

**CIRCULAR DATED 8 OCTOBER 2008**

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

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

If you have sold or transferred all your shares in the capital of Equation Corp Limited (“**ECL**” or the “**Company**”), please forward this Circular immediately to the purchaser or to the agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

**The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any statements made or opinions expressed or reports contained in this Circular.**



**EQUATION CORP LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration Number 197501110N)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

- (1) **THE PROPOSED PERFORMANCE SHARES SCHEME;**
- (2) **THE PROPOSED PARTICIPATION OF CERTAIN CONTROLLING SHAREHOLDERS IN THE ECL PERFORMANCE SHARES SCHEME;**
- (3) **THE PROPOSED SHARE PURCHASE MANDATE; AND**
- (4) **THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY**

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Member Proxy Form : 29 October 2008 at 11.00 a.m.

Date and time of Extraordinary General Meeting : 31 October 2008 at 11.00 a.m. (or as soon thereafter following the conclusion or adjournment of the 32<sup>nd</sup> Annual General Meeting of the Company to be held at 10:00 a.m. on the same day and at the same place)

Place of Extraordinary General Meeting : 300 Jalan Bukit Ho Swee, Singapore 169566

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## DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires:-

<b>“ACRA”</b>	: The Accounting and Corporate Regulatory Authority
<b>“Articles”</b>	: The Articles of Association of the Company
<b>“associated company”</b>	: Has the meaning ascribed to it in the Listing Manual
<b>“Auditors”</b>	: The auditors of the Company
<b>“Board” or the “Directors”</b>	: The board of Directors of the Company as at the date of this Circular
<b>“CDP”</b>	: The Central Depository (Pte) Limited
<b>“Circular”</b>	: This Circular to ECL Shareholders dated 8 October 2008
<b>“Code”</b>	: The Singapore Code on Take-overs and Mergers
<b>“Committee”</b>	: A Committee comprising Directors of the Company authorised and appointed by the Board of Directors to administer the ECL PS Scheme
<b>“Companies Act”</b>	: The Companies Act, Chapter 50 of Singapore
<b>“Companies (Amendment) Act”</b>	: The Companies (Amendment) Act 2005
<b>“controlling shareholder”</b>	: A person who: (i) holds, directly or indirectly, 15% or more of the nominal amount of all the voting shares in a company (provided that the SGX-ST may determine that a person who satisfies this definition is not a controlling shareholder); or (ii) in fact exercises control over a company
<b>“ECL” or the “Company”</b>	: Equation Corp Limited
<b>“ECL EGM”</b>	: The extraordinary general meeting of the ECL Shareholders to be convened for the purposes of considering and, if thought fit, passing the special and ordinary resolutions set out in the Notice of EGM on page N-1 to N-3 of this Circular
<b>“ECL Group” or the “Group”</b>	: ECL, its subsidiaries and associated company
<b>“ECL PS Scheme”</b>	: The ECL Performance Shares Scheme

<b>“ECL Scheme”</b>	: The Equation Executives’ Share Option Scheme
<b>“ECL Shareholders” or “Shareholders”</b>	: Registered holders of ECL Shares, except that where the registered holder is the CDP, the term <b>“ECL Shareholders”</b> shall, in relation to such ECL Shares, mean the persons whose direct Securities Accounts maintained with the CDP are credited with the ECL Shares
<b>“ECL Share Purchase Mandate”</b>	: The proposed mandate to be obtained from ECL Shareholders for ECL to purchase ECL Shares in accordance with the Companies Act
<b>“ECL Shares” or “Share”</b>	: Ordinary shares in the share capital of ECL
<b>“Executive Directors”</b>	: The executive directors of the Company as at the date of this Circular
<b>“FY”</b>	: Financial year ended or ending 30 June
<b>“Latest Practicable Date”</b>	: 2 October 2008, being the latest practicable date prior to the printing of this Circular
<b>“Listing Manual”</b>	: The listing manual of the SGX-ST
<b>“Market Day”</b>	: A day on which the SGX-ST is open for trading in securities.
<b>“Memorandum”</b>	: The Memorandum of Association of the Company
<b>“Non-Executive Directors”</b>	: The non-executive directors of the Company
<b>“Securities Account”</b>	: The securities account maintained by a depositor with the CDP
<b>“SIC”</b>	: Securities Industries Council
<b>“SGX-ST”</b>	: Singapore Exchange Securities Trading Limited
<b>“subsidiary”</b>	: Has the meaning ascribed to it in the Companies Act
<b>“substantial shareholder”</b>	: In relation to a Singapore incorporated company that is listed on the SGX-ST, a person who has an interest in not less than 5% of the issued voting shares of that listed company
<b>“S\$”</b>	: Singapore dollars
<b>“%”</b>	: Per centum or percentage

The terms “**Depositor**” 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*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act or the Listing Manual or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

## **EQUATION CORP LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 197501110N)

### **LETTER TO SHAREHOLDERS**

**Directors:-**

Toh Hock Ghim  
Hoon Tai Meng  
Chng Weng Wah  
Loh Eu Tse Derek  
Heng Lee Seng

**Registered Office:-**

8 Cross Street  
#11-00 PwC Building  
Singapore 048424

8 October 2008

To:- The ECL Shareholders

Dear Sir/Madam

- (1) THE PROPOSED PERFORMANCE SHARES SCHEME;**
- (2) THE PROPOSED PARTICIPATION OF CERTAIN CONTROLLING SHAREHOLDERS IN THE ECL PERFORMANCE SHARES SCHEME;**
- (3) THE PROPOSED SHARE PURCHASE MANDATE; AND**
- (4) THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY**

#### **1. INTRODUCTION**

The Directors of the Company intend to seek the approval of ECL Shareholders for the following:-

- 1.1 the proposed Performance Shares Scheme;
- 1.2 the proposed participation of certain controlling shareholders in the ECL Performance Shares Scheme;
- 1.3 the proposed share purchase mandate; and
- 1.4 the proposed amendments to the Memorandum and Articles of Association of the Company.

The purpose of this Circular is to provide ECL Shareholders with information in relation to the above matters and to seek their approval for the same at the ECL EGM to be convened.

In-principle approval for the listing and quotation of the Shares which may be issued from time to time pursuant to the vesting of Awards granted under the ECL PS Scheme has been obtained from SGX-ST. Such approval by SGX-ST is not to be taken as an indication of the merits of the ECL PS Scheme. Shareholders are also to note that the SGX-ST does not approve the terms of the ECL PS Scheme.

## 2. THE PROPOSED PERFORMANCE SHARES SCHEME

### 2.1 Background and Rationale

#### 2.1.1 The ECL Scheme

The Company has an existing share option scheme, which was adopted on 23 December 1999. The ECL Scheme provides an opportunity for selected Directors and executives of the ECL Group who have contributed significantly to the growth and performance of the ECL Group and who satisfy the eligibility criteria under the relevant rules of the ECL Scheme to participate in the equity of the Company. The aggregate number of share options granted under this ECL Scheme shall not exceed 15% of the Company's total issued shares from time to time. Details of options granted under the ECL Scheme are set out in paragraph 2.13 below.

#### 2.1.2 Rationale for the ECL Performance Shares Scheme

The Directors are proposing to implement a new Share Scheme in addition to the ECL Scheme that will increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to improve their performance. The new Scheme will further strengthen the Company's competitiveness in attracting and retaining superior talent.

The ECL PS Scheme differs from the existing ECL Scheme in that it allows the Company to target specific performance objectives and to provide an incentive for participants in the ECL PS Scheme (the "**Participants**") to achieve these targets. The ECL Scheme, on the other hand, provides a more broad-based incentive that is based on the overall performance of the Company. The ECL PS Scheme is not intended to replace the existing ECL Scheme, but to complement it. The Directors believe that together, the two Schemes will provide the Company with a flexible approach to provide performance incentives to its employees and, consequently, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture amongst employees of the Company.

The Company believes that attracting and retaining outstanding individuals as employees is paramount to the Group's long-term objective of achieving continuous growth, expansion and profitability in its business and operations.

It is hoped that through the implementation of the ECL PS Scheme, the Company will be able to remain an attractive and competitive employer and be better positioned to manage its fixed overhead costs without compromising on performance standards and efficiency.

The ECL PS Scheme aims to motivate Participants to achieve their peak performance, through the provision of incentives. The ECL PS Scheme allows the Company to recognise and reward contributions made by Participants, and this will motivate Participants to continue to strive to achieve peak performance. In addition, the ECL PS Scheme aims to foster an ownership culture within the Group, by aligning the interests of Group employees and Non-Executive Directors with the interests of Shareholders.

The ECL PS Scheme aims to motivate employees to achieve pre-determined targets and/or to put in their best efforts which will create and enhance economic value for Shareholders. The Company believes that the ECL PS Scheme will be more effective than cash bonuses in motivating employees whilst at the same time allowing the Company to offer incentives and remuneration packages compatible with multinational companies and other listed companies on the SGX-ST.

The ECL PS Scheme contemplates the award of fully paid Shares when or after pre-determined performance or service conditions are accomplished and/or when due recognition should be given to any good work performance and/or any significant contribution to the Company.

A Participant's award of Shares under the ECL PS Scheme (the "**Award**") will be determined at the sole discretion of the Committee, which will oversee and administer the ECL PS Scheme. In considering the grant of an Award to a Participant, the Committee may also take into account, *inter alia*, the Participant's capability, creativity, entrepreneurship, innovativeness, scope of responsibility and skill sets. The Committee will also consider the compensation and/or benefits given or to be given to the Participant under the ECL Scheme and any other concurrent share or option scheme implemented by the Company.

The aggregate number of Shares to be issued under the ECL PS Scheme and the ECL Scheme, collectively, will remain subject to the existing maximum limit of 15% of the Company's total issued shares from time to time.

The ECL PS Scheme is subject to the approval of the Shareholders, which is being sought at the ECL EGM, notice of which is set out at page N-1 to N-3 of this Circular.

## 2.2 **Summary of ECL Performance Shares Scheme**

A summary of the Rules of the ECL PS Scheme is set out below.

### 2.2.1 **Eligibility**

The following persons shall be eligible to participate in the ECL PS Scheme:-

- (a) Employees of the Company and its subsidiaries who have been employed for a minimum of 1 year or such shorter period as the Committee may determine and have attained the age of 21 years on or before the date of commencement of the ECL PS Scheme;
- (b) Executive Directors of the Company and its subsidiaries; and
- (c) Non-Executive Directors (including independent Directors) of the Company and its subsidiaries.

Under the Rules of the ECL PS Scheme, no associated companies of ECL are allowed to participate in the ECL PS Scheme.

Controlling shareholders and their associates within the above categories are eligible to participate in the ECL PS Scheme. There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented or to be implemented by the Company or another company within the Group.

Participation in the ECL PS Scheme by controlling shareholders of the Company and their associates must be approved by independent Shareholders. A separate resolution shall be passed for each such Participant and to approve the number of Shares to be awarded to that Participant and the terms of such Award.

### 2.2.2 **Awards**

While the Committee has the discretion to grant Awards at any time in the year, it is currently anticipated that Awards would in general be made once a year. Awards represent the right of a Participant to receive fully paid Shares free of charge, upon

the Participant achieving prescribed performance targets. Performance targets set under the ECL PS Scheme are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets aimed at sustaining long-term growth. Examples of performance targets to be set include targets based on completion of a particular project, and criteria such as sales growth, earnings per share, market capitalisation and return on investment.

Awards are personal to the Participant to whom they are given and may not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee.

### **2.2.3 Selection of Participants**

The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Participant shall be determined at the sole discretion of the Committee, which shall take into account criteria such as rank, job performance, years of service, potential for future development, contribution to the success of the Group and, if applicable, the extent of effort and resourcefulness required to achieve the performance targets within the performance periods.

Subject to the Companies Act and requirements of the SGX-ST, the terms of eligibility of any Participant in the ECL PS Scheme may be amended from time to time at the absolute sole discretion of the Committee. The terms of employment or appointment of a Participant shall not be affected by his participation in the ECL PS Scheme, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment or appointment for any reason.

## **2.3 Details of Awards**

The Committee shall decide, in relation to each Award to be granted to a Participant under the ECL PS Scheme:-

- (a) the date on which the Award is to be granted;
- (b) the number of Shares which are the subject of the Award;
- (c) the performance target(s), the performance period during which such performance target(s) are to be satisfied (if any), and the extent to which Shares which are the subject of that Award shall be released on the prescribed performance target(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period;
- (d) the vesting periods (if any);
- (e) the release schedule (if any) setting out the extent to which Shares, which are the subject of that Award, shall be released at the end of each prescribed vesting period; and
- (f) any other condition which the Committee may determine in relation to that Award.

