believe that Share Buy-Backs provide the Company and its Directors with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. It also allows the Directors to exercise greater control over the Company's share capital structure, dividend payout and cash reserves.

The proposed Share Buy-Back Mandate will also give the Company the opportunity to buy back Shares when such Shares are under-valued.

The buy back of Shares will only be made when the Directors believe that such buy backs would be in the interests of the Company.

#### 2.3 Authority and Limits on the Share Buy-Back Mandate

The authority and limitations placed on purchases or acquisitions of Shares under the Share Buy-Back Mandate, if approved at the AGM, are as follows:

(a) Maximum Number of Shares

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate is limited to that number of Shares representing not more than 10% of the total number of Shares as at the date of the forthcoming AGM at which the Share Buy-Back Mandate is approved.

For illustrative purposes, on the basis that there are 289,383,271 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued on or prior to the date of the AGM, not more than 28,938,327 Shares (representing 10% of the total number of issued ordinary shares of the Company as at that date) may be purchased by the Company pursuant to the Share Buy-Back Mandate.

(b) Duration of Authority

Under the Share Buy-Back Mandate, the Company may buy back Shares, at any time and from time to time, on and from the date of the AGM at which the Share Buy-Back Mandate is approved up to:

- (i) the date on which the next annual general meeting of the Company is held or required by law to be held; or
- (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; or

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- (iii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the Company in general meeting,

whichever is the earliest.

(c) Manner of Share Buy-Backs

Share Buy-Backs may be made by way of:

- (i) an on-market Share Buy-Back transacted through the SGX-ST's trading system; and/or
- (ii) an off-market Share Buy-Back effected in accordance with an equal access scheme(s).

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy-Back Mandate, the Listing Manual and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

(d) Off-market Share Buy-Backs

An off-market Share Buy-Back on an "equal access scheme" must satisfy all the following conditions:

- (i) the offers under the scheme must be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;
- (ii) all of those persons have a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers are the same except that there shall be disregarded:
  - (1) differences in consideration attributable to the fact that offers relate to Shares with different accrued dividend entitlements;
  - (2) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and
  - (3) differences in the offers introduced solely to ensure that each member is left with a whole number of Shares.

If the Company makes an off-market Share Buy-Back on an equal access scheme, the Company must issue an offer document to all Shareholders containing at least the following information:

- (i) terms and conditions of the offer;
- (ii) period and procedures for acceptances;
- (iii) reasons for the proposed Share Buy-Back;
- (iv) the consequences, if any, of share purchases by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (v) whether the Share Buy-Back, if made, could affect the listing of the Shares on the SGX-ST;

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- (vi) details of any Share Buy-Backs made by the Company in the previous 12 months (whether on-market Share Buy-Backs or off-market Share Buy-Backs), 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
  - (vii) whether the Shares purchased by the Company will be cancelled or kept as Treasury Shares.
- (e) *Maximum Purchase Price to be paid for the Shares*

The purchase price (excluding brokerage, commission, applicable goods and services tax and other purchase-related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price for a Share shall not exceed:

- (i) in the case of an on-market Share Buy-Back, 5% above the Average Closing Market Price of the Shares; and
- (ii) in the case of an off-market Share Buy-Back pursuant to an equal access scheme, 20% above the Average Closing Market Price of the Shares.

For the above purposes:

**“Average Closing Market Price”** means the average of the closing market prices of a Share over the last 5 Market Days on which transactions in the Shares were recorded, immediately preceding the day on which an on-market Share Buy-Back was made by the Company or, as the case may be, the date of the making of the offer pursuant to an off-market Share Buy-Back on an equal access scheme, and deemed to be adjusted for any corporate action that occurs after such 5-day period; and

**“date of the making of the offer”** means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating therein the relevant terms of the equal access scheme for effecting the off-market Share Buy-Back.

The Listing Manual restricts a listed company from purchasing shares by way of on-market share buy-backs at a price per share which is more than 5% above the “average closing market price”, being the average of the closing market prices of the shares over the last 5 Market Days on which transactions in the shares were recorded, before the day on which the purchases were made and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.

Although the Listing Manual does not prescribe a maximum price in relation to purchases of shares by way of off-market share buy-backs, the Company has set a cap of 20% above the Average Closing Market Price of the Shares as the maximum price for a Share to be purchased or acquired by way of off-market Share Buy-Backs.

### 2.4 Funding of Share Buy-Backs

In financing the Share Buy-Backs, the Company may only apply funds legally available in accordance with its Articles and the applicable laws in Singapore. The Company may not buy back its Shares on the SGX-ST for a consideration other than in cash or, in the case of an on-market Share Buy-Back, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

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The Company intends to use its internal funds and borrowings to finance the buy-back of Shares. In considering the use of external funding, the Company will take into consideration the availability of external financing and the resulting impact on the prevailing gearing level of the Company and the Group. The Company will only exercise the mandate in the interest of the Company and the Group without causing adverse financial impact to the Company and the Group. **In particular, the Company will have regard to any relevant financial covenants which are applicable to the Company and/or the Group under any agreements for banking and credit facilities which may be granted by a financial institution to the Company and/or the Group from time to time. The Company will not buy back any Shares if such purchases would lead to any breaches of the relevant financial covenants.**

### 2.5 Status of Purchased Shares

The Shares purchased or acquired by the Company under the Share Buy-Back Mandate shall be deemed to be cancelled on purchase or acquisition unless held in treasury in accordance with Section 76H of the Companies Act. The number of Shares held as Treasury Shares cannot at any time exceed 10% of the total number of issued Shares.

Where Shares purchased or acquired by the Company under the Share Buy-Back Mandate are cancelled, such Shares will be automatically de-listed by the SGX-ST. Certificates in respect of such cancelled Shares will be cancelled and destroyed by the Company as soon as is reasonably practicable after the Shares have been acquired.

Where Shares purchased or acquired by the Company under the Share Buy-Back Mandate are held as Treasury Shares, the Company may at any time:

- (a) sell the Treasury Shares for cash;
- (b) transfer the Treasury Shares for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the Treasury Shares as consideration for the acquisition of shares in assets of another company or assets of a person;
- (d) cancel the Treasury Shares; or
- (e) sell, transfer or otherwise use the Treasury Shares for such other purposes as may be prescribed.

