

APPENDIX A DATED 8 APRIL 2011

This Appendix A is circulated to the Shareholders of Chip Eng Seng Corporation Ltd (the "Company") together with the Company's Annual Report.

Its purpose is to explain to Shareholders the rationale and provide information for the proposed renewal of the share purchase mandate to be tabled at the Annual General Meeting of the Company to be held on 27 April 2011 at 10.00 a.m. at Emerald Suite, Golf Clubhouse-Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162.

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

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



(Incorporated in the Republic of Singapore)
(Company Registration No.: 199805196H)

**APPENDIX IN RELATION TO THE PROPOSED RENEWAL
OF THE SHARE PURCHASE MANDATE**

DEFINITIONS

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

| | |
|----------------------------------|---|
| <i>"AGM"</i> | The Annual General Meeting of the Company |
| <i>"Annual Report"</i> | Annual Report of the Company |
| <i>"CDP"</i> | The Central Depository (Pte) Limited |
| <i>"Company"</i> | Chip Eng Seng Corporation Ltd |
| <i>"Companies Act" or "Act"</i> | The Companies Act, Chapter 50 of Singapore |
| <i>"Director"</i> | A director of the Company for the time being |
| <i>"EGM"</i> | The Extraordinary General Meeting of the Company |
| <i>"Group"</i> | The Company and its subsidiaries (as defined in Section 5 of the Companies Act) |
| <i>"Latest Practicable Date"</i> | The latest practicable date prior to the printing of this Appendix being 14 March 2011 |
| <i>"Listing Manual"</i> | The listing manual of the SGX-ST, as amended, modified, or supplemented from time to time |
| <i>"NAV"</i> | Net asset value |
| <i>"Proxy Form"</i> | The proxy form in respect of the AGM as enclosed together with the Annual Report |
| <i>"Scheme 2001"</i> | The Chip Eng Seng Employees' Share Option Scheme 2001 approved by Shareholders at an EGM on 18 July 2001, as modified or altered from time to time |
| <i>"Securities Accounts"</i> | Securities accounts maintained by Depositors with CDP but not including securities accounts maintained with a Depository Agent |
| <i>"SGX-ST"</i> | Singapore Exchange Securities Trading Limited |
| <i>"Shareholders"</i> | Registered holders of Shares except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors to whose securities accounts maintained with CDP are credited with the Shares |
| <i>"Share Plan"</i> | The Chip Eng Seng Performance Share Plan approved by Shareholders at an EGM on 27 April 2007, as modified or altered from time to time |
| <i>"Shares"</i> | Ordinary shares in the capital of the Company |
| <i>"SIC"</i> | Securities Industry Council |
| <i>"Takeover Code"</i> | The Singapore Code on Take-overs and Mergers |
| <i>"S\$" and "cents"</i> | Singapore dollars and cents, respectively |
| <i>"%" or "per cent."</i> | Percentage or per centum |

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 and neuter genders. Words importing persons include corporations.

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 Companies Act and used in this Appendix shall have the meaning assigned to it under the Companies Act.

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

1. INTRODUCTION

- 1.1 The Directors of the Company wish to seek Shareholders' approval for the proposed renewal of the Share Purchase Mandate (as defined in Paragraph 2.1 below) at the AGM to be held on 27 April 2011.
- 1.2 The purpose of this Appendix, to be circulated to Shareholders together with the Company's Annual Report, is to provide Shareholders with relevant information pertaining to the proposed renewal of the Share Purchase Mandate to be tabled at the AGM.

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

2.1 Background and Shareholders' Approval

At the EGM of the Company held on 27 April 2007, Shareholders had approved a general and unconditional mandate to enable the Company to purchase or otherwise acquire its issued Shares (the "**Share Purchase Mandate**").

The renewal of the Share Purchase Mandate was subsequently approved by the Shareholders at the AGMs held on 25 April 2008, 27 April 2009 and on 26 April 2010.

The Share Purchase Mandate will expire on the date of the forthcoming AGM, being 27 April 2011, and the Directors propose that the Share Purchase Mandate be renewed at the forthcoming AGM.