## **2.4 Vesting of Awards**

2.4.1 Provided that:-

- (a) the performance target(s) set have been satisfied within the prescribed performance period;

- (b) the Participant has continued to be in employment with the Company or its Group company, as the case may be, from the date of the Award up to the end of the prescribed vesting period; and
- (c) the Award is still subsisting,

upon the expiry of the prescribed performance period, the Award shall vest and the Committee will release to the Participant the Shares comprised in the Award, subject to the terms of the Award.

2.4.2 Notwithstanding that a Participant may have met his performance targets, no Awards shall be made:-

- (a) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Award;
- (b) in the event of any misconduct on the part of the Participant as determined by the Committee in its discretion;
- (c) in the event that the Committee shall, at its discretion, deem it appropriate that such Award to be given to a Participant shall so lapse on the grounds that any of the objectives of the ECL PS Scheme have not been met; or
- (d) in the event of a take-over, reconstruction or amalgamation of the Company or an order being made or a resolution passed for the winding up of the Company.

2.4.3 A Participant who has met his performance targets would still receive the Shares comprised in the Award notwithstanding that he may have ceased to be employed by the Company after the fulfillment of such performance targets, if, the Participant ceases to be so employed in any of the following circumstances :-

- (a) through ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
- (b) redundancy;
- (c) retirement at or after the legal retirement age;
- (d) retirement before the legal retirement age with the consent of the Committee;
- (e) the company by which he is employed ceasing to be a company within the Group or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group; or
- (f) any other reason expressly approved in writing by the Committee.

Save as provided and for the avoidance of doubt, an Award shall nevertheless be given to a Participant for as long as he has fulfilled his performance targets and notwithstanding a transfer of his employment to another company within the Group or any apportionment of performance targets within any company within the Group.

2.4.4 If a Participant has fulfilled his performance targets but dies before an Award vests, the Award Shares shall in such circumstances be given to the personal representatives of the Participant.

## 2.5 Size and Duration of the ECL PS Scheme

The aggregate number of Award Shares to be delivered pursuant to the vesting of the Awards on any date, when added to the number of Shares issued and/or issuable under such other share-based incentive schemes (including the ECL Scheme) of the Company shall not exceed 15% of the issued shares of the Company on the day preceding that date.

The aggregate number of Award Shares available to eligible controlling shareholders and their associates under the ECL PS Scheme shall not exceed 25% of the Shares available under this ECL PS Scheme. In addition, the number of Award Shares available to each such controlling shareholder or his associate shall not exceed 10% of the Shares available under this ECL PS Scheme.

The ECL PS Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date of adoption of the ECL PS Scheme, provided always that the ECL PS Scheme may continue beyond the above stipulated period with the approval of the Company's Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required. The Scheme may be terminated at any time by the Committee or by resolution of the Company in general meeting subject to all relevant approvals, which may be required and if the Scheme is so terminated, no further Awards, shall be vested thereunder.

The termination of the ECL PS Scheme shall not affect Awards, which have vested, whether such Shares have been delivered or not.

## 2.6 Operation of the ECL PS Scheme

Subject to prevailing legislation and SGX-ST guidelines, the Company will deliver Shares to Participants upon vesting of their Awards by way of either an issue of new Shares, or the delivery of existing Shares, with all Shares deemed to be fully paid upon their issuance and/or allotment. The financial effects of the delivery of Shares to Participants upon vesting of the Awards are set out in section 2.10 of this Circular.

Shares allotted and issued on the vesting of an Award shall rank in full for all entitlements, excluding dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which falls on or before the relevant vesting date of the Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

When determining the performance targets, the Committee may take cognizance of the audited results of the Company or the Group, adjusted to take into account such factors as the Committee may determine to be relevant, including changes in accounting methods, taxes and extraordinary events. The Committee has the right to amend the performance target(s) if it decides that such amendment would be a fairer measure of performance. Participants will only be rewarded with an Award if they meet the performance targets determined by the Committee.

Notwithstanding any provision contained in the Rules of the ECL PS Scheme, the Directors, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including, but not limited to, the Company's delay in issuing the Shares or applying for or procuring the listing of the Shares awarded on the SGX-ST.

Every Award shall be subject to the condition that no Shares would be issued pursuant to the vesting of any Award if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue of Shares hereto.

## 2.7 Adjustments and Alterations under the ECL PS Scheme

### 2.7.1 Variation of Shares

If a variation in the ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place:-

- (a) the class and/or number of Shares comprised in an Award; and/or
- (b) the class and/or number of Shares which may be granted under the ECL PS Scheme,

shall be adjusted by the Committee to give each Participant the same proportion of the equity capital of the Company as that to which he was previously entitled and, in doing so, the Committee shall determine at its own discretion the manner in which such adjustment shall be made.

The issue of securities as consideration for an acquisition or a private placement of securities; the increase in the number of issued Shares as a consequence of the exercise of options or other convertibles entitling holders of such options or convertibles to acquire Shares in the capital of the Company; or the cancellation of issued Shares purchased or acquired by the Company undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by shareholders of the Company (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment, unless the Committee considers an adjustment to be appropriate.

No such adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive. Any adjustment (except in relation to a capitalization issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

Any increase in the issued shares of the Company as a consequence of the delivery of Shares pursuant to the vesting of Awards from time to time by the Company or through the ECL Scheme or any other share-based incentive schemes implemented by the Company will also not be regarded as a circumstance requiring adjustment.

Upon any adjustment made, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued pursuant to the grant of an Award. Any adjustment shall take effect upon such written notification being given.

### 2.7.2 Modifications or Alterations to the ECL PS Scheme

Any or all the provisions of the ECL PS Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee, subject to compliance with the Listing Manual and such other regulatory authorities as may be necessary. Modifications to or waivers of performance targets or conditions of Awards are not modifications to the ECL PS Scheme for the purposes of the provisions in this paragraph.

However, no modification or alteration shall adversely affect the rights attached to Awards granted prior to such modification or alteration, except with the written consent of such number of Participants under the ECL PS Scheme, who, if the Shares comprised in the Awards granted to them have vested, would thereby become entitled to not less than three-quarters in number of all Shares which would be available under the ECL PS Scheme.

Any modification or alteration, which would be to the advantage of Participants under the ECL PS Scheme, shall be subject to the prior approval of Shareholders in general meeting.

The Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the rules or provisions of the ECL PS Scheme in any way to the extent necessary to cause the ECL PS Scheme to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

The opinion of the Committee as to whether any modification or alteration would adversely affect the rights attached to any Award shall be final, binding and conclusive.

## 2.8 Disclosures in Annual Report

2.8.1 The following disclosures (as applicable) will be made by the Company in its annual report:-

- (a) the names of the members of the Committee administering the ECL PS Scheme;
- (b) in respect of the following Participants:-
  - (i) Directors of the Company;
  - (ii) Participants who are controlling shareholders and their associates; and
  - (iii) Participants, other than those in (i) and (ii) who have been granted Awards under the ECL PS Scheme and/or who have received Shares pursuant to the vesting of the Awards granted under the ECL PS Scheme which, in aggregate, represent five per cent (5%) or more of the aggregate number of Shares available under both the ECL Scheme and the ECL PS Scheme,

the following information:-

- (1) name of the Participant; and
- (2) the following particulars relating to Awards granted under the ECL PS Scheme to that particular Participant:-
  - (A) total number of Shares comprised in Awards granted under the Scheme during the financial year under review;
  - (B) the aggregate number of Shares comprised in Awards which have vested since the commencement of the ECL PS Scheme to the end of the financial year under review;
  - (C) the aggregate number of Shares comprised in Awards which have vested, and which have been issued upon release of the vested Award, since the commencement of the ECL PS Scheme to the end of the financial year under review; and

- (D) the aggregate number of Shares comprised in Awards which have not become vested or have not been released as at the end of the financial year under review; and
- (c) in relation to the ECL PS Scheme, the following particulars:
  - (i) the aggregate number of Shares comprised in Awards granted since the commencement of the ECL PS Scheme to the end of the financial year under review;
  - (ii) the aggregate number of Shares comprised in Awards which have vested during the financial year under review and in respect of such Awards, the proportion of Award Shares issued upon the release of the vested Awards; and
  - (iii) the aggregate number of Shares comprised in Awards which have not been released as at the end of the financial year under review;
- (d) such other information as may be required by the Listing Manual or the Companies Act.

If any of the above is not applicable, an appropriate negative statement shall be included therein.

## 2.9 Role and Composition of the Committee

The following directors will be designated to form the Committee to administer the ECL PS Scheme. The Committee comprises:-

Mr Hoon Tai Meng (Chairman)  
Mr Chng Weng Wah  
Mr Heng Lee Seng  
Ambassador Toh Hock Ghim

In compliance with the requirements of the Listing Manual, a Participant of the ECL PS Scheme who is a member of the Committee shall not be involved in its deliberations in respect of Awards (as the case may be) to be granted to that member.

## 2.10 Financial Effects of the ECL PS Scheme

### 2.10.1 Share Capital

The ECL PS Scheme will result in an increase in the Company's issued Shares where new Shares are issued to Participants. The number of Shares issued will depend on, *inter alia*, the size of the Awards granted under the ECL PS Scheme. In any case, the ECL PS Scheme provides that the number of Shares to be issued under the said ECL PS Scheme, together with the number of Shares to be issued under the ECL Scheme, will be subject to the maximum limit of 15% of the Company's total issued Shares.

If, instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants or treasury Shares are delivered to the Participants, the ECL PS Scheme will have no impact on the Company's issued shares.

### 2.10.2 Net Tangible Assets ("NTA")

As described in section 2.10.5 below, the ECL PS Scheme will result in a change to the Company's profit and loss account equal to the market value at which the existing Shares are purchased or the market value on the date at which new Shares are

issued under the Awards. If new Shares are issued to Participants pursuant to the vesting of the Awards, there will be no effect on the consolidated NTA of the Company. If existing Shares are purchased for delivery to Participants, the consolidated NTA of the Company would decrease by the cost of the Shares purchased.

However, it should be noted that the delivery of Shares to Participants of the ECL PS Scheme is contingent upon the Participants meeting prescribed performance targets and conditions.

### 2.10.3 Earnings Per Share (“EPS”)

The ECL PS Scheme will result in a change to earnings equivalent to the market value at which the existing Shares are purchased or the market value on the date at which new Shares are issued under the Awards.

Although the ECL PS Scheme will have a dilutive impact (to the extent that new Shares are issued pursuant to the ECL PS Scheme) on the EPS, it should again be noted that the delivery of Shares to Participants in respect of Awards will generally be contingent upon the Participants meeting the prescribed performance targets and conditions.

### 2.10.4 Dilutive Impact

It is expected that the dilutive impact of the ECL PS Scheme on the NTA per Share and EPS will not be significant. The ECL Scheme currently provides for the issue of Shares pursuant to the exercise of options granted thereunder of up to a maximum of 15% of the Company’s total issued shares from time to time. Accordingly, there will be no significant dilution of Shareholders’ shareholding percentages as a result of the introduction of the ECL PS Scheme, as this ECL PS Scheme provides that the aggregate number of Shares to be issued under it and the ECL Scheme will be subject to the same maximum limit of 15% of the Company’s total issued shares.

### 2.10.5 Costs to the Company

As Participants are not required to pay for the grant of the Awards, such grant of Awards will have a financial effect on the Company. The Singapore Financial Reporting Standards (in particular, FRS 102, Share-based Payment) require the recognition of an expense in respect of Awards granted under the ECL PS Scheme. The expense will be based on the fair value of the Awards at each grant date and recognised at each financial reporting date of the Company. However, if Awards do not vest because of failure to satisfy a service or performance condition (other than a market condition), the expense previously charged to the profit and loss account is reversed.

## 2.11. Participation By Controlling Shareholders and their Associates in the ECL PS Scheme

For the purposes of Chapter 9 of the Listing Manual, “associate” in relation to any director, chief executive officer or controlling shareholder (being an individual) means his immediate family (i.e. spouse, children, adopted children, step-children, siblings and parents), 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 any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

### 2.11.1 Rationale

The Directors are of the view that Group employees who are also controlling shareholders or who are associates of controlling shareholders, should be remunerated for their contribution to the Group on the same basis as other Group employees.