In the event that the Treasury Shares purchased or acquired by the Company under the Share Buy-Back Mandate are subsequently sold, transferred, cancelled and/or used, the Company will, pursuant to Rule 704(28) of the Listing Manual, immediately announce any sale, transfer, cancellation and/or use of the Treasury Shares, stating 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 Treasury Shares before and after such sale, transfer, cancellation and/or use;
- (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.

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The Company shall not exercise any right in respect of the Treasury Shares, including:

- (a) the right to attend or vote at meetings; and
- (b) the right to receive dividend or any other distribution (in cash or otherwise) of its assets (including any distribution of assets to members on a winding up).

The Company may receive allotments of fully paid bonus shares in respect of the Treasury Shares and the Treasury Shares may be sub-divided or consolidated so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before the subdivision or consolidation, as the case may be.

Any Shares allotted as fully paid bonus shares in respect of the Treasury Shares shall be treated for the purposes of the Companies Act as if they were purchased by the Company at the time they were allotted, in circumstances in which Section 76H of the Companies Act applied.

### 2.6 Financial Effects of the Proposed Share Buy-Back Mandate

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. For this purpose, a company is "insolvent" if:

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

Where the consideration paid by the Company for the purchase or acquisition of Shares (excluding brokerage, commission, goods and services tax and other purchase-related expenses) is made out of available profits, this 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.

The actual impact of the Share Buy-Back Mandate on the financials of the Company and the Group will depend on the exact number of Shares purchased or acquired, the purchase prices at the relevant time of purchase, how the purchase or acquisition is funded, whether the Shares purchased or acquired are held in treasury or immediately cancelled on purchase or acquisition as well as how the Shares held in treasury are subsequently dealt with by the Company in accordance with Section 76K of the Companies Act.

#### 2.6.1 Information as at the Latest Practicable Date

As at the Latest Practicable Date, the issued capital of the Company comprises 289,383,271 Shares. Purely for illustrative purposes, on the basis of 289,383,271 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the AGM, the purchase by the Company of 10% of its issued Shares will result in the purchase or acquisition of 28,938,327 Shares. It is also assumed that the Share Buy-Back took place on 1 January 2011.

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## LETTER TO SHAREHOLDERS

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### 2.6.2 Illustrative Financial Effects

For illustrative purposes only and on the basis of the assumptions set out in paragraph 2.6.1 above, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2011 are set out below and assuming the following:

(a) On-market Share Buy-Back

For an on-market Share Buy-Back of 28,938,327 Shares at the maximum price of S\$0.271 for one Share (being the price equivalent to 5% above the average of the closing market prices of the Shares for the 5 consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 28,938,327 Shares is S\$7.84 million.

Shares purchased or acquired by way of on-market purchases are assumed to have been made equally out of capital and were either (i) cancelled or (ii) held as Treasury Shares.

(b) Off-market Share Buy-Back

For an off-market Share Buy-Back of 28,938,327 Shares at the maximum price of S\$0.310 for one Share (being the price equivalent to 20% above the average of the closing market prices of the Shares for the 5 consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 28,938,327 Shares is S\$8.97 million.

Shares purchased or acquired by way of off-market purchases are assumed to have been made equally out of capital and were either (i) cancelled or (ii) held as Treasury Shares.

The financial effects on the audited financial statements of the Group and the Company for the financial year ended 31 December 2011 would have been as follows:



## LETTER TO SHAREHOLDERS

### Scenario 1(A)

On-market purchases of up to maximum of 10% made entirely out of capital and cancelled.

Year ended 31 December 2011	Group		Company	
	Before Share Buy-Back	After Share Buy-Back	Before Share Buy-Back	After Share Buy-Back
<b>(S\$'000)</b>				
<b>Shareholders' Funds</b>	86,008	78,169	68,120	60,281
<b>Net Assets</b>	86,008	78,169	68,120	60,281
<b>Current assets</b>	94,169	87,274	78,103	71,208
<b>Current liabilities</b>	49,359	50,303	33,247	34,191
<b>Total Borrowings</b>	59,595	60,539	47,261	48,205
<b>Profit attributable to Shareholders</b>	21,859	21,859	N.A	N.A
<b>( '000)</b>				
<b>Number of issued and paid-up Shares</b>	289,383	260,445	289,383	260,445
<b>Weighted average number of Shares</b>	289,383	260,445	N.A	N.A
<b>Adjusted weighted average number of Shares</b>	289,797	260,859	N.A	N.A
<b><u>Financial Ratios</u></b>				
<b>Net Asset Value per Share (in cents)</b>	29.7	30.0	23.5	23.1
<b>Gearing (times)</b>	0.69	0.77	0.69	0.80
<b>Basic Earnings per Share (in cents)</b>	7.55	8.39	N.A	N.A
<b>Diluted Earnings per Share (in cents)</b>	7.54	8.38	N.A	N.A

**Notes:**

- (1) "Shareholders' Funds" means the aggregate amount of share capital, currency translation reserve, share-based compensation reserve and accumulated profits, excluding non-controlling interests.
- (2) "Net Assets" as disclosed above excludes non-controlling interests.
- (3) "Total Borrowings" means the aggregate borrowings from banks and financial institutions.
- (4) "Net Asset Value per Share" is calculated based on Net Assets divided by the number of issued and paid-up Shares outstanding as at 31 December 2011.
- (5) "Gearing" represents the ratio of Total Borrowings to Shareholders' Funds.
- (6) "Basic Earnings per Share" is calculated based on profit attributable to Shareholders divided by the weighted average number of Shares in issue during the year ended 31 December 2011.
- (7) "Diluted Earnings per Share" is calculated based on profit attributable to Shareholders divided by the adjusted weighted average number of Shares in issue during the year ended 31 December 2011.
- (8) "N.A" means not applicable.