2.2 Shares Purchased in the Previous Twelve Months

The Company has not bought back any Shares in the previous twelve (12) months by way of Market Purchases or Off-Market Purchases (as defined below) pursuant to the Share Purchase Mandate obtained at the AGM held on 26 April 2010.

2.3 Rationale

The renewal of the Share Purchase Mandate will give the Directors the flexibility to purchase or acquire Shares if and when circumstances permit. Share purchases or acquisitions provide the Company and its Directors with an easy mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient and cost-efficient manner. The purchase or acquisition of Shares may, depending on market conditions and funding arrangements, lead to an enhancement of the earnings per Share and/or NAV per Share.

Share purchases or acquisitions also allow the Directors to exercise control over the Company's share capital structure with a view to enhance the earnings per Share and/or NAV per Share. The Share Purchase Mandate will further give the Company the opportunity to purchase or acquire Shares when such Shares are undervalued and help to buffer short-term share price volatility and offset the effects of share price speculation, thereby boosting Shareholders' confidence and employees' morale.

If and when circumstances permit, the Directors will decide whether to effect the Share purchases or acquisitions via Market Purchases or Off-Market Purchases, after taking into account the amount of surplus cash available, the then prevailing market conditions and the most cost effective and efficient approach.

The Directors will only make purchases or acquisitions of Shares pursuant to the Share Purchase Mandate when they consider it to be in the best interests of the Company and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST.

2.4 Authority and limits on the Share Purchase Mandate

The authority and limits under the Share Purchase Mandate, if renewed at the forthcoming AGM, will be similar in terms to those previously approved by Shareholders and for the benefit of Shareholders, are summarised below:

2.4.1 Maximum Number of Shares

Only Shares which are issued and fully paid up may be purchased or acquired by the Company. The total number of Shares that may be purchased or acquired under the Share Purchase Mandate will not exceed ten per cent. (10%) of the issued Shares of the Company as at the date of the forthcoming AGM at which the renewal of the Share Purchase Mandate is approved (the "**Approval Date**"), unless the Company has effected a reduction of the share capital of the

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF THE COMPANY (CONT'D)

2.4 Authority and limits on the Share Purchase Mandate (cont'd)

2.4.1 Maximum Number of Shares (cont'd)

Company in accordance with the applicable provisions of the Companies Act at any time during the time period defined in Paragraph 2.4.2 below, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered. Any of the Company's Shares which are held as treasury shares will be disregarded for purposes of computing the ten per cent. (10%) limit.

No options have been granted under Scheme 2001 since its inception.

On 3 January 2011, a total of 1,608,000 treasury shares were transferred to the Group staff and certain Directors by the Company pursuant to the Share Plan. This increased the issued share capital of the Company from 659,515,161 Shares to 661,123,161 Shares.

As at the Latest Practicable Date, the issued ordinary share capital of the Company (excluding Shares which are held as treasury shares by the Company) comprised 661,123,161 Shares. For illustration purposes only, on the basis of 661,123,161 Shares in issue as at the Latest Practicable Date, not more than 66,112,316 Shares (representing ten per cent. (10%) of the Shares in issue as at that date) may be purchased by the Company pursuant to the Share Purchase Mandate. As at the Latest Practicable Date, the Company is holding 6,392,000 Shares as treasury shares.

2.4.2 Duration of Authority

Share purchases or acquisitions may be made, at any time and from time to time, on and from the Approval Date, up to:

- (i) the date on which the next AGM of the Company is held or required by law to be held; or
- (ii) the date on which the Share purchases are carried out to the full extent mandated; or
- (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by Shareholders in a general meeting,

whichever is the earliest.

2.4.3 Manner of Share Purchase

- (i) Share purchases or acquisitions may be made by way of:
 - (a) a market purchase transacted on the SGX-ST through the SGX-ST's Quest-ST trading system, through one or more duly licensed dealers appointed by the Company for that purpose ("**Market Purchase**"); and/or
 - (b) an off-market purchase under an equal access scheme (as defined in Section 76C of the Companies Act) for the purchase or acquisition of Shares from Shareholders ("**Off-Market Purchase**").
- (ii) The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. However, an equal access scheme must satisfy all of the following conditions:
 - (a) offers under the scheme must be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
 - (b) all of those persons must have a reasonable opportunity to accept the offers made to them; and

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF THE COMPANY (CONT'D)