The key objectives of the proposed ECL PS Scheme is to motivate key executives (including directors and employees) to optimise their performance standards and efficiency and to reward them for their significant contributions with participation in the equity of the Company. As stated earlier, the Company believes that the ECL PS Scheme may be more effective than cash bonuses in motivating employees to work towards pre-determined targets and/or to put in their best efforts whilst at the same time allowing the Company to offer incentives and remuneration packages compatible with multinational companies. To this end, key executives including the controlling shareholders and their associates shall be treated equally as the controlling shareholders and their associates are important to the development and success of the Company. As such, regardless of whether they are controlling shareholders or associates of controlling shareholders, the Company's view is that all deserving and eligible participants should be equally entitled to take part and benefit from the Company's fair and equitable system of remuneration.

The terms of the ECL PS Scheme do not differentiate between the controlling shareholders and their associates from other key executives in determining the eligibility of such persons to be granted Awards. They should not unduly favour controlling shareholders and their associates. Likewise, controlling shareholders and their associates should not be excluded from participating in the ECL PS Scheme solely for the reason that they are controlling shareholders or associates of controlling shareholders. In addition, to deny participation by the controlling shareholders and their associates may serve to demotivate them and undermine the objectives of the ECL PS Scheme.

The Directors are of the view that the extension of the ECL PS Scheme to controlling shareholders and their associates will enhance the long-term commitment of such controlling shareholders and their associates as they will continue to have a stake in the Company even if they reduce their existing shareholding in the Company.

Currently, it is proposed that the ECL PS Scheme be extended to 2 individuals one of whom is a controlling shareholder and the other his associate, namely, Mr Chng Weng Wah and Mr Chng Weng Huat respectively. Mr Chng Weng Wah is a controlling shareholder of the Company and Mr Chng Weng Huat is his brother.

**(a) Participation in the ECL PS Scheme by Mr Chng Weng Wah**

Mr Chng Weng Wah is the Executive Director and Chief Executive Officer of the Company since February 2005. Since then, he has, and continues to, contribute significantly to the performance and strategic direction of the ECL Group. Mr Chng is the guiding force behind the ECL Group, and under his leadership, it is believed he will continue to make invaluable contribution to the ECL Group. The proposed grant of Awards to Mr Chng Weng Wah is to recognize his past efforts for and contributions to the success of the ECL Group, as well as to optimise his performance standards, efficiency and encourage his long-term commitment to the ECL Group.

Mr Chng Weng Wah's current remuneration package comprises a fixed monthly salary, a profit arrangement granting Mr Chng Weng Wah a 10% portion of the Group's profit before tax and an annual discretionary cash bonus (the "cash bonus"). For the financial year ended 30 June 2008, Mr Chng Weng Wah received between S\$750,000 to S\$1,000,000 as remuneration for his services to the ECL Group. The Company intends to substitute part of the cash bonus component, with Awards under the ECL PS Scheme. The grant of Awards in place of a cash bonus, will enhance the long-term commitment of Mr Chng Weng Wah to the Company.

**(b) Participation in the ECL PS Scheme by Mr Chng Weng Huat**

Mr Chng Weng Huat has been the Company's MIS Manager since February 2005. He supports the Information Technology functions of the Company.

Since joining the Company since February 2005, Mr Chng Weng Huat has contributed to the success of the ECL Group. The proposed grant of Awards to Mr Chng Weng Huat is to recognise his past efforts for and contributions to the ECL Group, as well as to encourage his long-term commitment to the ECL Group.

Mr Chng Weng Huat's current remuneration package comprises of a fixed monthly salary and an annual discretionary cash bonus. For the financial year ended 30 June 2008, Mr Chng Weng Huat received below S\$150,000 as remuneration for his services to the ECL Group. The Company intends to substitute part of the cash bonus component with Awards under the ECL PS Scheme. The grant of Awards in place of a cash bonus, will enhance the long-term commitment of Mr Chng Weng Huat to the Company.

The participation in the ECL PS Scheme by Mr Chng Weng Wah, Mr Chng Weng Huat and any other associates of Mr Chng Weng Wah, is limited to 10% of the Shares under the ECL PS Scheme, and the aggregate number of Shares available to controlling shareholders and their associates is 25% of the Shares under the ECL PS Scheme. Details of the number of Awards granted and the number of Awards vested will be disclosed in the Company's Annual Report. The Directors (except for Mr Chng Weng Wah who is a controlling shareholder and Mr Chng Weng Huat, his associate) are of the view that the participation in the ECL PS Scheme by eligible controlling shareholders and their associates is in the best interests of the Company as such controlling shareholders and their associates will be able to set the direction of the Company, define objectives and roles of management and influence decisions made by the Company and thus stand in a unique position to contribute to the growth and prosperity of the Group.

**The participation in the ECL PS Scheme by Mr Chng Weng Wah and Mr Chng Weng Huat are subject to the approval of independent Shareholders by separate resolution which is being sought at the ECL EGM, notice of which is set out at page N-1 to N-3 of this Circular, and the independent Shareholders shall at a later date by separate resolution approve the actual number of Shares to be awarded under the ECL PS Scheme and the conditions of such Award to Mr Chng Weng Wah and Mr Chng Weng Huat.**

## 2.12 Participation by Non-Executive Directors in the ECL PS Scheme

### 2.12.1 Rationale

While the ECL PS Scheme caters principally to key employees of the Company, it is recognized that there are other persons who make significant contributions to the Group through their close working relationships with the Group, even though they are not employed within the Group. Such persons include the Non-Executive Directors. The Non-Executive Directors are persons from different professions and working backgrounds, bringing to the Group their wealth of knowledge, business expertise and contacts in the business community. They play an important role in helping the Group shape its business strategy by allowing the Group to draw on their diverse backgrounds and working experience. It is crucial for the Group to attract and retain these Non-Executive Directors.

The Directors are of the view that including the Non-Executive Directors in the ECL PS Scheme will show the Company's appreciation for, and further motivate them in their contribution towards the success of the Group. However, the Company recognizes that their services and contributions cannot be measured in the same way as the full-time employees of the Group. For the purpose of assessing the contributions of the Non-Executive Directors, the Committee will propose a performance framework comprising mainly non-financial performance measurement criteria such as years of service, and the extent of involvement and responsibilities taken on by the Non-Executive Directors.

The Committee may also decide that no Awards shall be made in any financial year or no grant and/or Award may be made at all. Based on this, the Directors are of the view that the participation by the independent Non-Executive Directors in the ECL PS Scheme will not compromise their independent status.

## 2.13 Previous Scheme

As mentioned above, the Company has in place an employee share option scheme known as the Equation Executives' Share Option Scheme, which was adopted by Shareholders on 23 December 1999. As at the Latest Practicable Date, options on 2,400,000 Shares with an exercise price of S\$0.065 per Share (the "2006 Options") and 2,000,000 Shares with an exercise price of S\$0.07 per Share (the "2008 Options") were granted to 10 various participants pursuant to the ECL Scheme. The 2006 Options are exercisable from 17 April 2008 and exercisable in 2 tranches on 16 April 2011 or 16 April 2016. The 2008 Options were exercisable from 26 May 2010 to 25 May 2013. Under the ECL Scheme, the exercise price of the granted options is set at a discount of up to 20% to the average of the last dealt prices of the Company's ordinary shares on the SGX-ST for three consecutive days immediately preceding the date of the grant.

The following options granted under the ECL Scheme were granted to the following directors.

		NO. OF UNISSUED ORDINARY SHARES OF THE COMPANY UNDER OPTIONS GRANTED TO DIRECTORS			
	Name of Directors	Granted in financial year ended 30 June 2008	Aggregate granted since commencement of the ECL Scheme till 30 June 2008	Aggregate lapsed since commencement of the ECL Scheme till 30 June 2008	Aggregate outstanding as at 30 June 2008
1.	Heng Lee Seng	-	1,000,000	750,000	250,000
2.	Hoon Tai Meng	-	1,000,000	750,000	250,000
3.	Loh Eu Tse Derek	-	250,000	-	250,000
4.	Toh Hock Ghim	2,000,000	2,000,000	-	2,000,000

No options have been granted to controlling shareholders (as defined in the Listing Manual) of the Company and their associates.

No participant under the ECL Scheme has received 5% or more of the total number of options available under the ECL Scheme.

The particulars of the number of unissued Shares under options in relation to the ECL Scheme, which remain outstanding as at 30 June 2008 are set out as follows: -

	No. of unissued shares at 30 June 2008	Exercise Period
2006 Options	750,000	17 April 2008 to 16 April 2011
2006 Options	1,650,000	17 April 2008 to 16 April 2016
2008 Options	2,000,000	26 May 2010 to 25 May 2013

The movement of the options under the ECL Scheme for the financial year ended 30 June 2008 (“FY 2008”) are set out in the table below:

	No of Options at start of FY 2008	No. of Options granted during FY 2008	No of Options forfeited during FY 2008	No. of Options exercised during FY 2008	No. of Options at end of FY 2008	Exercise Period
2006 Options	750,000	-	-	-	750,000	17 April 2008 to 16 April 2011
2006 Options	1,650,000	-	-	-	1,650,000	17 April 2008 to 16 April 2016
2008 Options	-	2,000,000	-	-	2,000,000	26 May 2010 to 25 May 2013
Total	2,400,000	2,000,000	-	-	4,400,000	

### 3. PROPOSED SHARE PURCHASE MANDATE

#### 3.1 Introduction

Any purchase or acquisition of Shares by the Company must be made in accordance with, and in the manner prescribed by, the Companies Act and the rules of the Listing Manual and such other laws and regulations as may, for the time being, be applicable.

It is a requirement that a company which wishes to purchase or acquire its own shares should obtain the prior specific approval of its shareholders in general meeting. Accordingly, approval is being sought from Shareholders at the ECL EGM for the ECL Share Purchase Mandate to be given for the purchase or acquisition by the Company of its issued shares.

If approved by Shareholders at the ECL EGM, the Directors of the Company will have the authority to exercise all powers of the Company in purchasing or acquiring Shares pursuant to the terms of the ECL Share Purchase Mandate.

#### 3.2 Rationale for the ECL Share Purchase Mandate

The approval of the ECL Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake share purchases or acquisitions up to the 10% limit described in paragraph 3.3 (a) below at any time, subject to market conditions, during the period when the ECL Share Purchase Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:

- (a) In managing the business of the ECL Group, management strives to increase Shareholders’ value by improving, *inter alia*, the return on equity of the ECL Group. Share purchase is one of the ways through which the return on equity of the ECL Group may be enhanced.
- (b) The ECL Share Purchase Mandate is an expedient, effective and cost-efficient way for the Company to return surplus cash which is in excess of the financial and possible investment needs of the Company to its Shareholders. In addition, the ECL Share Purchase Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company’s share capital structure and its dividend policy.
- (c) Share repurchase programmes help buffer short-term share price volatility and off-set the effects of short-term speculators and investors and, in turn, bolster shareholder confidence and employee morale.

While the ECL Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said 10% limit, the Directors will only make a purchase or acquisition of Shares as and when (i) the Company is Solvent (as defined in paragraph 3.3(c)); (ii) circumstances permit; and (iii) only if the Directors are of the view that such purchases or acquisitions are in the best interests of the Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the ECL Share Purchase Mandate may not be carried out at all, or to the full limit as authorised.

### 3.3 **Authority and Limits of the ECL Share Purchase Mandate**

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the ECL Share Purchase Mandate, if approved at the ECL EGM, are summarised below:-

#### **(a) Maximum number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the ECL Share Purchase Mandate shall not exceed ten per cent. (**10%**) of the issued ordinary share capital of the Company as at the date of the last general meeting of the Company held before the resolution authorising the ECL Share Purchase Mandate is passed or as at the date on which the resolution authorising the ECL Share Purchase Mandate is passed, whichever is higher. Following the introduction of the Companies (Amendment) Act, any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

Purely for illustrative purposes, on the basis of **1,256,351,254** Shares in issue as at the Last Practicable Date and assuming that no further Shares are issued on or prior to the ECL EGM, not more than **125,635,125** Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the proposed ECL Share Purchase Mandate.

#### **(b) Duration of Authority**

Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company on and from the date of the ECL EGM at which the ECL Share Purchase Mandate is approved up to the earliest of:

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

(“**Relevant Period**”).

The ECL Share Purchase Mandate may be renewed at each AGM or other general meeting of the Company.

#### **(c) Solvency**

Purchases or acquisitions of Shares may only be made if the Directors and managers know that the Company is, or have no reason to believe that the Company is not, solvent.