## LETTER TO SHAREHOLDERS

### Scenario 1(B)

**On-market purchases of up to maximum of 10% made entirely out of capital and held as Treasury Shares.**

Year ended 31 December 2011	Group		Company	
	Before Share Buy-Back	After Share Buy-Back	Before Share Buy-Back	After Share Buy-Back
<b>(S\$'000)</b>				
Shareholders' Funds	86,008	86,008	68,120	68,120
Treasury Shares	-	(7,839)	-	(7,839)
Net Assets	86,008	78,169	68,120	60,281
Current assets	94,169	87,274	78,103	71,208
Current liabilities	49,359	50,303	33,247	34,191
Total Borrowings	59,595	60,539	47,261	48,205
Profit attributable to Shareholders	21,859	21,859	N.A	N.A
<b>('000)</b>				
Number of issued and paid-up Shares	289,383	260,445	289,383	260,445
Weighted average number of Shares	289,383	260,445	N.A	N.A
Adjusted weighted average number of Shares	289,797	260,859	N.A	N.A
<b>Financial Ratios</b>				
Net Asset Value per Share (in cents)	29.7	30.0	23.5	23.1
Gearing (times)	0.69	0.77	0.69	0.80
Basic Earnings per Share (in cents)	7.55	8.39	N.A	N.A
Diluted Earnings per Share (in cents)	7.54	8.38	N.A	N.A

**Notes:**

- (1) "Shareholders' Funds" means the aggregate amount of share capital, currency translation reserve, share-based compensation reserve and accumulated profits, excluding non-controlling interests.
- (2) "Net Assets" as disclosed above excludes non-controlling interests.
- (3) "Total Borrowings" means the aggregate borrowings from banks and financial institutions.
- (4) "Net Asset Value per Share" is calculated based on Net Assets divided by the number of issued and paid-up Shares outstanding as at 31 December 2011.
- (5) "Gearing" represents the ratio of Total Borrowings to Shareholders' Funds.
- (6) "Basic Earnings per Share" is calculated based on profit attributable to Shareholders divided by the weighted average number of Shares in issue during the year ended 31 December 2011.
- (7) "Diluted Earnings per Share" is calculated based on profit attributable to Shareholders divided by the adjusted weighted average number of Shares in issue during the year ended 31 December 2011.
- (8) "N.A" means not applicable.

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### Scenario 2(A)

Off-market purchases of up to maximum of 10% made entirely out of capital and cancelled.

Year ended 31 December 2011	Group		Company	
	Before Share Buy-Back	After Share Buy-Back	Before Share Buy-Back	After Share Buy-Back
<b>(S\$'000)</b>				
<b>Shareholders' Funds</b>	86,008	77,049	68,120	59,161
<b>Net Assets</b>	86,008	77,049	68,120	59,161
<b>Current assets</b>	94,169	87,274	78,103	71,208
<b>Current liabilities</b>	49,359	51,423	33,247	35,311
<b>Total Borrowings</b>	59,595	61,659	47,261	49,325
<b>Profit attributable to Shareholders</b>	21,859	21,859	N.A	N.A
<b>('000)</b>				
<b>Number of issued and paid-up Shares</b>	289,383	260,445	289,383	260,445
<b>Weighted average number of Shares</b>	289,383	260,445	N.A	N.A
<b>Adjusted weighted average number of Shares</b>	289,797	260,859	N.A	N.A
<b><u>Financial Ratios</u></b>				
<b>Net Asset Value per Share (in cents)</b>	29.7	29.6	23.5	22.7
<b>Gearing (times)</b>	0.69	0.80	0.69	0.83
<b>Basic Earnings per Share (in cents)</b>	7.55	8.39	N.A	N.A
<b>Diluted Earnings per Share (in cents)</b>	7.54	8.38	N.A	N.A

**Notes:**

- (1) "Shareholders' Funds" means the aggregate amount of share capital, currency translation reserve, share-based compensation reserve and accumulated profits, excluding non-controlling interests.
- (2) "Net Assets" as disclosed above excludes non-controlling interests.
- (3) "Total Borrowings" means the aggregate borrowings from banks and financial institutions.
- (4) "Net Asset Value per Share" is calculated based on Net Assets divided by the number of issued and paid-up Shares outstanding as at 31 December 2011.
- (5) "Gearing" represents the ratio of Total Borrowings to Shareholders' Funds.
- (6) "Basic Earnings per Share" is calculated based on profit attributable to Shareholders divided by the weighted average number of Shares in issue during the year ended 31 December 2011.
- (7) "Diluted Earnings per Share" is calculated based on profit attributable to Shareholders divided by the adjusted weighted average number of Shares in issue during the year ended 31 December 2011.
- (8) "N.A" means not applicable.

## LETTER TO SHAREHOLDERS

### Scenario 2(B)

**Off-market purchases of up to maximum of 10% made entirely out of capital and held as Treasury Shares.**

Year ended 31 December 2011	Group		Company	
	Before Share Buy-Back	After Share Buy-Back	Before Share Buy-Back	After Share Buy-Back
<b>(S\$'000)</b>				
<b>Shareholders' Funds</b>	86,008	86,008	68,120	68,120
<b>Treasury Shares</b>	-	(8,959)	-	(8,959)
<b>Net Assets</b>	86,008	77,049	68,120	59,161
<b>Current assets</b>	94,169	87,274	78,103	71,208
<b>Current liabilities</b>	49,359	51,423	33,247	35,311
<b>Total Borrowings</b>	59,595	61,659	47,261	49,325
<b>Profit attributable to Shareholders</b>	21,859	21,859	N.A	N.A
<b>('000)</b>				
<b>Number of issued and paid-up Shares</b>	289,383	260,445	289,383	260,445
<b>Weighted average number of Shares</b>	289,383	260,445	N.A	N.A
<b>Adjusted weighted average number of Shares</b>	289,797	260,859	N.A	N.A
<b>Financial Ratios</b>				
<b>Net Asset Value per Share (in cents)</b>	29.7	29.6	23.5	22.7
<b>Gearing (times)</b>	0.69	0.80	0.69	0.83
<b>Basic Earnings per Share (in cents)</b>	7.55	8.39	N.A	N.A
<b>Diluted Earnings per Share (in cents)</b>	7.54	8.38	N.A	N.A

**Notes:**

- (1) "Shareholders' Funds" means the aggregate amount of share capital, currency translation reserve, share-based compensation reserve and accumulated profits, excluding non-controlling interests.
- (2) "Net Assets" as disclosed above excludes non-controlling interests.
- (3) "Total Borrowings" means the aggregate borrowings from banks and financial institutions.
- (4) "Net Asset Value per Share" is calculated based on Net Assets divided by the number of issued and paid-up Shares outstanding as at 31 December 2011.
- (5) "Gearing" represents the ratio of Total Borrowings to Shareholders' Funds (after deducting Treasury Shares).
- (6) "Basic Earnings per Share" is calculated based on profit attributable to Shareholders divided by the weighted average number of Shares in issue during the year ended 31 December 2011.
- (7) "Diluted Earnings per Share" is calculated based on profit attributable to Shareholders divided by the adjusted weighted average number of Shares in issue during the year ended 31 December 2011.
- (8) "N.A" means not applicable.