2.4 Authority and limits on the Share Purchase Mandate (cont'd)

2.4.3 Manner of Share Purchase (cont'd)

- (c) the terms of all the offers must be the same except that there shall be disregarded (1) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements, (2) (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid, and (3) differences in the offers introduced solely to ensure that each Shareholder is left with a whole number of Shares.
- (iii) If the Company wishes to make an Off-Market Purchase, the Company will issue an offer document to all Shareholders which shall contain at least the following information:
 - (a) the terms and conditions of the offer;
 - (b) the period and procedures for acceptances;
 - (c) the reasons for the proposed share purchase;
 - (d) the consequences, if any, of the share purchases by the Company that will arise under the Takeover Code or other applicable take-over rules;
 - (e) whether the share purchase, if made, will have any effect on the listing of the Shares on the SGX-ST; and
 - (f) details of any share purchases made by the Company in the previous twelve (12) months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases.

2.4.4 Maximum Purchase Price

The purchase price per Share (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for Shares purchased or acquired pursuant to the Share Purchase Mandate will be determined by the Directors.

However, the purchase price to be paid for the Shares purchased or acquired pursuant to the Share Purchase Mandate must not exceed:

- (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined below) of the Shares; and
- (ii) in the case of an Off-Market Purchase, one hundred and twenty per cent. (120%) of the Average Closing Price, (the "**Maximum Price**") in either case, excluding related expenses of the purchase.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) consecutive market days, on which transactions in the Shares were recorded, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase pursuant to the equal access scheme, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) consecutive market days; 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 the Shares to holders of Shares, stating the purchase price (which shall not be more than the Maximum Price determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF THE COMPANY (CONT'D)

2.4 Authority and limits on the Share Purchase Mandate (cont'd)

2.4.5 Status of Purchased Shares

Under the Companies Act, a company which acquires its own shares may choose to hold such shares as treasury shares or to cancel them. Accordingly, the Company has the discretion to hold the purchased Shares as treasury shares or to cancel them.

2.4.6 Cancellation of Shares

Where Shares purchased or acquired by the Company are cancelled, the total number of Shares will be diminished by such number of Shares purchased or acquired.

Any Shares purchased or acquired by the Company and cancelled will be automatically delisted by the SGX-ST. Certificates in respect of purchased or acquired Shares that are cancelled by the Company will be cancelled by the Company as soon as reasonably practicable following settlement of any purchase or acquisition of such Shares.

2.4.7 Treasury Shares

As explained in Paragraph 2.4.5 above, under the Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Where the Company holds the purchased Shares as treasury shares, the Company may deal with such treasury shares in such manner as may be permitted by and in accordance with the Act. Some of the provisions on treasury shares under the Act are summarised below:

(i) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed ten per cent. (10%) of the total number of Shares.

(ii) Voting and Other Rights

The Company cannot exercise any right in respect of the treasury shares, i.e. the Company will have no right to vote at or attend meetings and the treasury shares will be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(iii) Disposal and Cancellation

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

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

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF THE COMPANY (CONT'D)

2.4 Authority and limits on the Share Purchase Mandate (cont'd)

2.4.7 Treasury Shares (cont'd)

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

2.4.8 Reporting Requirements

- (i) Within thirty (30) days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Accounting & Corporate Regulatory Authority (the "ACRA").
- (ii) The Company shall notify the ACRA within thirty (30) days of a purchase of Shares on the SGX-ST or otherwise. Such notification shall include details of the date of the purchases, the total 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 the purchase, the Company's issued share capital after the purchase, the amount of consideration paid by the Company for the purchase, whether Shares were purchased or acquired out of the profits or the capital of the Company, and such other particulars as may be required in the prescribed form.
- (iii) The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the market day following the date of purchase or acquisition of any of its shares; and (b) in the case of an Off-Market Purchase, on the second market day after the close of acceptances of the offer. The notification of such purchases or acquisitions to the SGX-ST shall be in such form and shall include such details as may be prescribed by the SGX-ST in the Listing Manual. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion with the necessary information which will enable the Company to make the notifications to the SGX-ST.
- (iv) For an Off-Market Purchase, the Listing Manual requires that the listed company issue an offer document to all shareholders containing the information as set out in Paragraph 2.4.3(iii) above.