If:

- (a) the Company is able to pay its debts in full at the time of the payment for the purchase or acquisition of the Shares and will be able to pay its debts as they fall due in the normal course of business during the period of 12 months immediately following the date of the payment; and
- (b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the proposed purchase or acquisition become less than the value of its liabilities (including contingent liabilities),

the Company is solvent ("**Solvent**").

**(d) Manner of Purchases or Acquisitions of Shares**

Purchases or acquisitions of Shares may be effected by the Company by way of:-

- (i) on-market purchases ("**Market Purchases**"); and/or
- (ii) off-market purchases, otherwise than on a securities exchange, in accordance with an "equal access scheme" as defined in Section 76C of the Companies Act ("**Off-Market Purchases**").

Market Purchases refer to purchases or acquisitions of Shares by the Company effected on the SGX-ST, through one or more duly licensed dealers appointed by the Company for the purpose.

In an Off-Market Purchase, the Directors may impose such terms and conditions which are not inconsistent with the ECL Share Purchase Mandate, the Listing Manual, the Companies Act and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An equal access scheme must, however, satisfy the following conditions:-

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers are the same, except that there shall be disregarded:-
  - (aa) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;
  - (bb) (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
  - (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Under the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company will issue an offer document containing, *inter alia*, the following information to all Shareholders:-

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed share buy-back;
- (iv) the consequences, if any, of the share purchases by the Company that will arise under the Code or any other applicable take-over rules;
- (v) whether the share buy-back, if made, will have any effect on the listing of the Shares on the SGX-ST; and
- (vi) details of any share buy-back made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases.

**(e) Purchase Price**

The purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for Shares purchased or acquired pursuant to the ECL Share Purchase Mandate will be determined by the Directors, provided that the purchase price to be paid for the Shares must not exceed:

- (a) in the case of a Market Purchase, 105 per cent of the Average Closing Price of the Shares; and
- (b) in the case of an Off-Market Purchase, 110 per cent of the Average Closing Price of the Shares,

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

For the above purposes:-

**“Average Closing Price”** means the average of the closing market prices of a Share over the last five Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the Listing Manual, for any corporate action that occurs after the relevant five-day period; and

**“Date of the making of the offer”** means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

**3.4 Status of Purchased Shares**

Under the current law, a Share purchased or acquired by the Company unless held as treasury shares shall be deemed cancelled immediately on purchase or acquisition. Upon cancellation, all rights and privileges attached and/or appurtenant to these Shares shall expire therefrom. Accordingly, the total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

### 3.5 Treasury Shares

Under the Companies Act, as amended by the Companies (Amendment) Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act, as amended by the Companies (Amendment) Act, are summarised below:-

(a) **Maximum Holdings**

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) **Voting and Other Rights**

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

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

(c) **Disposal and Cancellation**

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

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

### 3.6 Source of Funds

The Company will use internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance the Company's purchase or acquisition of the Shares. In addition, the Directors will also consider the availability of external financing. However, in considering the option of external financing, the Directors will also consider the financial position of the ECL Group, particularly the prevailing gearing level of the ECL Group. The Directors will only make purchases or acquisitions of the Shares in circumstances that they believe will not result in any material adverse effect to the financial positions of the ECL Group.

The Companies Act currently provides that purchases and acquisitions of Shares:

- (a) must be made out of the Company's capital or retained profits; and
- (b) only if the Company is Solvent.

### 3.7 Financial Effects

Where the Company cancels any of the Shares it repurchased, the Company shall:

- (a) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;
- (b) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or
- (c) reduce the amount of its shares capital and profits proportionately where the Shares are purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, such consideration (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) will not affect the amount available for distribution in the form of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of retained profits, such consideration (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for distribution in the form of cash dividends by the Company.

The financial effects on the ECL Group arising from the purchases or acquisitions of Shares which may be made pursuant to the ECL Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant times, the amount (if any) borrowed by the ECL Group to fund the purchases or acquisitions, whether the Shares are purchased or acquired out of capital and/or retained profits of the Company and whether the Shares purchased or acquired are held as treasury shares or cancelled.

Based on the existing issued and paid-up ordinary share capital of the Company as at the Latest Practicable Date, and assuming no further Shares are issued and no Shares are held by the Company as treasury shares on or prior to the ECL EGM, the purchase by the Company of 10 per cent of its issued Shares will result in the purchase or acquisition of **125,635,125** Shares.

Assuming the Company purchases or acquires 31,408,781 Shares, equivalent to 2.5 per cent of its issued Shares, at the Maximum Price, the maximum amount of funds required (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) is:-

- (a) in the case of Market Purchases of Shares, approximately **S\$1.288 million** based on **S\$0.041** for one Share (being the price equivalent to five per cent above the Average Closing Price of the Shares traded on the SGX-ST for the five consecutive Market Days immediately preceding the Latest Practicable Date); and
- (b) in the case of Off-Market Purchases of Shares, approximately, **S\$1.351 million** based on **S\$0.043** for one Share (being the price equivalent to ten per cent above the Average Closing Price of the Shares traded on the SGX-ST for the five consecutive Market Days immediately preceding the Latest Practicable Date).

For illustrative purposes only, on the basis of the assumptions set out above, and based on the audited financial statements of the ECL Group for the year ended **30 June 2008** and assuming that:-

- (i) the ECL Share Purchase Mandate had been effective on the Latest Practicable Date being 2 October 2008; and

- (ii) the purchases or acquisitions of Shares are financed solely out of the capital of the Company; and
- (iii) the purchased Shares are held as treasury shares.

the financial effects of the purchase or acquisition of such Shares by the Company on the audited financial statements of the Group for the financial year ended **30 June 2008** would have been as follows:

**Purchases made entirely out of capital and held as treasury shares**

<b>Market Purchases (\$S'000)</b>	<b>Group before Share Purchase</b>	<b>Group After Share Purchase</b>	<b>Company Before Share Purchase</b>	<b>Company After Share Purchase</b>
Share capital	80,054	80,054	80,054	80,054
Treasury Shares	-	(1,288)	-	(1,288)
Non-distributable reserves	8	8	117	117
Accumulated losses	(38,636)	(38,636)	(35,440)	(35,440)
	41,426	40,138	44,731	43,443
Minority interests	2,839	2,839	-	-
Total equity	44,265	42,977	44,731	43,443
Net tangible assets	44,208	42,920	44,731	43,443
Cash and cash equivalents	21,355	20,067	12,453	11,165
Current assets	40,177	38,889	26,598	25,310
Current liabilities	14,506	14,506	2,821	2,821
Total borrowings <sup>1</sup>	8,559	8,559	1,798	1,798
No of shares ('000)	1,256,351	1,224,942	1,256,351	1,224,942
<b>Financial ratios</b>				
NTA per share (in cents)	3.52	3.50	3.56	3.55
Gearing <sup>2</sup>	(0.31)	(0.29)	(0.24)	(0.22)
Earnings per share (in cents)	0.05	0.05	0.75	0.77
Current ratio <sup>3</sup>	2.77	2.68	9.43	8.97

<b>Off-Market Purchases (\$S'000)</b>	<b>Group before Share Purchase</b>	<b>Group After Share Purchase</b>	<b>Company Before Share Purchase</b>	<b>Company After Share Purchase</b>
Share capital	80,054	80,054	80,054	80,054
Treasury Shares	-	(1,351)	-	(1,351)
Non-distributable reserves	8	8	117	117
Accumulated losses	(38,636)	(38,636)	(35,440)	(35,440)
	41,426	40,075	44,731	43,380
Minority interests	2,839	2,839	-	-
Total equity	44,265	42,914	44,731	43,380
Net tangible assets	44,208	42,857	44,731	43,380
Cash and cash equivalents	21,355	20,004	12,453	11,102
Current assets	40,177	38,826	26,598	25,247
Current liabilities	14,506	14,506	2,821	2,821
Total borrowings <sup>1</sup>	8,559	8,559	1,798	1,798
No of shares ('000)	1,256,351	1,224,942	1,256,351	1,224,942

Off-Market Purchases (S\$'000)	Group before Share Purchase	Group After Share Purchase	Company Before Share Purchase	Company After Share Purchase
<b>Financial ratios</b>				
NTA per share (in cents)	3.52	3.50	3.56	3.54
Gearing <sup>2</sup>	(0.31)	(0.29)	(0.24)	(0.21)
Earnings per share (in cents)	0.05	0.05	0.75	0.77
Current ratio <sup>3</sup>	2.77	2.68	9.43	8.95

**Notes:-**

- (1) Total borrowings comprise of liabilities arising from borrowings from banks and other financial institutions and outstanding debt securities.
- (2) Gearing is computed based on the ratio of total borrowings after deducting cash and cash equivalents to shareholders' funds.
- (3) Current ratio is derived based on current assets divided by current liabilities.

For illustrative purposes, it has been assumed that the purchases or acquisitions of Shares are financed solely out of the capital of the Company and the shares purchased are held as treasury shares. Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would be also an increase in the gearing ratios of the ECL Group and the Company and a decline in the current ratios of the ECL Group and the Company, with the actual impact dependent on, *inter alia*, the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

**Shareholders should note that the financial effects set out above are for illustration purposes only (based on the aforementioned assumptions). The actual impact will depend on, *inter alia*, the number and price of the Shares purchased or acquired (if any), the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares to be acquired or purchased are cancelled or held in treasury. In particular, Shareholders should note that the above analysis is based on the audited financial statements of the Group for the financial year ended 30 June 2008 and is not necessarily representative of future financial performance.**

The Company may take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution. Although the ECL Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of its issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of its issued Shares. In addition, the Company may cancel all or part of the Shares purchased or hold all or part of the Shares purchased as treasury shares.

### 3.8 Listing Rules

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 day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the day of acceptances of the offer. Such announcement currently requires the inclusion of details of the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable.

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

### 3.9 Taxation

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional tax advisers.

### 3.10 Take-over Implications

Appendix 2 of the 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.

#### 3.10.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purpose of Rule 14 of the Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or a group of Shareholders acting in concert obtain or consolidate effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Code.

#### 3.10.2 Persons Acting in Concert

Under the 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 Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

- (a) the following companies:
  - (i) a company;
  - (ii) the parent company of (i);
  - (iii) the subsidiaries of (i);
  - (iv) the fellow subsidiaries of (i);
  - (v) the associated companies of any of (i), (ii), (iii), or (iv); and
  - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
- (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).

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

### 3.10.3 Effect of Rule 14 and Appendix 2

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

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

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

### 3.10.4 Application of the Code

The number of Shares held by the Directors and Substantial Shareholders are set out in **Appendix A (Shares Held by the Directors and Substantial ECL Shareholders)**. In the event the Company undertakes Share purchases within the Relevant Period, or within the current financial year of the Company, whichever expires earlier, of the maximum amount of 10% of the issued Shares of the Company as permitted by the ECL Share Purchase Mandate, the shareholdings and voting rights of:

- (a) each of the Directors and their concert parties (as defined in the Code) remain below 30%; and
- (b) the substantial Shareholders and their concert parties (as defined in the Code) remain below 30%,

and accordingly, no general offer is required to be made pursuant to the Code.

The Directors are not aware of any other Shareholder who may become obligated to make a mandatory offer in the event that the Company purchases or acquires the maximum number of Shares under the ECL Share Purchase Mandate.

### 3.11 Listing Status of the Shares

The Listing Manual requires that a listed company ensure that at least 10% of any class of its listed securities must be held by public Shareholders. As at the Latest Practicable Date, approximately 74.87% of the issued Shares are held by the public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares up to the full 10 per cent pursuant to the ECL Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

### 3.12 Previous Share Purchases

The Company has not purchased any Shares during the 12-month period preceding the Latest Practicable Date.

## 4. PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

### 4.1 Background

The Companies (Amendment) Act 2005 (the “**Companies Amendment Act**”), which came into operation on 30 January 2006, has introduced key amendments to the Companies Act. These amendments include the abolition of the concepts of par value and authorised capital, and allowing re-purchased shares to be held as treasury shares.

With the abolition of the concept of par value pursuant to the Companies Amendment Act, shares of a company no longer have any par or nominal value. The concepts of share premium and the issue of shares at a discount have also been abolished accordingly. All amounts standing to the credit of a company’s share premium account and capital redemption reserves (if any) as at 30 January 2006 would become part of the company’s share capital.