**Shareholders should note that the financial effects illustrated above are for illustrative purposes only. In particular, it is important to note that the above analyses are based on the latest audited financial statements of the Group and the Company for the year ended 31 December 2011 and is not necessarily representative of the future financial performance of the Group. Although the proposed Share Buy-Back Mandate would authorise the Company to buy back up to 10% of the Company's issued Shares as at the date that the Share Buy-Back Mandate is obtained, the Company may not necessarily buy back or be able to buy back 10% of the issued Shares in full.**

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## LETTER TO SHAREHOLDERS

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### 2.7 Taxation

Shareholders who are in doubt as to their respective tax positions or any tax implications should consult their own tax advisors to take into account the tax law applicable, whether in or outside Singapore, to their particular situations.

### 2.8 Reporting Requirements

Within thirty (30) days of the passing of a Shareholder's resolution to approve or renew the proposed Share Buy-Back Mandate, the Company shall lodge a copy of such resolution with the Registrar.

The Company shall lodge with the Registrar a notice of Share Buy-Back within thirty (30) days of such Share Buy-Back. Such notification shall include the date of the purchases, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as Treasury Shares, the Company's issued share capital before and after the purchases, the amount of consideration paid by the Company for the purchases, whether the Shares were purchased out of the profits or the capital of the Company and such other particulars as may be required in the prescribed form.

### 2.9 Listing Manual

The Listing Manual specifies that a listed company shall notify the SGX-ST of any on-market share purchases not later than 9.00 a.m. on the Market Day following the day on which the on-market share purchase was made, and of any off-market share purchases not later than 9.00 a.m. on the second Market Day after the close of acceptance of the offer for the off-market share purchase. The notification of such share purchases to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

### 2.10 Suspension of Buy-Back of Shares

As the Company would be considered an "insider" in relation to any Share Buy-Back, the Company will not buy Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been publicly announced. In particular, the Company will not buy Shares during the period commencing one (1) month before the announcement of the Company's full year financial results and during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, as the case may be, and ending on the date of announcement of the relevant results.

### 2.11 Listing Status on SGX-ST

The Listing Manual provides that a listed company shall ensure that at least 10% of a class of its listed securities is at all times held by the public.

As at the Latest Practicable Date, approximately 29.62% of the issued share capital of the Company is held in the hands of the public. Assuming that the Share Buy-Back was carried out on the Latest Practicable Date, and the Company bought back a maximum number of 28,938,327 Shares, approximately 21.80% of the issued share capital of the Company (excluding Treasury Shares) will be held in the hands of the public.

The Directors will use their best efforts to ensure that the Company does not carry out Share Buy-Backs if it would result in the number of Shares remaining in the hands of the public falling to such a level as to adversely affect the listing status of the Company.

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## LETTER TO SHAREHOLDERS

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### 2.12 Take-over Implications Under the Singapore Code on Take-overs and Mergers

Appendix 2 of the Take-over Code contains the Share Buy-Back 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.

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

Pursuant to Appendix 2 of the Take-over Code, any increase in the percentage of voting rights held by a shareholder and persons acting in concert with him resulting from a Share Buy-Back by the Company will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code.

Under Rule 14 of the Take-over Code, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory take-over offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company's voting rights, increase their voting rights in the Company by more than 1% in any period of 6 months.

Consequently, depending on the number of Shares purchased or acquired by the Company and the number of issued Shares at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make a take-over offer under Rule 14 of the Take-over Code.

#### Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely:

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the aforesaid companies, any company whose associated companies include any of the aforesaid companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforesaid companies for the purchase of voting rights;
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser (including a stockbroker), with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;

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## LETTER TO SHAREHOLDERS

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

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights 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 of Shares by the Company are set out in Appendix 2 of the Take-over Code.

In general terms, the effect of Appendix 2 of the Take-over Code is that:

- (a) unless exempted, Directors and persons acting in concert with them will incur an obligation 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 ordinary shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months;
- (b) a Shareholder who is not acting in concert with the Directors 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 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 Buy-Back Mandate.

Based on the Directors' and Substantial Shareholders' interests in the Company as at the Latest Practicable Date which is set out in paragraph 3 of this Appendix, none of the Directors and Substantial Shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase by the Company of the maximum limit of 10% of its issued Shares.

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

### 2.13 No Previous Purchases of Shares

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

## LETTER TO SHAREHOLDERS

### 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date, as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders, are set out below:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
<b>Directors</b>						
James Kuah Geok Lin <sup>(2)</sup>	8,860,924	3.06	146,268,200	50.54	155,129,124	53.61
Paul Kuah Geok Khim <sup>(2)</sup>	8,750,924	3.02	146,268,200	50.54	155,019,124	53.57
Quah Yoke Hwee <sup>(2)</sup>	8,750,924	3.02	146,268,200	50.54	155,019,124	53.57
Ang Mong Seng	100,000	0.03	-	-	100,000	0.03
Lim Kok Hoong	-	-	-	-	-	-
Peter Boo Song Heng	-	-	-	-	-	-
<b>Substantial Shareholders</b>						
Hoe Leong Co. (Pte.) Ltd	146,268,200	50.54	-	-	146,268,200	50.54
Tan Kim Seng	25,000,000	8.64	-	-	25,000,000	8.64
James Kuah Geok Lin <sup>(2)</sup>	8,860,924	3.06	146,268,200	50.54	155,129,124	53.61
Paul Kuah Geok Khim <sup>(2)</sup>	8,750,924	3.02	146,268,200	50.54	155,019,124	53.57
Quah Yoke Hwee <sup>(2)</sup>	8,750,924	3.02	146,268,200	50.54	155,019,124	53.57
Mdm Kuah Geok Khim <sup>(2)</sup>	4,228,910	1.46	146,268,200	50.54	150,497,110	52.01

**Notes:**

- (1) The percentage shareholding interest is based on the issued share capital of 289,383,271 Shares as at the Latest Practicable Date.
- (2) Messrs James Kuah Geok Lin, Paul Kuah Geok Khim, Quah Yoke Hwee and Mdm Kuah Geok Khim are deemed to be interested in the Shares held by Hoe Leong Co. (Pte.) Ltd.