2.4.9 Sources of funds

In purchasing or acquiring Shares, the Company shall only apply funds legally available in accordance with its Articles of Association and any other applicable laws in Singapore. Furthermore, the Company may not purchase or acquire its Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Any purchases or acquisitions of Shares may be made only if the Company is solvent and out of the Company's capital or profits. It is an offence for a Director or manager of the Company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent. For this purpose, pursuant to the Act, a company is solvent if:

- (i) the company is able to pay its debts in full as they fall due in the normal course of business at the time of payment for the purchase of shares, as well as during the period of twelve (12) months after the purchase; and
- (ii) the value of the company's assets, at the time of the purchase and after such purchase, is not 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.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF THE COMPANY (CONT'D)

2.4 Authority and limits on the Share Purchase Mandate (cont'd)

2.4.9 Sources of funds (cont'd)

In determining whether the value of the Company's assets is less than the value of its liabilities (including contingent liabilities), the Directors or managers of the Company:

- (i) must have regard to the most recent financial statements of the Company and all other circumstances that the Directors or the managers of the Company know or ought to know affect, or may affect, the value of the Company's assets and the value of the Company's liabilities (including contingent liabilities); and
- (ii) may rely on valuations of assets or estimates of liabilities that are reasonable in the circumstances.

For the purposes of determining the value of a contingent liability, the Directors or managers of the Company may take into account the following:

- (i) the likelihood of the contingency occurring; and
- (ii) any claim the Company is entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability.

The Company will use internal resources or external borrowings or a combination of both to fund purchases of Shares pursuant to the Share Purchase Mandate. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions pursuant to the Share Purchase Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

2.5 Financial Impact

2.5.1 Under the Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits.

2.5.2 Where the purchased Shares are cancelled, a reduction by the total amount of the purchase price paid by the Company for the Shares cancelled will be made to:

- (i) the share capital of the Company where the Shares were purchased out of the capital of the Company;
- (ii) the profits of the Company where the Shares were purchased out of the profits of the Company; or
- (iii) the share capital and profits of the Company proportionately where the Shares were purchased out of both the capital and profits of the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding related brokerage, goods and services tax, stamp duties and clearance fees) 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.

2.5.3 The amount of funding required for the Company to purchase or acquire its Shares and the financial impact on the Company and the Group arising from purchases of Shares which may be made pursuant to the proposed Share Purchase Mandate will depend, *inter alia*, on the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

2.5.4 The impact of purchases or acquisitions under the Share Purchase Mandate on NAV, earnings per Share and gearing of the Company and the Group will depend, *inter alia*, on the number of Shares purchased or acquired, the price at which they are purchased or acquired and the manner in which the purchase or acquisition is funded. It is therefore not possible to accurately calculate or quantify the impact at this point of time.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF THE COMPANY (CONT'D)

2.5 Financial Impact (cont'd)

- 2.5.5 Based on the existing number of Shares of the Company as at the Latest Practicable Date, the proposed Share purchases or acquisitions by the Company of up to a maximum of ten per cent. (10%) of its Shares under the Share Purchase Mandate will result in the purchase of up to 66,112,316 Shares.
- 2.5.6 In the case of Market Purchases by the Company, based on the existing issued and paid-up capital of the Company as at the Latest Practicable Date and the assumption that, pursuant to the Share Purchase Mandate, the Company purchases the maximum number of 66,112,316 Shares at the Maximum Price of S\$0.4851 per Share (being the price equivalent to five per cent. (5%) above the average of the closing market prices of the Shares for the five (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 of 66,112,316 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$32,071,084.49.
- 2.5.7 In the case of Off-Market Purchases by the Company, based on the existing issued and paid-up capital of the Company as at the Latest Practicable Date and the assumption that, pursuant to the Share Purchase Mandate, the Company purchases the maximum number of 66,112,316 Shares at the Maximum Price of S\$0.5544 per Share (being the price equivalent to twenty per cent. (20%) above the average of the closing market prices of the Shares for the five (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 of 66,112,316 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$36,652,667.99.
- 2.5.8 On the basis of the assumptions set out above and the following:
- (i) the Share Purchase Mandate had been effective on 31 December 2010 and 66,112,316 Shares (representing ten per cent. (10%) of the Shares in issue as at the Latest Practicable Date) were purchased and cancelled on 31 December 2010; and
 - (ii) such Share purchase was financed solely by internal resources,