The Companies Amendment Act has also introduced new provisions on treasury shares. Under these new provisions, shares which are the subject of a share repurchase by the Company can be held by that company as treasury shares instead of being cancelled. The right to attend and vote at meetings and the right to dividends and other distributions will be suspended for so long as the repurchased shares are held in treasury.

### 4.2 Proposed Alterations to the Memorandum and Articles

The Memorandum and Articles are proposed to be altered as a result of the above changes introduced by the Companies Amendment Act. The Company is also taking the opportunity to streamline and rationalise certain other provisions of the Articles.

### 4.3 Summary of Alterations

ECL Shareholders should note that this is only a summary of the more substantive alterations to the Articles. For full details of the alterations, please refer to **Appendix B (Amendments to Memorandum and Articles)**.

#### (a) ***Removal of references to par or nominal value and authorised capital***

Following the abolition of the concepts of par or nominal value and authorised share capital, references to these terms throughout the existing Articles have been removed.

#### (b) ***Removal of references to share premium and capital redemption reserve***

Under the Companies Amendment Act, the concept of issuing shares at a discount or premium is no longer applicable following the abolition of the concept of par or nominal value. Further, the Companies Amendment Act provides that any amount standing to the credit of a company’s share premium account and capital redemption reserve now become part of its share capital. The proposed alterations to the Articles provide for such corresponding amendments.

#### (c) ***Provisions for shares repurchased by the Company to be held as treasury shares***

New provisions on treasury shares have been introduced in the Companies Amendment Act. Shares repurchased by the Company can now be held as treasury shares instead of being cancelled. The right to attend and vote at meetings and

the right to dividends and other distributions will be suspended for so long as such repurchased shares are held in treasury. The proposed alterations to the Articles include provisions for such treasury shares.

(d) **Minimum number of Directors**

The provisions of the Articles are proposed to be altered to reflect the updated version of the Companies Act regarding the minimum number of Directors.

(e) **Notices**

Sections 387A and 387B of the Companies Act provide for service of notices and documents by electronic means. Alterations to the Articles in this respect are proposed to be made accordingly.

## 5. DIRECTORS' RECOMMENDATIONS

### 5.1 Proposed Performance Share Scheme

The Directors are of the opinion that the proposed ECL PS Scheme would be in the best interests of the Company.

Accordingly, they recommend that ECL Shareholders vote in favour of Ordinary Resolution (1) relating to the proposed approval and adoption of the ECL PS Scheme as set out in the Notice of EGM (on page N-1 of this Circular).

### 5.2 Proposed participation of certain controlling shareholders in the ECL PS Scheme

The Directors (save for Mr Chng Weng Wah, who has abstained from making a recommendation on this matter) are of the opinion that it would be in the best interests of the Company to allow certain controlling shareholders and their associates to participate in the ECL PS Scheme for the reasons set out in section 2.11 of this Circular.

Accordingly, they recommend that ECL Shareholders vote in favour of the following Ordinary Resolutions relating to the participation in the ECL PS Scheme by Mr Chng Weng Wah and Mr Chng Weng Huat as set out in the Notice of EGM (on page N-1 of this Circular):-

<b>Resolution No.</b>	<b>Subject Matter</b>
(2)	Subject to and contingent upon passing the Ordinary Resolution 1, the participation of Mr Chng Weng Wah (being a controlling shareholder of the Company) in the ECL PS Scheme
(3)	Subject to and contingent upon passing the Ordinary Resolution 1, the participation of Mr Chng Weng Huat (being an associate of Mr Chng Weng Wah) in the ECL PS Scheme

To comply with Rule 859 of the Listing Manual, the Company will require Shareholders who are eligible to participate in the Scheme to abstain from voting in respect of the said Ordinary Resolutions. Mr Chng Weng Wah and Mr Chng Weng Huat shall also decline to accept appointment as proxies for any Shareholder to vote in respect of the said Ordinary 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 such Resolutions.

### 5.3 Proposed ECL Share Purchase Mandate

Save that Mr Chng Weng Wah has abstained from making any recommendation in respect of the proposed ECL Share Purchase Mandate, the Directors are of the opinion that the proposed ECL Share Purchase Mandate is in the best interests of the Company.

Accordingly, the Directors recommend that ECL Shareholders vote in favour of Ordinary Resolution (4) relating to the proposed ECL Share Purchase Mandate as set out in the Notice of EGM (on page N-2 to N-3 of this Circular).

#### **5.4 Amendments to the Memorandum and Articles of ECL**

The Directors are of the opinion that the proposed amendments to the Memorandum and Articles of ECL are in the best interests of the Company.

Accordingly, they recommend that ECL Shareholders vote in favour of Special Resolution (5) relating to the proposed amendments to the Memorandum and Articles of ECL as set out in the Notice of EGM (on page N-3 of this Circular).

### **6. EXTRAORDINARY GENERAL MEETING**

The ECL EGM, notice of which is set out on page N-1 of this Circular, is to be held at 300 Jalan Bukit Ho Swee, Singapore 169566 on 31 October 2008 at 11.00 a.m. (or as soon thereafter following the conclusion or adjournment of the 32nd Annual General Meeting of the Company to be held at 10:00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without any modification, the Special and Ordinary Resolutions set out in the Notice of EGM (on page N-1 to N-3 of this Circular).

### **7. ACTION TO BE TAKEN BY SHAREHOLDERS**

ECL Shareholders who are unable to attend the ECL EGM and who wish to appoint a proxy to attend and vote on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company not less than 48 hours before the time fixed for the ECL EGM. Completion and return of the Proxy Form by an ECL Shareholder does not preclude him from attending and voting in person at the ECL EGM if he so wishes.

A Depositor is not regarded as an ECL Shareholder entitled to attend the ECL EGM and to speak and vote thereat. Depositors who wish to attend and vote at the ECL EGM, and whose names are shown in the records of CDP as at a time no later than 48 hours prior to the time of the ECL EGM, may attend as CDP's proxies. Depositors who are individuals and who wish to attend the ECL EGM in person need not take any further action and can attend and vote at the ECL EGM without the lodgment of any proxy form. Individual Depositors who are unable to attend the ECL EGM personally and wish to appoint their nominee(s) to attend, and Depositors who are not individuals, must complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and in any event, so as to reach the registered office of the Company not less than 48 hours before the time fixed for the ECL EGM.

### **8. DIRECTORS' RESPONSIBILITY STATEMENT**

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

Where information has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular.

**9. DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Company during normal business hours from the date of this Circular to the date of the ECL EGM:-

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Annual Report of the Company for the financial year ended 30 June 2008; and
- (c) the ECL PS Scheme.

Yours faithfully  
For and on behalf of the Board of Directors

Chng Weng Wah  
Chief Executive Officer/Director  
**EQUATION CORP LIMITED**

Singapore

## APPENDIX A

### SHARES HELD BY THE DIRECTORS AND SUBSTANTIAL ECL SHAREHOLDERS

Directors / Substantial Shareholders	Direct interest		Deemed interest		Number of Shares comprised in outstanding options or awards granted by the Company	Total interest	
	Number of shares	%	Number of shares	%		Number of shares	%
Starbids Venture Inc	-	-	264,600,000 <sup>(1)</sup>	21.06	-	264,600,000	21.06
Chng Weng Wah	51,080,000	4.07	264,600,000 <sup>(2)</sup>	21.06	-	315,680,000	25.13
Heng Lee Seng	-	-	-	-	250,000	250,000	Not meaningful (n.m.)
Hoon Tai Meng	-	-	-	-	250,000	250,000	n.m.
Loh Eu Tse Derek	-	-	-	-	250,000	250,000	n.m.
Toh Hock Ghim	-	-	-	-	2,000,000	2,000,000	n.m.

**Note:-**

- (1) This represents Starbids Ventures Inc's interest of 264,600,000 Shares held through Citibank Nominees Singapore Pte Ltd.
- (2) This represents Mr Chng Weng Wah's interest of 264,600,000 Shares held by his family trust, Starbids Ventures Inc.

AMENDMENTS TO THE MEMORANDUM AND ARTICLES

A. AMENDMENTS TO THE MEMORANDUM OF ASSOCIATION

A.1 Section 3

**RATIONALE:** To reflect the fact that the Companies Act now grants companies full capacity to carry on or undertake any business activity. The Companies Act has been amended such that, subject to its provisions and the provisions of a company's memorandum and articles of association, a company has full capacity to carry out or undertake any business or activity, do any act or enter into any transaction, and in this connection, it will have full rights, powers and privileges (Section 23 of the Companies Act). The proposed amendment to the Memorandum of Association is to provide the Company with the power to engage in a broader range of business activities (as allowed by law) if it deems fit.

**PROPOSED AMENDMENT:** To insert the words "(but without prejudice to the capacity and powers provided by law (including in Section 23(1) of the Companies Act))" after the word "established" in the first line thereof.

The revised section will be as follows:-

"3. The objects for which the Company is established (but without prejudice to the capacity and powers provided by law (including in Section 23(1) of the Act)) are:"

A.2 Section 5

**RATIONALE:** To reflect the abolition of par value under Singapore law. Following the abolition of the concepts of par or nominal value (Section 62A of the Companies Act) and authorised share capital, references to these terms throughout the existing Articles have been removed.

**PROPOSED AMENDMENT:** To amend section 5 of the Memorandum by deleting the words "The nominal capital of the Company is S\$100,000,000 divided into 400,000,000 ordinary shares of S\$0.25 each." at the start of the section.

The revised section will be as follows:-

~~"The nominal capital of the Company is S\$100,000,000 divided into 400,000,000 ordinary shares of S\$0.25 each. The shares in the original or any increased share capital may be divided into several classes and there may be attached thereto respectively any preferential deferred qualified or other special rights, privileges, conditions or restrictions as to dividend, capital, voting or otherwise."~~

B. AMENDMENTS TO THE ARTICLES

B.1 Article 2

**B.1.1 RATIONALE:** This is an editorial update and amendment to reflect the change of name from the "Stock Exchange of Singapore Ltd" to "The Singapore Exchange Securities Trading Limited".

**PROPOSED AMENDMENT:** To replace the definition of the stock exchange of Singapore with the following definition:

"The SGX-ST - The Singapore Exchange Securities Trading Limited"

**B.1.2 RATIONALE:** The proposed amendment is to generally rationalise and clarify the definitions. Also, as new provisions on treasury shares have been introduced in the Companies Act, references to treasury shares have also been incorporated into this Article.

**PROPOSED AMENDMENT:** To insert the following new paragraph after the sentence “The expression “Secretary” shall include any person appointed by the Directors to perform any duties of the Secretary of the Company and where two or more persons are appointed to act as Joint Secretaries shall include any one of those persons;”:

“References in these Articles to “holders” of shares or a class of shares shall:-

(a) exclude the Depository or its nominee (as the case may be) except where otherwise expressly provided in these Articles or where the term “registered holders” or “registered holder” is used in these Articles;

(b) where the context so requires, be deemed to include references to Depositors whose names are entered in the Depository Register in respect of those shares; and

(c) except where otherwise expressly provided in these Articles, exclude the Company in relation to shares held by it as treasury shares,

and “holding” and “held” shall be construed accordingly.

References in these Articles to “Member” or “member” shall, where the Act requires, exclude the Company where it is a member by reason of its holding of its shares as treasury shares.

References in these Articles to “The Singapore Exchange Securities Trading Limited” or “SGX-ST” shall include any successor entity or body thereof for the time being.

Any reference in these Articles to any enactment is a reference to that enactment as for the time being amended or re-enacted.”

## **B.2 Article 3**

**RATIONALE:** Following the abolition of the concepts of par or nominal value (Section 62A of the Companies Act), the concept of issuing shares at a discount or premium is no longer applicable.

**PROPOSED AMENDMENT:** To delete the words “but so that no shares shall be issued at a discount except in accordance with Section 68 of the Act” appearing in the fourth and fifth lines of this Article 3.

The revised article shall read as follows:

“3. ISSUE OF SHARES. The shares taken by the subscribers to the Memorandum of Association shall be issued by the Directors. Subject as aforesaid, the shares shall be under the control of the Directors, who may allot and issue the same to such persons on such terms and conditions and at such times the Directors think fit ~~but so that no shares shall be issued at a discount except in accordance with Section 68 of the Act.”~~

## **B.3 Article 3A**

**RATIONALE:** New provisions on treasury shares have been introduced in the Companies Amendment Act on 30 January 2006. Shares repurchased by the Company can now be held as treasury shares instead of being cancelled. The proposed alteration is to reflect this change.