### 4. PROPOSED GRANT OF OPTIONS UNDER THE ESOS 2009 AND PROPOSED GRANT OF AWARDS UNDER THE PSP 2009

#### 4.1 Proposed Grant of Options to Mdm Kuah Geok Khim, an Associate of a Controlling Shareholder

As set out in Resolution 11 of the Notice of AGM, it is proposed that Mdm Kuah Geok Khim be granted options in accordance with the rules of the ESOS 2009 and on the following terms:

Proposed date of grant of options	:	Within 4 weeks from the date of the AGM
Number of Shares comprised in the options	:	Up to 74,000 Shares
Exercise price per Share	:	20% discount off the Market Price <sup>1</sup>
Date of vesting of options	:	50% of the options exercisable at any time after the second anniversary of the Date of Grant of Options and the balance 50% exercisable at any time after the third anniversary

Mdm Kuah Geok Khim, the Operations Manager of the Company, is an Associate of a Controlling Shareholder.

The Directors are of the view that the proposed grant of options to Mdm Kuah Geok Khim will reward her for her performance and contributions over the past 37 years in the Company and motivate her to create greater shareholders' value in order to realise the benefits of the grant of options. Furthermore, as 50% of the options may be exercised only after the second anniversary of the Date of Grant of Options and the balance 50% of the options may be exercised only after the third anniversary of the Date of Grant of Options, the rewards to be reaped from the exercise of such options would not be immediate. The value of the options would be best realized only when the results and the prospects of the Group's long-term performances and growth translate directly into higher share price and higher shareholders' value.



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## LETTER TO SHAREHOLDERS

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The Remuneration Committee is of the view that granting the options to Mdm Kuah Geok Khim is beneficial to the Group as it will encourage her to take a long-term view of the Group and motivate herself as well as other employees of the Group to work towards improving the Company's performance. The Remuneration Committee believes that the proposed grant of options to Mdm Kuah Geok Khim is in line with similar grants to other employees.

### 4.2 Proposed Grant of Options to Mr Raymond Quah Eng Kiat, an Associate of a Controlling Shareholder

As set out in Resolution 12 of the Notice of AGM, it is proposed that Mr Raymond Quah Eng Kiat be granted options in accordance with the rules of the ESOS 2009 and on the following terms:

Proposed date of grant of options	:	Within 4 weeks from the date of the AGM
Number of Shares comprised in the options	:	Up to 27,000 Shares
Exercise price per Share	:	20% discount off the Market Price <sup>1</sup>
Date of vesting of options	:	50% of the options exercisable at any time after the second anniversary of the Date of Grant of Options and the balance 50% exercisable at any time after the third anniversary

Mr Raymond Quah Eng Kiat, the Sales and Marketing Manager of the Company, is an Associate of a Controlling Shareholder.

The Directors are of the view that the proposed grant of options to Mr Raymond Quah Eng Kiat will reward him for his performance and contributions over the past 4 years in the Company and motivate him to create greater shareholders' value in order to realise the benefits of the grant of options. Furthermore, as 50% of the options may be exercised only after the second anniversary of the Date of Grant of Options and the balance 50% of the options may be exercised only after the third anniversary of the Date of Grant of Options, the rewards to be reaped from the exercise of such options would not be immediate. The value of the options would be best realized only when the results and the prospects of the Group's long-term performances and growth translate directly into higher share price and higher shareholders' value.

The Remuneration Committee is of the view that granting the options to Mr Raymond Quah Eng Kiat is beneficial to the Group as it will encourage him to take a long-term view of the Group and motivate himself as well as other employees of the Group to work towards improving the Company's performance. The Remuneration Committee believes that the proposed grant of options to Mr Raymond Quah Eng Kiat is in line with similar grants to other employees.

### 4.3 Proposed Grant of Options to Mr Alvin Kuah Han Zhou, an Associate of a Controlling Shareholder

As set out in Resolution 13 of the Notice of AGM, it is proposed that Mr Alvin Kuah Han Zhou be granted options in accordance with the rules of the ESOS 2009 and on the following terms:

Proposed date of grant of options	:	Within 4 weeks from the date of the AGM
Number of Shares comprised in the options	:	Up to 27,000 Shares
Exercise price per Share	:	20% discount off the Market Price <sup>1</sup>
Date of vesting of options	:	50% of the options exercisable at any time after the second anniversary of the Date of Grant of Options and the balance 50% exercisable at any time after the third anniversary

Mr Alvin Kuah Han Zhou, the Business Development Manager of the Company, is an Associate of a Controlling Shareholder.

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## LETTER TO SHAREHOLDERS

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The Directors are of the view that the proposed grant of options to Mr Alvin Kuah Han Zhou will reward him for his performance and contributions over the past 3 years in the Company and motivate him to create greater shareholders' value in order to realise the benefits of the grant of options. Furthermore, as 50% of the options may be exercised only after the second anniversary of the Date of Grant of Options and the balance 50% of the options may be exercised only after the third anniversary of the Date of Grant of Options, the rewards to be reaped from the exercise of such options would not be immediate. The value of the options would be best realized only when the results and the prospects of the Group's long-term performances and growth translate directly into higher share price and higher shareholders' value.

The Remuneration Committee is of the view that granting the options to Mr Alvin Kuah Han Zhou is beneficial to the Group as it will encourage him to take a long-term view of the Group and motivate himself as well as other employees of the Group to work towards improving the Company's performance. The Remuneration Committee believes that the proposed grant of options to Mr Alvin Kuah Han Zhou is in line with similar grants to other employees.