an illustration of the financial impact of Share purchases or acquisitions by the Company pursuant to the Share Purchase Mandate on the Group and the Company's audited financial statements for the financial year ended 31 December 2010 is set out below:

| As at 31 Dec 2010 | Group | | | Company | | |
|--|----------------------------|----------------------------------|--------------------------------------|----------------------------|----------------------------------|--------------------------------------|
| | Before purchase S\$'000 | After Market purchase S\$'000 | After Off-Market purchase S\$'000 | Before purchase S\$'000 | After Market purchase S\$'000 | After Off-Market purchase S\$'000 |
| Shareholders' Funds ⁽¹⁾ | 348,288 | 316,217 | 311,635 | 130,370 | 98,299 | 93,717 |
| NAV ⁽¹⁾ | 348,288 | 316,217 | 311,635 | 130,370 | 98,299 | 93,717 |
| Current Assets | 583,204 | 551,133 | 546,551 | 71,312 | 71,312 | 71,312 |
| Current Liabilities | 347,558 | 347,558 | 347,558 | 23,102 | 55,173 | 59,755 |
| Total Borrowings | 284,865 | 284,865 | 284,865 | 0 | 0 | 0 |
| Cash and Cash Equivalents ⁽²⁾ | 133,570 | 101,499 | 96,917 | 3,555 | 3,555 | 3,555 |
| Number of Shares ('000) | 659,515 | 595,011 | 595,011 | 659,515 | 595,011 | 595,011 |

Financial Ratios

| | | | | | | |
|----------------------------|-------|-------|-------|-------|-------|-------|
| Earnings per Share (cents) | 16.63 | 18.43 | 18.43 | 6.23 | 6.90 | 6.90 |
| NAV per Share (cents) | 52.81 | 53.14 | 52.37 | 19.77 | 16.52 | 15.75 |
| Gearing (%) ⁽³⁾ | 43.44 | 57.99 | 60.31 | 0 | 0 | 0 |
| Current Ratio (times) | 1.68 | 1.59 | 1.57 | 3.09 | 1.29 | 1.19 |

Notes:-

- (1) Attributable to ordinary Shareholders (excluding non-controlling interests)
- (2) Bank balances and fixed deposits
- (3) Total borrowings less cash and cash equivalents divided by Shareholders' funds

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF THE COMPANY (CONT'D)

2.5 Financial Impact (cont'd)

Shareholders should note that the financial effects illustrated above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the latest audited financial statements of the Company and the Group as at 31 December 2010, and are not representative of the Group's future financial performance.

Although the Share Purchase Mandate would authorise the Company to buy back up to ten per cent. (10%) of the Company's issued Shares, the Company may not necessarily buy back all ten per cent. (10%) of the issued Shares in full.

In particular, the maximum number of Shares that the Company may purchase under the Act is limited by the solvency requirements set out in the Act, as described in Paragraph 2.4.9 of this Appendix.

2.6 Taxation

Section 10J of the Income Tax Act, Chapter 134 of Singapore stipulates that when a company purchases or acquires its own shares from a shareholder using funds other than contributed capital of the company, the payment by the company shall be deemed to be a dividend paid by the company to the shareholder. Accordingly, the Company will, in repurchasing its own Shares out of profits, be deemed to have paid a dividend to its Shareholders from whom the Shares are purchased.

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

2.7 Listing Status

2.7.1 The Company is required under Rule 723 of the Listing Manual to ensure that at least ten per cent. (10%) of its Shares are in the hands of the public. The "public", as defined under the Listing Manual, are persons other than (a) the directors, chief executive officer and substantial shareholders, or controlling shareholders of the Company and its subsidiaries, and (b) the associates of such persons named in (a).