**PROPOSED AMENDMENT:** To replace the words “Any share which is so repurchased or acquired by the Company shall be deemed to be cancelled immediately on purchased or

acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire.” with the words “The Company shall have the option of (1) canceling such shares so repurchased (upon cancellation of such shares, the rights and privileges attached to those shares shall expire); or (2) holding such shares as treasury shares in accordance with the provisions of the Act and applicable laws.”

The revised article shall read as follows:

“3A. POWER TO PURCHASE OR ACQUIRE ITS ISSUED SHARES. The company may, subject to and in accordance with the Act, purchase or otherwise acquire shares in the issued share capital of the Company on such terms and in such manner as the Company may from time to time think fit. ~~Any share which is so repurchased or acquired by the Company shall be deemed to be cancelled immediately on purchased or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. The Company shall have the option of (1) canceling such shares so repurchased (upon cancellation of such shares, the rights and privileges attached to those shares shall expire); or (2) holding such shares as treasury shares in accordance with the provisions of the Act and applicable laws.”~~

#### **B.4 New Article 3B**

**RATIONALE:** To reflect the amendments to Singapore law which now allow a company to hold its shares in the form of treasury shares.

**PROPOSED AMENDMENT:** To insert a new Article 3B after the existing Article 3A.

This article provides:-

“3B. TREASURY SHARES. The Company may hold its shares as treasury shares in accordance with the provisions of the Act and applicable laws.”

#### **B.5 Article 5**

**RATIONALE:** To reflect the abolition of par value under Singapore law. Following the abolition of the concepts of par or nominal value (Section 62A of the Companies Act) and authorised share capital, references to these terms have been removed.

**PROPOSED AMENDMENT:** To delete the words “; Provided Always That the total nominal value of issued preference shares shall not at any time exceed the total nominal value of issued ordinary shares of the Company” in the last three lines thereof.

The revised article will be as follows:-

“5. SPECIAL RIGHTS. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine; ~~Provided Always That the total nominal value of issued preference shares shall not at any time exceed the total nominal value of issued ordinary shares of the Company.~~”

#### **B.6 Article 10**

**RATIONALE:** Article 10 provides that the Company may exercise the power to pay commissions. Section 67 (relating to the power to pay certain commissions) of the Companies Act was repealed. However, as the Company may retain the power to pay commissions, the proposed amendments provide for this right to be exercised by the Directors at such rate and in such amount and in such manner as they shall determine.

**PROPOSED AMENDMENT:** Article 10 is deleted in its entirety and replaced by the revised article as follows:-

“10. COMMISSION ON SUBSCRIPTION. The Company may, unless otherwise restricted or specified by law, pay a commission or brokerage on any issue or purchase of its shares, or on the sale or disposal or transfer of treasury shares at such rate or in such amount and in such manner as the Directors shall determine, to any person in consideration of his subscribing or agreeing to subscribe, whether absolute or conditional, for any shares in the Company; ~~Provided Always That such commission shall not exceed ten per cent of the price at which such shares are issued, or an amount equivalent to such percentage, and that the requirements of Section 67 of the Act shall be observed.~~ Subject to the provisions of Section 63 of the Act, such commission may be satisfied by the payment of cash or the allotment of fully paid shares or partly in one way or partly in the other.”

#### **B.7 Article 12(1)**

**RATIONALE:** It is proposed that this Article be amended to provide that any offer of any new shares be subject to the listing rules of the SGX-ST.

**PROPOSED AMENDMENTS:** To insert the words “or except as permitted under the byelaws and listing rules of the SGX-ST’ in the second line thereof.

The revised article will be as follows:-

“12. OFFER OF NEW SHARES

(1) Subject to any direction to the contrary that may be given by the Company in general meeting or except as permitted under the bye-laws and listing rules of the SGX-ST, all new shares of whatever kind shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined and, after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.”

#### **B.8 Article 12(2)**

**RATIONALE:** This is an editorial update to address the change of name of the “Stock Exchange of Singapore Ltd” to “The Singapore Exchange Securities Trading Limited”.

**PROPOSED AMENDMENT:** To replace all references to the “Stock Exchange of Singapore Limited” appearing in this Article with the “SGX-ST”.

The revised article shall read as follows:-

“(2) Notwithstanding Article 12(1) but subject to the Statutes, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to issue shares (whether by way of rights, bonus or otherwise) where: -

(a) the aggregate number of shares to be issued pursuant to such authority does not exceed 50 per cent (or such limit as may be prescribed by the ~~Stock Exchange of Singapore Limited~~ SGX-ST) of the issued share capital of the Company for the

time being, of which the aggregate number of shares to be issued other than on a pro rate rated basis to shareholders of the Company for the time being does not exceed 20 per cent (or such other limit as may be prescribed by the ~~Stock Exchange of Singapore Limited~~ SGX-ST) of the issued share capital of the Company for the time being; and

(b) unless previously ~~revoke~~ revoked or varied by the Company in General Meeting, such authority to issue shares does not continue beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution or the date by which such Annual General Meeting is required to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest)."

## **B.9 Article 13**

**RATIONALE:** This is an editorial update to reflect the position that the Stamp Duties Act (Cap. 312) of Singapore currently provides that stamp duty is not payable on share certificates, but to allow for any future amendment to the law if stamp duty is payable on share certificates.

**PROPOSED AMENDMENT:** To insert the words "(if any)" after the words "Stamp duty payable" appearing in the seventh line thereof.

The revised article shall read as follows: -

"13. SHARE CERTIFICATES. Every person whose name is entered as a Member in the Register of Members shall be entitled without payment to receive within five market days after allotment or lodgment of any transfer one certificate under the seal of the Company in respect of each class of shares held by him for all his shares in that class or several certificates in reasonable denominations each for one or more of his shares in any one class upon payment of \$2.00 (or such lesser sum as the Directors shall from time to time determine) for every certificate after the first. Stamp duty payable (if any) on such certificate shall be borne by such Member unless otherwise directed by the Directors; Provided Always That in the case of joint holders the Company shall not be bound to issue more than one certificate and delivery of such certificate to any one of them shall be sufficient delivery to all such holders. Provided further that the Company shall not be bound to register more than three persons as the holders of any share except in the case of executors or administrators of the estate of a deceased Member."

## **B.10 Article 14**

**RATIONALE:** This is an editorial update to address the change of name of the "Stock Exchange of Singapore Ltd" to "the Singapore Exchange Securities Trading Limited".

**PROPOSED AMENDMENTS:** To replace all references to the SES appearing in this Article with the SGX-ST.

The new article will read as follows:

"14. RENEWAL OF CERTIFICATES. If a share certificate be worn out, defaced, destroyed, lost or stolen, it may be renewed on payment of such fee not exceeding \$2.00 or, in the event of the Company being listed on the ~~SES~~ SGX-ST or such other stock exchange(s) such other sum as may from time to time be prescribed by the ~~SES~~ SGX-ST or such other stock exchange(s) and on such terms, if any, as to evidence and indemnity and in the case of destruction, loss or theft of a share certificate, payment of out-of-pocket expenses of the Company, including any expenses incurred by the Company in investigating evidence, as the Directors shall think fit and, in the case of defacement or wearing out of a share certificate, on delivery up of the old certificate."

#### **B.11 Article 15**

**RATIONALE:** The proposed amendment is to comply with Rule 246(3) read with Appendix 2.2(3)(a) of the listing rules of the SGX-ST.

**PROPOSED AMENDMENT:** To insert the words “by law” after the words “the Company shall also have a lien on all shares other than fully-paid shares standing registered in the name of a single person for all monies” appearing in the third, fourth and fifth lines thereof.

The revised article shall read as follows:-

“15. COMPANY TO HAVE LIEN ON SHARES AND DIVIDENDS. The Company shall have a lien on every share not being a fully-paid share for all monies (whether presently payable or not) called or payable at a fixed time in respect of that share, and the Company shall also have a lien on all shares other than fully-paid shares standing registered in the name of a single person for all monies by law presently payable by him or his estate to the Company. The Company’s lien, if any, on a share shall extend to all dividends payable thereon.”

#### **B.12 Article 26**

**RATIONALE:** Following the abolition of the concepts of par or nominal value (Section 62A of the Companies Act) and correspondingly, the concept of issuances of shares at a premium, the Articles are being amended to delete such references.

**PROPOSED AMENDMENT:** To delete the words, “whether on account of the amount of the share or by way of premium,” after the phrase “Any sum which by the terms of allotment of a share is made payable upon allotment or at any fixed date” appearing in the first and second lines thereof.

The revised article will be as follows:-

“26. SUM PAYABLE ON ALLOTMENT DEEMED TO BE A CALL. Any sum which by the terms of allotment of a share is made payable upon allotment or at any fixed date, ~~whether on account of the amount of the share or by way of premium,~~ shall, for all purposes of these Articles, be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all relevant provisions of these Articles, shall apply as if such sum were a call duly made and notified as hereby provided.”

#### **B.13 Article 28**

**RATIONALE:** To reflect the change of name from the “Stock Exchange of Singapore Ltd” to “The Singapore Exchange Securities Trading Limited.”

**PROPOSED AMENDMENTS:** To replace any references to the “SES” appearing in this Article to “SGX-ST”.

The new article shall read as follows:

“28. SHARES TO BE TRANSFERABLE. The Company will accept for registration transfers in the form approved by the ~~SES~~ SGX-ST. There shall be no restriction on the transfer of fully paid shares, except where required by law. Subject to the restrictions of these Articles, shares shall be transferable but every transfer shall be in writing in the form approved by the Directors and in the event of the Company being listed on the ~~SES~~ SGX-ST or such other stock exchange(s) by the ~~SES~~ SGX-ST or such other stock exchange(s), and shall be left at the office accompanied by the Certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer.”

**B.14 Article 30**

**RATIONALE:** To reflect the change of name from the “Stock Exchange of Singapore Ltd” to “The Singapore Exchange Securities Trading Limited”.

**PROPOSED AMENDMENTS:** To replace any references to the “SES” appearing in this Article to “SGX-ST”.

The revised article will read as follows:

“30. TRANSFER FEE. The Company shall be entitled to charge a fee not exceeding \$2.00 for each instrument of transfer or in the event of the Company being listed on the ~~SES~~ SGX-ST or such other stock exchange(s), such other sum as may from time to time be prescribed by the ~~SES~~ SGX-ST or such other stock exchange(s) on the registration of every transfer.”

**B.15 Article 43**

**RATIONALE:** To delete references to authorised capital and par value. Following the abolition of the concepts of par or nominal value (Section 62A of the Companies Act), this Article is being amended to delete the references to shares of “any denomination”.

**PROPOSED AMENDMENT:** To delete the words “of any denomination” in the third line thereof.

The revised article will read as follows:

“43. POWER TO CONVERT INTO STOCK. The Company may by ordinary resolution passed at a general meeting convert any paid up shares into stock and reconvert any stock into paid up shares ~~of any denomination.~~”

**B.16 Article 44**

**RATIONALE:** This Article 44 provides for holders of stock to transfer their stock. As the Article makes reference to the “nominal amount of the shares from which the stock arose”, and following the abolition of the concept of nominal value of shares (Section 62A of the Companies Act), this Article is being amended to delete such reference and to provide for a reference to the paid-up value of the shares instead.

**PROPOSED AMENDMENT:** To delete the words “, but the minimum shall not exceed the nominal amount of the shares from which the stock arose”.

The revised article will read as follows:

“44. TRANSFER OF STOCK. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit; but the Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum; ~~but the minimum shall not exceed the nominal amount of the shares from which the stock arose.~~”

**B.17 Article 47**

**RATIONALE:** To reflect the abolition of par value under Singapore law. Following the abolition of the concepts of par or nominal value (Section 62A of the Companies Act) and authorised share capital, references to these terms have been removed and consequential changes made to this Article.

**PROPOSED AMENDMENT:** To delete the words “, to be divided into shares of such amount,” in the second line thereof.

The revised article will be as follows:-

“47. COMPANY MAY INCREASE ITS CAPITAL. The Company may from time to time by ordinary resolution increase the share capital by such sum;~~to be divided into shares of such amount;~~ as the resolution shall prescribe.”

#### **B.18 Article 48**

**RATIONALE:** To reflect the amended provisions of the Companies Act relating to alterations of share capital. Following the abolition of the concepts of par or nominal value (Section 62A of the Companies Act) and authorised share capital, references to these terms throughout the existing Articles have been removed, with consequential changes made.