#### 4.4 **Proposed Grant of Awards to Mdm Kuah Geok Khim, an Associate of a Controlling Shareholder**

As set out in Resolution 14 of the Notice of AGM, it is proposed that Mdm Kuah Geok Khim be granted share awards in accordance with the rules of the PSP 2009 and on the following terms:

Proposed date of grant of awards	:	Within 4 weeks from the date of the AGM
Number of Shares and/or their equivalent in cash comprised in the awards	:	52,000 Shares
Date of vesting of awards	:	50% of the awards to vest after the second anniversary of the Date of Grant of Awards and the balance 50% to vest after the third anniversary

Mdm Kuah Geok Khim, the Operations Manager of the Company, is an Associate of a Controlling Shareholder.

The Directors are of the view that the proposed grant of share awards to Mdm Kuah Geok Khim will motivate her to create greater shareholders' value in order to realize the benefits of the awards. Furthermore, as 50% of the awards will vest only after the second anniversary of the Date of Grant of Awards and the balance 50% of the awards will vest only after the third anniversary of the Date of Grant of Awards, the rewards to be reaped from such awards would not be immediate. The value of the awards would be best realized only when the results and the prospects of the Group's long-term performance and growth translate directly into higher share price and higher shareholders' value.

The Remuneration Committee is of the view that granting the share awards to Mdm Kuah Geok Khim is beneficial to the Group as the awards will encourage her to take a long-term view of the Group and motivate herself as well as other employees of the Group to work towards improving the Company's performance. The Remuneration Committee believes that the grant of the awards to Mdm Kuah Geok Khim is in line with similar grants to other employees.

In arriving at the number of Shares comprised in the awards proposed to be granted to Mdm Kuah Geok Khim, the Remuneration Committee took into consideration industry practices and norms in relation to a long-term share-based compensation scheme for senior executives of a company and had access to professional advice on an appropriate long-term incentive for Mdm Kuah Geok Khim. Using market competitive levels as a benchmark, the value of the awards proposed to be granted to Mdm Kuah Geok Khim under the PSP 2009 is assessed and recommended by an independent consultant to the Remuneration Committee, and then converted into Shares based on its fair value.

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## LETTER TO SHAREHOLDERS

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### 4.5 Proposed Grant of Awards to Mr Raymond Quah Eng Kiat, an Associate of a Controlling Shareholder

As set out in Resolution 15 of the Notice of AGM, it is proposed that Mr Raymond Quah Eng Kiat be granted share awards in accordance with the rules of the PSP 2009 and on the following terms:

Proposed date of grant of awards	:	Within 4 weeks from the date of the AGM
Number of Shares and/or their equivalent in cash comprised in the awards	:	19,000 Shares
Date of vesting of awards	:	50% of the awards to vest after the second anniversary of the Date of Grant of Awards and the balance 50% to vest after the third anniversary

Mr Raymond Quah Eng Kiat, the Sales and Marketing Manager of the Company, is an Associate of a Controlling Shareholder.

The Directors are of the view that the proposed grant of share awards to Mr Raymond Quah Eng Kiat will motivate him to create greater shareholders' value in order to realize the benefits of the awards. Furthermore, as 50% of the awards will vest only after the second anniversary of the Date of Grant of Awards and the balance 50% of the awards will vest only after the third anniversary of the Date of Grant of Awards, the rewards to be reaped from such awards would not be immediate. The value of the awards would be best realized only when the results and the prospects of the Group's long-term performance and growth translate directly into higher share price and higher shareholders' value.

The Remuneration Committee is of the view that granting the share awards to Mr Raymond Quah Eng Kiat is beneficial to the Group as the awards will encourage him to take a long-term view of the Group and motivate himself as well as other employees of the Group to work towards improving the Company's performance. The Remuneration Committee believes that the grant of the awards to Mr Raymond Quah Eng Kiat is in line with similar grants to other employees.

In arriving at the number of Shares comprised in the awards proposed to be granted to Mr Raymond Quah Eng Kiat, the Remuneration Committee took into consideration industry practices and norms in relation to a long-term share-based compensation scheme for senior executives of a company and had access to professional advice on an appropriate long-term incentive for Mr Raymond Quah Eng Kiat. Using market competitive levels as a benchmark, the value of the awards proposed to be granted to Mr Raymond Quah Eng Kiat under the PSP 2009 is assessed and recommended by an independent consultant to the Remuneration Committee, and then converted into Shares based on its fair value.

### 4.6 Proposed Grant of Awards to Mr Alvin Kuah Han Zhou, an Associate of a Controlling Shareholder

As set out in Resolution 16 of the Notice of AGM, it is proposed that Mr Alvin Kuah Han Zhou be granted share awards in accordance with the rules of the PSP 2009 and on the following terms:

Proposed date of grant of awards	:	Within 4 weeks from the date of the AGM
Number of Shares and/or their equivalent in cash comprised in the awards	:	19,000 Shares
Date of vesting of awards	:	50% of the awards to vest after the second anniversary of the Date of Grant of Awards and the balance 50% to vest after the third anniversary

Mr Alvin Kuah Han Zhou, the Business Development Manager of the Company, is an Associate of a Controlling Shareholder.

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## LETTER TO SHAREHOLDERS

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The Directors are of the view that the proposed grant of share awards to Mr Alvin Kuah Han Zhou will motivate him to create greater shareholders' value in order to realize the benefits of the awards. Furthermore, as 50% of the awards will vest only after the second anniversary of the Date of Grant of Awards and the balance 50% of the awards will vest only after the third anniversary of the Date of Grant of Awards, the rewards to be reaped from such awards would not be immediate. The value of the awards would be best realized only when the results and the prospects of the Group's long-term performance and growth translate directly into higher share price and higher shareholders' value.

The Remuneration Committee is of the view that granting the share awards to Mr Alvin Kuah Han Zhou is beneficial to the Group as the awards will encourage him to take a long-term view of the Group and motivate himself as well as other employees of the Group to work towards improving the Company's performance. The Remuneration Committee believes that the grant of the awards to Mr Alvin Kuah Han Zhou is in line with similar grants to other employees.