2.7.2 As at the Latest Practicable Date, there are 434,449,161 Shares in the hands of the public, representing 65.71% of the issued Shares of the Company. Assuming that the Company purchases its Shares up to the full ten per cent. (10%) limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to 368,336,845 Shares, representing 61.90% of the remaining issued Shares of the Company (on the assumption that the purchased Shares are cancelled and not held as treasury shares). As such, the Company will continue to remain in compliance with Rule 723 of the Listing Manual even if the Company purchases its Shares up to the full ten per cent. (10%) limit pursuant to the Share Purchase Mandate.

2.7.3 In undertaking any purchases of its Shares, 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:

- (i) affect the listing status of the Shares on the SGX-ST;
- (ii) cause market illiquidity; or
- (iii) affect the orderly trading of the Shares.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF THE COMPANY (CONT'D)

2.7 Listing Status (cont'd)

2.7.4 While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because a listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Buyback Mandate at any time after any matter of a price sensitive nature has occurred or has been the subject of a consideration and/or decision of the board of directors of the Company until the price sensitive information has been publicly announced.

2.8 Implications under the Takeover Code

2.8.1 The resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following the purchase of Shares by the Company, will be treated as an acquisition for the purposes of Rule 14 of the Takeover Code ("**Rule 14**"). Consequently, depending on the number of Shares purchased by the Company and the total number of Shares issued by the Company at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate control of the Company and could become obliged to make an offer under Rule 14.

2.8.2 Under the Takeover Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate control of that company. Unless the contrary is established, the following persons will be presumed to be acting in concert, including (i) 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), and (ii) (a) an individual, (b) the close relatives of (a), (c) the related trusts of (a), (d) any person who is accustomed to act in accordance with the instructions of (a), (e) companies controlled by any of (a), (b), (c) or (d), and (f) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforesaid for the purchase of voting rights. For this purpose, ownership or control of at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the voting rights of a company will be regarded as the test of associated company status.

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

2.8.4 In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a general offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more, or if the voting rights of such Directors and their concert parties fall between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months.

2.8.5 Under Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a general offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent. (30%) or more, or if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorizing the proposed Share Purchase Mandate, unless so required under the Companies Act.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers before they acquire any Shares in the Company during the period when the Share Purchase Mandate is in force.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF THE COMPANY (CONT'D)

2.9 Directors' and Substantial Shareholders' Interests

2.9.1 As at the Latest Practicable Date, the shareholdings of the Directors and the Substantial Shareholders (as defined in the Act) in the Company before and after the purchase of Shares (assuming that the purchased Shares are cancelled and not held as treasury shares) pursuant to the Share Purchase Mandate, based on the Register of Director's Shareholdings and the Register of Substantial Shareholders, are as follows:

| | Before Share Purchase (No. of Shares) | | | Before Share Purchase (%) | After Share Purchase (%) |
|--------------------------------------|--|--------------------|-------------------|------------------------------------|-----------------------------------|
| | Direct Interest | Deemed Interest | Total Interest | | |
| Directors | | | | | |
| Lim Tiam Seng ⁽¹⁾ | 65,499,000 | 17,198,000 | 82,697,000 | 12.51 | 13.90 |
| Lim Tiang Chuan | 44,177,000 | 0 | 44,177,000 | 6.68 | 7.42 |
| Chia Lee Meng Raymond ⁽²⁾ | 5,925,000 | 14,702,000 | 20,627,000 | 3.12 | 3.47 |
| Goh Chee Wee | 1,106,500 | 0 | 1,106,500 | 0.17 | 0.19 |
| Hoon Tai Meng | 1,100,500 | 0 | 1,100,500 | 0.17 | 0.18 |
| Ang Mong Seng | 128,000 | 0 | 128,000 | 0.02 | 0.02 |
| Dawn Lim Sock Kiang | 15,377,000 | 0 | 15,377,000 | 2.32 | 2.58 |
| Substantial Shareholder | | | | | |
| Kwek Lee Keow | 17,198,000 | 65,499,000 | 82,697,000 | 12.51 | 13.90 |

Notes:-

⁽¹⁾ Mr Lim Tiam Seng's deemed interest comprises of 17,198,000 Shares held by his wife, Mdm Kwek Lee Keow.

⁽²⁾ Mr Chia Lee Meng Raymond's deemed interest includes 14,702,000 Shares held by his wife, Mdm Lim Sock Joo.