**PROPOSED AMENDMENT:** To delete the existing Article 48 in its entirety and replace it as follows:-

“48. (1) COMPANY MAY ALTER ITS CAPITAL. The Company may by Ordinary Resolution alter its share capital in the manner permitted under the Act and applicable laws, including (without limitation):-

- (i) consolidate and divide all or any of its shares capital ~~into shares of larger amount than its existing shares;~~
- (ii) subdivide its shares or any of them, ~~into shares of a smaller amount than is fixed by the Memorandum of Association~~ subject, nevertheless, to the provisions of the Statutes, and so that as between the resulting shares, one or more of such shares may by the resolution by which such subdivision is effected be given any preference or advantage as regards dividend, capital, voting or otherwise over the others or any other of such shares; or
- (iii) cancel any shares not taken or agreed to be taken by any person.”

#### **B.19 Article 49**

**RATIONALE:** To reflect the abolition of par value under Singapore law. The existing Article 49 provides that the Company may “reduce its share capital, any capital redemption reserve fund or share premium account”. As the Companies Act has been amended such that the concept of capital redemption reserve and share premium account would be abolished (Section 62B(2) of the Companies Act states that any amount standing to the credit of such accounts/reserves shall become part of the company’s share capital), Article 49 is being amended accordingly.

#### **PROPOSED AMENDMENTS:**

1. To delete the words “any share capital redemption reserve fund or share premium account.” after the words “The Company may by Special Resolution reduce its share capital” in the second line thereof.
2. To delete the words “nominal amount of the” after the words “Without prejudice to the generality of the foregoing, upon cancellation of any share repurchased or otherwise acquired by the Company pursuant to these Articles and the Act, the” in the sixth line thereof.
3. To replace the word “nominal amount” after the words “issued share capital of the Company shall be diminished by the” in the seventh line thereof with the word “number”.

4. To insert the words “, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly” after the words “the nominal amount of the issued share capital of the Company shall be diminished by the amount of the shares so cancelled” appearing in the sixth, seventh and eighth lines thereof.

The revised provision shall read as follows:-

“49. COMPANY MAY REDUCE ITS CAPITAL. The Company may by Special Resolution reduce its share capital, ~~any capital redemption reserve fund or share premium account~~ in any manner and subject to any incident authorized and consent required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share repurchased or otherwise acquired by the Company pursuant to these Articles and the Act, the ~~nominal amount of the issued share capital of the Company shall be diminished by the nominal amount~~ number of the shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.”

## **B.20 Article 54**

**RATIONALE:** The proposed amendments set out to comply with Rule 246(3) read with Appendix 2.2(7) of the listing rules of the SGX-ST on meeting provisions and also to reflect the change of name from the “Stock Exchange of Singapore Ltd” to “The Singapore Exchange Securities Trading Limited”.

### **PROPOSED AMENDMENTS:**

1. To insert the following words:
  - (i) “at short notice, any general meeting which is proposed” in the second line thereof; and
  - (ii) “and fourteen days’ notice at the least, specifying the place, the day and the hour of the annual general meeting and any other extraordinary general meeting” before the words “shall be given in manner hereinafter mentioned to such persons as are under the provisions of these Articles entitled to receive notices of general meetings from the Company” appearing in the sixth, seventh and eighth lines thereof.
2. To replace the following words:
  - (i) “fourteen” appearing in the fourth line of the existing Article with the word “twenty-one”; and
  - (ii) “SES” with the word “SGX-ST”.
3. To delete the words the following words:
  - (i) “Sections 184 and 185 of” in the first line thereof;
  - (ii) “but with the consent of all persons for the time being entitled as aforesaid, a meeting may be convened upon a shorter notice, and in such manner as such persons may approve” appearing in the eighth, ninth and tenth lines thereof.

The revised article will be as follows:-

“54. NOTICE OF MEETING. Subject to the provisions of ~~Sections 184 and 185 of the Act~~ relating to the convening of meetings at short notice, any general meeting which is proposed

to pass special resolutions and resolutions of which special notice is required, ~~fourteen~~ twenty-one days' notice at the least, specifying the place, the day and the hour of meeting, ~~and fourteen days' notice at the least, specifying the place, the day and the hour of an annual general meeting and any other Extraordinary General Meeting~~ shall be given in manner hereinafter mentioned to such persons as are under the provisions of these Articles entitled to receive notices of general meetings from the Company ~~but with the consent of all persons for the time being entitled as aforesaid, a meeting may be convened upon a shorter notice, and in such manner as such persons may approve.~~ Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. In the event of the Company being listed on the SES SGX-ST or such other stock exchange(s) at least 14 days' notice of every such meeting shall be given by advertisement in the daily press and in writing to the SES SGX-ST or such other stock exchange(s). The accidental omission to give such notice to, or the non-receipt of such notice by, any such person shall not invalidate the proceedings or any resolution passed at any such meeting."

#### **B.21 Article 73**

**RATIONALE:** The Companies Act has been amended such that the minimum number of directors is one (Section 145). Article 73 is proposed to be amended to provide for this.

**PROPOSED AMENDMENT:** To delete the word "two" and insert the word "one" after the words "less than" in the third line thereof.

The revised article will be as follows:-

"73. NUMBER OF AND FIRST DIRECTORS. All the Directors of the Company shall be natural persons. Until otherwise determined by a general meeting the number of Directors shall be not less than ~~two~~ one nor more than ten. The First Directors were KOH BENG TECK, CHIA SHI TECK, KOH KIM SENG and KOH BENG PIN."

#### **B.22 Article 74**

**RATIONALE:** Section 150 of the Companies Act states that at a general meeting of a public company, a motion for the appointment of 2 or more persons as directors by a single resolution shall not be made unless a resolution that it shall be so made has first been agreed to by the meeting without any vote being given against it. It is proposed to clarify the provision in the Articles on appointment of Directors such that all resolutions for the appointment of Directors shall be voted on individually save where otherwise permitted by the Companies Act.

**PROPOSED AMENDMENT:** To insert a new sentence: "Resolutions for the appointment of Directors shall be voted on individually, unless otherwise permitted by the Act." after the third line of the existing Article 74.

The revised article will be as follows:-

"74. POWER TO ADD DIRECTORS. The Directors shall have power from time to time and at any time to appoint additional Directors; Provided always That the total number of Directors shall not exceed the prescribed maximum. Resolutions for the appointment of Directors shall be voted on individually, unless otherwise permitted by the Act. A Director so appointed shall retire from office at the close of the next Annual General Meeting, but shall be eligible for re-election."

#### **B.23 Article 76**

**RATIONALE:** This is an editorial update to delete any mode of communication by cable or telegram as the aforementioned modes of communication are now no longer used generally.

**PROPOSED AMENDMENT:** To replace the words “cable or telegram” appearing throughout this Article with the word “facsimile or an electronic communication”.

The revised article shall read as follows:

“76. ALTERNATE DIRECTORS. Any Director may from time to time and at any time appoint any person (not disapproved by a majority of the other Directors for the time being and who shall not be a person who is already a Director of the Company and who is not already an alternate Director of the Company) to be alternate Director of the Company, and may at any time remove the alternate Director so appointed by him from office. An alternate Director so appointed shall be entitled to receive remuneration from the Company and to receive notices of and attend all meetings of the Directors, and to vote as a Director at any such meeting at which the Director appointing him is not present, and generally in the absence of his appointer to perform all the functions of his appointer as a Director. Any fee paid by the Company to the alternate Director shall be deducted from the remuneration payable to his appointer. All appointments and removals of alternate Directors made by any Director in pursuance of the provisions of this Article shall be in writing under the hand of the Director making the same and left at the office. The nomination of an alternate Director shall be valid if made by ~~cable or telegram~~ facsimile or and electronic communication; Provided Always That such nomination shall be confirmed within three months from the date of such ~~cable or telegram~~ facsimile or an electronic communication by a written nomination complying with the abovementioned requirements, and any act done by the alternate Director nominated in such ~~cable or telegram~~ facsimile or an electronic communication between the date thereof and the date of the receipt within the prescribed period by the Company of the written nomination shall be as valid and effectual as if such alternate Director had been duly appointed in the first instance, whether such written nomination shall be received by the Company within the prescribed period or not.”

#### **B.24 Article 113**

**RATIONALE:** As the Companies Act has been amended such that the concept of capital redemption reserve and share premium account would be abolished (Section 62B(2) states that any amount standing to the credit of such accounts/reserves shall become part of the company’s share capital), this Article is proposed to be amended to delete such references.

**PROPOSED AMENDMENT:** To delete the words “including premiums received on the issue of any shares or debentures of the Company,” in the fourth and fifth lines thereof.

The revised article will be as follows:-

“113. COMPANY MAY CAPITALISE RESERVES AND UNDIVIDED PROFITS. The Company in general meeting may at any time and from time to time pass a resolution that any sum not required for the payment or provision of any fixed preferential dividend, and (1) for the time being standing to the credit of any reserve of the Company, ~~including premiums received on the issue of any shares or debentures of the Company,~~ or (2) being undivided net profits in the hands of the Company, be capitalized, and that such sum be appropriated as capital to and amongst the ordinary shareholders in the proportions in which they would have been entitled thereto if the same had been distributed by way of dividend on the ordinary shares, and in such manner as the resolution may direct, and such resolution shall be effective; and the Directors shall in accordance with such resolution apply such sum in paying up in full any unissued shares or debentures of the Company on behalf of the ordinary shareholders aforesaid, and appropriate such shares or debentures and distribute the same credited as fully paid up to and amongst such shareholders in the proportions aforesaid in satisfaction of the shares and interests of such shareholders in the said capitalized sum or shall apply such sum or any part thereof on behalf of the shareholders aforesaid in paying up the whole or part of any uncalled balance which shall for the time being be unpaid in respect of any issued ordinary shares held by such shareholders or otherwise deal with such sum as directed by such resolution. Where any difficulty arises in respect of such distribution, the Directors may

settle the same as they think expedient, and in particular they may issue fractional certificates, fix the value for distribution of any fully paid-up shares or debentures, make cash payments to any shareholders on the footing of the value so fixed in order to adjust rights, and vest any such shares or debentures in trustees upon such trust for the persons entitled to share in the appropriation and distribution as may seem just and expedient to the Directors. When deemed requisite a proper contract for the allotment and acceptance of any shares to be distributed as aforesaid shall be delivered to the Registrar of Companies for registration in accordance with Section 63 of the Act and the Directors may appoint any person to sign such contract on behalf of the persons entitled to share in the appropriation and distribution and such appointment shall be effective.”

#### **B.25 New Article 113A**

**RATIONALE:** The proposed amendment involves the insertion of a new Article which will specifically and expressly allow the Directors to issue bonus shares. This is to provide greater flexibility to the Board and the Company in issuing bonus shares.

**PROPOSED AMENDMENT:** To insert a new Article 113A after the existing Article 113.

The new article will provide as follows:-

“113A. POWER OF DIRECTORS TO ISSUE BONUS SHARES. The Directors may, with the sanction of an Ordinary Resolution of the Company issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the register of registered shareholders of the Company or (as the case may be) in the Depository Register at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) such other date as may be determined by the Directors.

in proportion to their then holdings of shares.”

#### **B.26 Article 116**

**RATIONALE:** The proposed amendment is to comply with Rule 246(3) read with Appendix 2.2(10) of the Listing Manual which provides that the interval between the close of an issuer’s financial year and the date of its annual general meeting shall not exceed 4 months.

**PROPOSED AMENDMENTS:**

1. To replace the word “six” with the word “four” in the second line thereof.
2. To insert the words “(or such other period as may be prescribed by the Act and the byelaws and listing rules of the SGX-ST)” after the words “Once at least in every year but in any event before the expiry of six months from the close of a financial year of the Company” appearing at the first, second and third lines thereof.

The revised article will read as follows:

“116. ACCOUNTS TO BE LAID BEFORE COMPANY. Once at least in every year but in any event before the expiry of ~~six~~ four months from the close of a financial year of the Company (or such other period as may be prescribed by the Act and the byelaws and listing rules of the SGX-ST) the Directors shall lay before the Company in general meeting a profit and loss account and balance sheet for the period following the preceding account or (in the case of the first account) since the incorporation of the Company, made up to a date not more than six months before such meeting. The said account and balance sheet shall be accompanied by

such reports and documents and shall contain such particulars as are prescribed by Section 201 of the Act.”

**B.27 New Article 119A**

**RATIONALE:** Sections 387A and 387B of the Companies Act provide for services of notices and documents by electronic means. Alterations to the Articles in this respect have been proposed accordingly.