In arriving at the number of Shares comprised in the awards proposed to be granted to Mr Alvin Kuah Han Zhou, the Remuneration Committee took into consideration industry practices and norms in relation to a long-term share-based compensation scheme for senior executives of a company and had access to professional advice on an appropriate long-term incentive for Mr Alvin Kuah Han Zhou. Using market competitive levels as a benchmark, the value of the awards proposed to be granted to Mr Alvin Kuah Han Zhou under the PSP 2009 is assessed and recommended by an independent consultant to the Remuneration Committee, and then converted into Shares based on its fair value.

### 4.7 Applicable Rules of the Listing Manual

#### 4.7.1 Rule 845(1)

Rule 845(1) of the Listing Manual and the rules of the ESOS 2009 and PSP 2009 state that the aggregate number of shares available under all schemes must not exceed 15% of the total number of issued shares excluding treasury shares from time to time.

Based on 289,383,271 issued Shares as at the Latest Practicable Date, the maximum number of Shares available under the ESOS 2009 and the PSP 2009 must not exceed 43,407,490 Shares ("**Maximum Number of Shares Available**"), being 15% of the total number of issued Shares.

As at the Latest Practicable Date, 930,000 Shares comprised under options that have been granted are outstanding under the ESOS 2009, and 632,200 Shares comprised under awards that have been granted are outstanding under the PSP 2009.

The aggregate number of Shares comprised under the options and awards proposed to be granted under Resolutions 11 to 16 of the Notice of AGM is 218,000 Shares, which, together with the Shares comprised under the options and awards that are outstanding under the ESOS 2009 and PSP 2009, represents approximately 0.62% of the total number of issued Shares as at the Latest Practicable Date, which is within the limit in Rule 845(1) of the Listing Manual.

#### 4.7.2 Rules 845(2) and 845(3)

Rules 845(2) and 845(3) of the Listing Manual and the rules of the ESOS 2009 and PSP 2009 state that the aggregate number of Shares available to Controlling Shareholders and their Associates must not exceed 25% of the Shares available under a share scheme implemented by the Company and that the aggregate number of Shares available to each Controlling Shareholder or his Associate must not exceed 10% of the Shares available under a share scheme implemented by the Company.

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## LETTER TO SHAREHOLDERS

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### *Shares under the ESOS 2009*

As at the Latest Practicable Date, options in respect of 530,000 Shares have been granted to Controlling Shareholders and their Associates under the ESOS 2009. The number of Shares comprised in the options proposed to be granted under Resolutions 11 to 13 of the Notice of AGM is 128,000 Shares, which, together with the Shares comprised in options already granted under the ESOS 2009 to Controlling Shareholders and their Associates, represents approximately 1.52% of the Maximum Number of Shares Available, which is within the limit in Rule 845(2) of the Listing Manual.

In respect of Mdm Kuah Geok Khim, Mr Raymond Quah Eng Kiat and Mr Alvin Kuah Han Zhou, (a) the number of Shares comprised in the options that have already been granted to each of them under the ESOS 2009 as at the Latest Practicable Date, and (b) the number of Shares comprised in the options proposed to be granted to each of them under Resolutions 11 to 13 of the Notice of AGM, are set out below. Accordingly, the aggregate number of Shares comprised in options already granted and proposed to be granted under the ESOS 2009 to each of the aforementioned Associates of Controlling Shareholders does not exceed 10% of the Maximum Number of Shares Available, and is within the limit in Rule 845(3) of the Listing Manual.

<b>Name</b>	<b>Number of Shares comprised in options already granted as at the Latest Practicable Date</b>	<b>Number of Shares comprised in options proposed to be granted</b>	<b>% of Maximum Number of Shares Available</b>
Mdm Kuah Geok Khim	80,000	74,000	0.35
Mr Raymond Quah Eng Kiat	50,000	27,000	0.18
Mr Alvin Kuah Han Zhou	50,000	27,000	0.18

### *Shares under the PSP 2009*

As at the Latest Practicable Date, awards in respect of 632,200 Shares have been granted to Controlling Shareholders and their Associates under the PSP 2009. The number of Shares comprised in the awards proposed to be granted under Resolutions 14 to 16 of the Notice of AGM is 90,000 Shares, which, together with the Shares comprised in awards already granted under the PSP 2009 to Controlling Shareholders and their Associates, represents approximately 1.66% of the Maximum Number of Shares Available, which is within the limit in Rule 845(2) of the Listing Manual.

In respect of Mdm Kuah Geok Khim, Mr Raymond Quah Eng Kiat and Mr Alvin Kuah Han Zhou, (a) the number of Shares comprised in the awards that have already been granted to each of them under the PSP 2009 as at the Latest Practicable Date, and (b) the number of Shares comprised in the awards proposed to be granted to each of them under Resolutions 14 to 16 of the Notice of AGM, are set out below. Accordingly, the aggregate number of Shares comprised in awards already granted and proposed to be granted under the PSP 2009 to each of the aforementioned Associates of Controlling Shareholders does not exceed 10% of the Maximum Number of Shares Available, and is within the limit in Rule 845(3) of the Listing Manual.

<b>Name</b>	<b>Number of Shares comprised in awards already granted as at the Latest Practicable Date</b>	<b>Number of Shares comprised in awards proposed to be granted</b>	<b>% of Maximum Number of Shares Available</b>
Mdm Kuah Geok Khim	58,800	52,000	0.26
Mr Raymond Quah Eng Kiat	29,400	19,000	0.11
Mr Alvin Kuah Han Zhou	29,400	19,000	0.11

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## LETTER TO SHAREHOLDERS

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### 4.8 Financial Effects

The total cost of the options and awards proposed to be granted under Resolutions 11 to 16 of the Notice of AGM will be amortised and charged to the Group's income statement over the vesting period. The estimated annual amortisation charge is less than S\$20,000 and hence, its effects on the Group's earnings per share and net tangible assets per share are insignificant.

## 5. DIRECTORS' RECOMMENDATIONS

### Proposed Renewal of the Share Buy-Back Mandate

The Directors are of the opinion that the proposed Share Buy-Back Mandate is in the best interests of the Company and accordingly, recommend that Shareholders vote in favour of Resolution 10 relating to the proposed Share Buy-Back Mandate at the AGM.