Shareholders should note the following:-

- (i) **the figures in the above table are set out for illustrative purposes only and calculated on the assumption that (a) the maximum amount of ten per cent. (10%) of the Shares of the Company purchased under the Share Purchase Mandate will be cancelled and not held as treasury shares and (b) there is no change in the number of Shares held or deemed to be held by the Directors; and**
- (ii) **if all the purchased Shares are held as treasury shares and not cancelled, there will be no change in the interests of the Directors before and after such purchase.**

2.9.2 No options have been granted under Scheme 2001 since its inception. As at the Latest Practicable Date, none of the Directors of the Company has any interest in any options.

2.9.3 For the purposes of the Takeover Code, the following persons are presumed to be acting in concert:

- (i) Mr Lim Tiam Seng, the chairman of the Company (the "**Chairman**"), and a Shareholder;
- (ii) Mr Lim Tiang Chuan, a Director, the brother of the Chairman and a Shareholder;
- (iii) Mr Lim Tian Back, the brother of the Chairman and a Shareholder;
- (iv) Mr Lim Tian Moh, the brother of the Chairman and a Shareholder;
- (v) Mdm Kwek Lee Keow, the spouse of the Chairman and a Shareholder;
- (vi) Mr Lim Ling Kwee, the son of the Chairman and a Shareholder;
- (vii) Mr Chia Lee Meng Raymond, a Director, the son-in-law of the Chairman and a Shareholder;
- (viii) Ms Lim Sock Joo, the daughter of the Chairman and a Shareholder; and
- (ix) Ms Dawn Lim Sock Kiang, a Director, the daughter of the Chairman and a Shareholder,

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF THE COMPANY (CONT'D)

2.9 Directors' and Substantial Shareholders' Interests (cont'd)

(collectively, the "Lim Family").

- 2.9.4 As at the Latest Practicable Date, the combined shareholding of the Lim Family in the Company amounts to approximately 33.93% of the total issued ordinary share capital of the Company (excluding treasury shares held by the Company) (the "Voting Rights"). The Voting Rights of the Lim Family at the Latest Practicable Date and after the Company purchases its Shares, assuming (i) the Company undertakes Share purchases up to the maximum ten per cent. (10%) of the issued share capital of the Company, (ii) there is no change in the holding of Shares between the Latest Practicable Date and the date of the AGM, (iii) no new Shares are issued following approval being received from Shareholders at the AGM and (iv) none of the foregoing parties sell or otherwise dispose of their holding in Shares, are set out below:

| | Before Share Purchase (No. of Shares) | | | Before Share Purchase (%) ⁽¹⁾ | After Share Purchase (%) ⁽²⁾ |
|----------------------------|--|--------------------|-------------------|---|--|
| | Direct Interest | Deemed Interest | Total Interest | | |
| Lim Tiam Seng | 65,499,000 | 17,198,000 | 82,697,000 | 9.91 | 11.01 |
| Lim Tiang Chuan | 44,177,000 | 0 | 44,177,000 | 6.68 | 7.42 |
| Lim Tian Back | 22,003,000 | 0 | 22,003,000 | 3.33 | 3.70 |
| Lim Tian Moh | 18,853,000 | 0 | 18,853,000 | 2.85 | 3.17 |
| Kwek Lee Keow | 17,198,000 | 65,499,000 | 82,697,000 | 2.60 | 2.89 |
| Lim Ling Kwee | 20,605,000 | 0 | 20,605,000 | 3.12 | 3.46 |
| Chia Lee Meng Raymond | 5,925,000 | 14,702,000 | 20,627,000 | 0.90 | 1.00 |
| Lim Sock Joo | 14,702,000 | 5,925,000 | 20,627,000 | 2.22 | 2.47 |
| Dawn Lim Sock Kiang | 15,377,000 | 0 | 15,377,000 | 2.32 | 2.58 |
| Total Voting Rights | | | | 33.93 | 37.70 |

Notes:-

^{(1) & (2)} These figures only set out the direct interest of the members of the Lim Family, since the deemed interest set out above reflects the direct interest held by another member of the Lim Family, who is also included in the above table.