**PROPOSED AMENDMENT:** To insert a new Article 119A after the existing Article 119.

The revised article will provide as follows:-

“119A. SERVICE OF NOTICES AND DOCUMENTS BY ELECTRONIC COMMUNICATION. Without prejudice to the provisions of these Articles, any notice or document (including, without limitations, any accounts, balance-sheet or report) which is required or permitted to be given, sent or served under the Act or under these presents by the Company, or by the Directors, to a member or an officer or auditor of the Company may be given, sent or served using electronic communications to the current address of that person in accordance with the provisions of, or as otherwise provided by the Act and/or any other applicable regulations or procedures. Such notice or document shall be deemed to have been duly given, sent or served upon transmission of the electronic communication to the current address of such person or as otherwise provided under the Act and/or other applicable regulations or procedures.”

**B.28 Article 120**

**RATIONALE:** Sections 387A and 387B of the Companies Act provide for services of notices and documents by electronic means. Alterations to the Articles in this respect have been proposed accordingly.

**PROPOSED AMENDMENTS:** To insert the following words: “or given, sent or served by electronic communication to the current address of such person as aforesaid or as provided under the Act and any other applicable regulations or procedures (as the case may be),” after the words “at the address (if any) supplied for the purpose by such person as aforesaid,” appearing in the fourth and fifth lines thereof.

The revised article will read as follows:

“120. NOTICES IN CASE OF DEATH OR BANKRUPTCY. A notice may be given by the Company to the persons entitled to any share in consequence of the death or bankruptcy of a Member by sending it through the post in a prepaid letter addressed to them by name or by the title of representatives or trustees of such deceased or bankrupt Member, at the address (if any) supplied for the purpose by such person as aforesaid, or given, sent or served by electronic communication to the current address of such person as aforesaid or as provided under the Act and any other applicable regulations or procedures (as the case may be), or (until such address has been supplied) by giving the notice in the manner in which the same would have been given if the death or bankruptcy had not occurred.”

**B.29 New Article 122A**

**RATIONALE:** It is proposed that a new Article be inserted to expressly provide that the Directors shall have power in the name and on behalf of the Company to present a petition to the Court for the Company to be wound up.

**PROPOSED AMENDMENT:** To insert a new Article 122A after the existing Article 122.

The new article will provide as follows:-

“122A. POWER OF DIRECTORS TO PRESENT APPLICATION FOR WINDING UP. The Directors shall have power in the name and on behalf of the Company to present an application to the court for the Company to be wound up.”

### **B.30 New Article 122B**

**RATIONALE:** It is proposed that a new Article be added to provide that if the Company is wound up, every member of the Company who is not in Singapore must appoint someone resident in Singapore on whom documents may be served. This is to facilitate a winding up of the Company.

**PROPOSED AMENDMENT:** To insert a new Article 122B after the existing Article 122 and the proposed new Article 122A.

The new article will provide as follows:-

“122B. DUTY OF MEMBER TO SERVE NOTICE IN THE EVENT OF A WINDING UP OF THE COMPANY. In the event of a winding up of the Company every member of the Company who is not for the time being in the Republic of Singapore shall be bound, within 14 days after the passing of an effective resolution to wind up the Company voluntarily, or within the like period after the making of an order for the winding up of the Company, to serve notice in writing on the Company appointing some householder in the Republic of Singapore upon whom all summonses, notices, processes, orders and judgments in relation to or under the winding up of the Company may be served, and in default of such nomination the liquidator of the Company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee shall be deemed to be a good personal service on such member for all purposes, and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof to such member by advertisement in any leading daily newspaper in the English language in circulation in Singapore or by a registered letter sent through the post and addressed to such member at his address as appearing in the Register of Members or (as the case may be) the Depository Register, and such notice shall be deemed to be served on the day following that on which the advertisement appears or the letter is posted.”

### **B.31 Article 125**

**RATIONALE:** In line with the amendment set out in Paragraph B.1.1, this proposed amendment is to reflect the change of name of the “Stock Exchange of Singapore Ltd” to “The Singapore Exchange Securities Trading Limited”.

**PROPOSED AMENDMENT:** To replace any references to the “SES” appearing in the provision to “SGX-ST”

The revised article will provide as follows: -

“125. ALTERATION OF ARTICLES. Where these Articles have been approved by the ~~SES~~ SGX-ST or such other stock exchange(s) upon which the shares in the Company may be listed, no provisions of these Articles shall be deleted, amended or added without the prior approval of the ~~SES~~ SGX-ST or such other stock exchange(s) which had previously approved these Articles.”

## **EQUATION CORP LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 197501110N)

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an **EXTRAORDINARY GENERAL MEETING** (“**EGM**”) of Equation Corp Limited (the “**Company**”) will be convened on 31 October 2008 at 11.00 a.m. (or as soon thereafter following the conclusion or adjournment of the 32nd Annual General Meeting of the Company to be held at 10:00 a.m. on the same day and at the same place) at 300 Jalan Bukit Ho Swee, Singapore 169566, for the purpose of considering and, if thought fit, passing with or without any modifications the following special and ordinary resolutions:-

**(1) ORDINARY RESOLUTION (1) - THE PROPOSED PERFORMANCE SHARES SCHEME**

RESOLVED THAT:-

- (a) a new performance share scheme to be known as the “ECL Performance Shares Scheme”, the rules of which, for the purposes of identification, have been subscribed to by the Chairman of this Meeting, under which awards (the “**Awards**”) of fully paid-up Shares will be granted, free of payment, to selected employees of the Company and its subsidiaries, including Directors of the Company, be and is hereby approved;
- (b) the Directors of the Company be and are hereby authorised to establish and administer the ECL Performance Shares Scheme;
- (c) the Directors of the Company be and are hereby authorised to allot and/or issue from time to time such number of fully paid-up Shares as may be required to be allotted and/or issued pursuant to the vesting of Awards under the ECL Performance Shares Scheme, provided that the aggregate number of Shares to be allotted and/or issued pursuant to the ECL Performance Shares Scheme and any other share based schemes of the Company shall not exceed 15% of the total issued shares from time to time.

**(2) ORDINARY RESOLUTION (2) - THE PROPOSED PARTICIPATION BY MR CHNG WENG WAH, A CONTROLLING SHAREHOLDER, IN THE ECL PERFORMANCE SHARES SCHEME**

RESOLVED THAT subject to and contingent upon Resolution (1) being passed, approval be and is hereby given for the participation of Mr Chng Weng Wah, a controlling shareholder of the Company, in the ECL Performance Shares Scheme.

**(3) ORDINARY RESOLUTION (3) - THE PROPOSED PARTICIPATION BY MR CHNG WENG HUAT, THE ASSOCIATE OF A CONTROLLING SHAREHOLDER, IN THE ECL PERFORMANCE SHARES SCHEME**

RESOLVED THAT subject to and contingent upon Resolution (1) being passed, approval be and is hereby given for the participation of Mr Chng Weng Huat, an associate of Mr Chng Weng Wah (who is a controlling shareholder of the Company), in the ECL Employee Share Option Scheme.

**(4) ORDINARY RESOLUTION (4) – THE PROPOSED ECL SHARE PURCHASE MANDATE**

RESOLVED THAT:-

- (a) the Directors of the Company be and are hereby authorised to purchase or otherwise acquire from time to time issued ordinary shares in the capital of the Company (“**ECL Shares**”), up to a maximum of 10% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution at any price which the Directors may determine at their discretion, up to but not exceeding the Maximum Price (defined below), and such purchases and acquisitions of the ECL Shares may be effected by way of:-
- (i) an on-market share acquisition (“**Market Purchase**”) transacted on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), through one or more duly licensed stockbrokers appointed by the Company for such purpose; and/or
  - (ii) an off-market share acquisition (“**Off-Market Purchase**”) pursuant to an equal access scheme(s) as may be determined or formulated by the Directors in their discretion, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, Chapter 50, of Singapore, and otherwise be in accordance with all other laws and regulations and rules of the SGX-ST;

(the “**ECL Share Purchase Mandate**”);

- (b) the ECL Share Purchase Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next annual general meeting of the Company is or is required by law to be held, whichever is the earlier;
- (c) in this Resolution, the purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for an ECL Share will be determined by the Directors for the purposes to effect the purchase or acquisition of ECL Shares. The purchase price to be paid for the ECL Shares pursuant to ECL Share Purchase Mandate (both Market Purchases and Off-Market Purchases), excluding related expenses of the purchase or acquisition must not exceed: -
- (i) in the case of a market purchase of an ECL Share, 105% of the Average Closing Price of the ECL Shares; and
  - (ii) in the case of an off-market purchase of an ECL Share, 110% of the Average Closing Price of the ECL Shares,

(“**Maximum Price**”)

For the above purposes:-

“**Average Closing Price**” means the average of the last dealt prices of an ECL Share for the 5 Market Days (as defined in the Circular dated 8 October 2008) on which the ECL Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant 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 an Off-Market Purchase, stating the purchase price

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

- (d) the Directors and each of them be authorised, empowered to complete and do and execute all such things and acts as they or he may think necessary or expedient to give effect to this Resolution, with such modifications thereto (if any) as they or he shall think fit in the interests of the Company.

**(5) SPECIAL RESOLUTION (5) – THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY**

RESOLVED THAT the amendments to the Memorandum and Articles of Association of the Company, as set out in **Appendix B (*Amendments to the Memorandum and Articles of Association*)** to the Circular to shareholders of the Company dated 8 October 2008, be approved and adopted.

BY ORDER OF THE BOARD

Chng Weng Wah  
Chief Executive Officer/Director  
Singapore

8 October 2008

**Notes:-**

- (a) A shareholder of the Company entitled to attend and vote at the EGM may appoint a proxy (or in the case of a corporation, to appoint its authorised representative or proxy) to attend and vote on his behalf. A proxy need not be an ECL Shareholder and where there is more than one proxy, the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy must be stated.
- (b) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 8 Cross Street, #11-00 PwC Building, Singapore 048424, not less than 48 hours before the time appointed for the EGM.

# EQUATION CORP LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 197501110N)

## IMPORTANT

1. For investors who have used their CPF monies to buy Equation Corp Limited's shares, this Circular is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## PROXY FORM

I/We, (Name) \_\_\_\_\_

of (Address) \_\_\_\_\_

being a shareholder / member of **EQUATION CORP LIMITED** (the "Company") hereby appoint:-

Name	Address	NRIC/ Passport No.	Proportion of Shareholding (%) (if more than one proxy is appointed)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholding (%) (if more than one proxy is appointed)

as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll at the EGM of the Company to be convened on 31 October 2008 at 11.00 a.m. at 300 Jalan Bukit Ho Swee, Singapore 169566 and at any adjournment thereof. I/We direct my/our proxy/ proxies to vote for or against the Ordinary and Special Resolutions to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the EGM.

No.	Ordinary Resolutions	For	Against
1.	To approve the proposed Performance Shares Scheme		
2.	To approve the participation by Mr Chng Weng Wah in the ECL Performance Shares Scheme		
3.	To approve the participation by Mr Chng Weng Huat, an associate of Mr Chng Weng Wah, in the ECL Performance Shares Scheme		
4.	To approve the proposed ECL Share Purchase Mandate		
	<b>Special Resolution</b>		
5.	To approve the proposed amendments to the Memorandum and Articles of Association of the Company		

\* Please indicate your vote "For" or "Against" with an "x" within the box provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2008

Total Number of Shares Held

\_\_\_\_\_  
Signature(s) of Member(s) or Common Seal

**IMPORTANT: PLEASE READ NOTES ON THE REVERSE**

**IMPORTANT PLEASE READ THESE NOTES BEFORE COMPLETING THIS PROXY FORM**

**Notes:-**

1. A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.
2. Where a shareholder of the Company appoints more than one proxy, the shareholder may wish to specify in the appointments the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
3. A shareholder of the Company should insert the total number of shares held. If the shareholder of the Company has shares entered against his/her name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he/she should insert that number of shares. If the shareholder of the Company has shares registered in his/her name in the Register of Members of the Company, he/ she should insert that number of shares. If the shareholder of the Company has shares entered against his/her name in the Depository Register and registered in his/her name in the Register of Members, he/she should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all shares held by the shareholder of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company located at 8 Cross Street, #11-00 PwC Building, Singapore 048424, not less than 48 hours before the time set for the EGM.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or by his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified true copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a shareholder of the Company may, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies, if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if a shareholder of the Company, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the EGM, as certified by the Central Depository (Pte) Limited to the Company.