### Proposed Grant of Options and Awards under the ESOS 2009 and the PSP 2009 respectively

The Remuneration Committee (comprising Messrs Ang Mong Seng, Lim Kok Hoong and Peter Boo Song Heng) has been tasked to review the proposed grant of options under the ESOS 2009 and awards under the PSP 2009.

The Directors are all eligible to participate in the ESOS 2009 and are therefore interested in the ESOS 2009. They have accordingly abstained from making any recommendation on Resolutions 11 to 13 of the Notice of the AGM, being the resolutions relating to the proposed grant of options under the ESOS 2009.

The Directors (save for the executive directors, Mr Kuah Geok Lin, Mr Kuah Geok Khim and Mr Quah Yoke Hwee who are eligible to participate in the PSP 2009 and who have accordingly abstained from making any recommendation) unanimously consider that the proposed grant of awards under the PSP 2009 to Mdm Kuah Geok Khim, Mr Raymond Quah Eng Kiat and Mr Alvin Kuah Han Zhou are in the best interests of the Company and accordingly, recommend that Shareholders vote in favour of Resolutions 14 to 16 of the Notice of the AGM, being the resolutions relating to the proposed grant of awards to Mdm Kuah Geok Khim, Mr Raymond Quah Eng Kiat and Mr Alvin Kuah Han Zhou.

## 6. ABSTENTION FROM VOTING

Mr Kuah Geok Lin, Mr Kuah Geok Khim, Mr Quah Yoke Hwee, Mdm Kuah Geok Khim, Mr Raymond Quah Eng Kiat and Mr Alvin Kuah Han Zhou will abstain from voting any Shares held by them at this AGM in respect of Resolutions 11 to 16, and will procure that any Shareholder holding any Shares on their behalf will likewise abstain from voting his/her/its Shares at the AGM in respect of Resolutions 11 to 16. The abovementioned persons will also decline to accept any nomination as proxy for any Shareholder to vote in respect of Resolutions 11 to 16 unless the Shareholder concerned shall have given instructions in his proxy form as to the manner in which his votes are to be cast in respect of the Resolutions.

In addition, all Shareholders who are eligible to participate in the ESOS 2009 (such as Group Employees and Group Non-executive Directors) must abstain from voting in respect of Resolutions 11 to 13 relating to the proposed grant of options under the ESOS 2009 and all Shareholders who are eligible to participate in the PSP 2009 (such as Group Employees) must abstain from voting in respect of Resolutions 14 to 16 relating to the proposed grant of awards under the PSP 2009.

Such Shareholder should also not accept nominations to act as proxies or otherwise vote at the AGM in respect of the respective Resolutions unless the Shareholder concerned shall have given instructions in his proxy form as to the manner in which his votes are to be cast in respect of the relevant Resolution.

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## LETTER TO SHAREHOLDERS

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### 7. 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 in respect of Resolutions 10 to 16, 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.

### 8. DOCUMENTS FOR INSPECTION

The rules of the ESOS 2009 and the PSP 2009 are available for inspection at the registered office of the Company at 6 Clementi Loop, Singapore 129814 during normal business hours from the date of the Notice of AGM up to the date of the AGM.

### 9. DEFINITIONS

In this Appendix, the following definitions apply throughout unless the context otherwise requires or it is otherwise stated:

<b>"Articles"</b>	:	The Articles of Association of the Company, as amended from time to time
<b>"Associate"</b>	:	In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:  (i) his immediate family;  (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and  (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more  In relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
<b>"CDP"</b>	:	The Central Depository (Pte) Limited
<b>"Companies Act"</b>	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
<b>"Controlling Shareholder"</b>	:	A person who (a) holds directly or indirectly 15% or more of the total number of issued shares excluding Treasury Shares in the Company (unless otherwise determined by the SGX-ST) or (b) in fact exercises control over the Company
<b>"Date of Grant of Awards"</b>	:	Date on which the awards under the PSP 2009 are granted
<b>"Date of Grant of Options"</b>	:	Date on which the options under the ESOS 2009 are granted
<b>"Directors"</b>	:	The directors of the Company as at the date of this Appendix
<b>"Group"</b>	:	The Company and its subsidiaries
<b>"Group Employees"</b>	:	Has the meaning ascribed to it in the rules of the ESOS 2009 and the PSP 2009
<b>"Group Non-executive Directors"</b>	:	Has the meaning ascribed to it in the rules of the ESOS 2009 and the PSP 2009
<b>"Latest Practicable Date"</b>	:	18 April 2012, being the latest practicable date prior to the printing of this Appendix

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## LETTER TO SHAREHOLDERS

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“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended or modified from time to time
“Market Day”	:	A day on which the SGX-ST is open for securities trading
“Market Price”	:	A price equal to the average of the last dealt prices for Shares on the SGX-ST over the five consecutive trading days immediately preceding the date of grant of the relevant options as determined by reference to the daily official list or any other publication published by the SGX-ST, rounded to the nearest whole cent in the event of fractional prices
“Registrar”	:	Accounting and Corporate Regulatory Authority
“SGX-ST”	:	The Singapore Exchange Securities Trading Limited
“Securities Account”	:	Securities account maintained by a Depositor with CDP, but does not include a securities sub-account
“Shares”	:	Ordinary shares in the capital of the Company
“Shareholders”	:	Persons who are for the time being registered as holders of the Shares in the Register of Members maintained by the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
“Share Buy-Back”	:	The purchase or acquisition of Shares by the Company in accordance with the Companies Act
“Substantial Shareholder”	:	A substantial Shareholder as defined under Section 81 of the Companies Act
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers
“Treasury Shares”	:	Shares which: (a) are purchased by the Company in circumstances in which Section 76H of the Companies Act applies; and (b) held by the Company continuously since the Treasury Shares are so purchased
“%”	:	Per centum or percentage
“S\$”	:	Singapore dollar

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” 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 gender and *vice versa*. References to persons shall include corporations.

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

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Companies Act or the Listing Manual or any modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act or the Listing Manual or such modification thereof, as the case may be, unless otherwise provided.

(Footnotes)

1 In accordance with the rules of the ESOS 2009, any grant of options to Group Employees who are not Directors may be subject to a discount not exceeding twenty per cent (20%) to the Market Price and the aforesaid has previously been approved by Shareholders at the extraordinary general meeting of the Company held on 27 April 2009.