- 2.9.5 Based on the above information, as at the Latest Practicable Date, in the event that the Company purchases the maximum number of 66,112,316 Shares under the Share Purchase Mandate within a period of six (6) months, the combined Voting Rights of the Lim Family could potentially increase from approximately 33.93% to approximately 37.70% of the total Voting Rights of the Company. In such event, if the Lim Family is considered to be acting in concert for the purposes of the Takeover Code, the Lim Family (together with persons acting in concert with them) will, unless exempted, be obliged to make a mandatory offer for the Company under Rule 14.
- 2.9.6 Whilst the Lim Family does not consider themselves to be acting in concert for the purposes of the Takeover Code, an application was made on behalf of the Lim Family to the SIC to exempt them from the requirement to make a general offer for the Company under Rule 14 if their aggregate shareholdings in the Company increase by more than one per cent. (1%) in any period of six (6) months as a result of the Company purchasing its Shares under the Share Purchase Mandate, in the event the Lim Family is considered to be acting in concert for the purposes of the Takeover Code. The SIC, in its letter dated 11 March 2011, approved the application, subject to the following conditions:
- (i) the appendix in relation to the resolution to approve the renewal of the Share Purchase Mandate contains advice to the effect that by voting for the renewal of the Share Purchase Mandate, Shareholders are waiving their rights to a general offer at the required price from the Lim Family and persons acting in concert with them who, as a result of the purchase of Shares pursuant to the Share Purchase Mandate, would increase their aggregate percentage of total voting rights in the Company by more than one per cent. (1%) in any 6-month period; and the names of the members of the Lim Family and persons acting in concert with them and their voting rights at the time of the resolution and after the proposed purchase of the Shares pursuant to the Share Purchase Mandate are disclosed in the same appendix;

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF THE COMPANY (CONT'D)

2.9 Directors' and Substantial Shareholders' Interests (cont'd)

- (ii) the resolution to approve the renewal of the Share Purchase Mandate is to be approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the purchase of Shares pursuant to the Share Purchase Mandate;
- (iii) the Lim Family and persons acting in concert with them abstain from voting for and recommending the Shareholders to vote in favour of the resolution to approve the renewal of the Share Purchase Mandate; and
- (iv) the Lim Family and persons acting in concert with them not to have acquired and not to acquire any Shares between the date on which they know that the announcement of the renewal of the Share Purchase Mandate is imminent and the earlier of:
 - (a) the date on which the authority of the renewed Share Purchase Mandate expires; and
 - (b) the date the Company announces it has bought back such number of Shares as authorised by the renewed Share Purchase Mandate or it has decided to cease buying back its Shares, as the case may be,if such acquisitions, taken together with those purchased by the Company under the renewed Share Purchase Mandate, would cause them to incur an obligation to make a general offer under the Code.

2.9.7 **Shareholders should note that by voting in favour of the resolution relating to the renewal of the Share Purchase Mandate to be proposed at the forthcoming AGM, Shareholders are waiving their rights to a general offer at the required price from the Lim Family and their concert parties.**

2.9.8 Based on the Register of Substantial Shareholders of the Company as at the Latest Practicable Date, the Directors are not aware of any other Substantial Shareholders who may become obligated to make a mandatory offer under the Takeover Code in the event that the Company purchases the maximum number of 66,112,316 Shares.

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

3. ANNUAL GENERAL MEETING

The AGM, notice of which is enclosed with the Annual Report, will be held at Emerald Suite, Golf Clubhouse-Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on 27 April 2011 at 10.00 a.m.. Shareholders' approval for the proposed renewal of the Share Purchase Mandate is being sought at the AGM. The resolution relating to the renewal of the Share Purchase Mandate is contained in the Notice of AGM as Ordinary Resolution 11.

4. DIRECTORS' RECOMMENDATIONS

Having fully considered the rationale for the proposed renewal of the Share Purchase Mandate as set out in Paragraph 2.3 of this Appendix, the Directors, with the exception of Mr Lim Tiam Seng, Mr Lim Tiang Chuan, Mr Chia Lee Meng Raymond and Ms Dawn Lim Sock Kiang, who are abstaining from making any recommendation in relation to the Share Purchase Mandate, believe that the renewal of the Share Purchase Mandate is in the interest of the Company and recommend that Shareholders vote in favour of Resolution 11.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Appendix are fair and accurate and that there are no material facts, the omission of which would make any statement in this Appendix misleading.

