

CIRCULAR DATED 11 OCTOBER 2010

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold or transferred all your shares in the capital of Equation Corp Limited ("Company"), you should hand this Circular, the notice of Extraordinary General Meeting and the enclosed Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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

This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), KW Capital Pte. Ltd. ("KW Capital"), for compliance with the relevant rules of the SGX-ST. The Company's Sponsor has not independently verified the contents of this Circular including the correctness of any of the figures used, statements or opinions made. The contact person for the Sponsor is Mr. Hoon Tai Meng, address: 80 Raffles Place #25-01, UOB Plaza 1, Singapore 048624, telephone number (65) 6238 3377.



CIRCULAR TO SHAREHOLDERS

in relation to:

- 1. THE PROPOSED ADOPTION OF THE EQUATION SHARE OPTION SCHEME 2010;**
- 2. THE PROPOSED AUTHORITY TO OFFER AND GRANT OPTIONS AT A DISCOUNT UNDER THE EQUATION SHARE OPTION SCHEME 2010;**
- 3. THE PROPOSED PARTICIPATION OF CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES IN THE EQUATION SHARE OPTION SCHEME 2010;**
- 4. THE PROPOSED GRANT OF OPTIONS UNDER THE EQUATION SHARE OPTION SCHEME 2010 TO MR. CHNG WENG HUAT, AN ASSOCIATE OF A CONTROLLING SHAREHOLDER OF THE COMPANY; AND**
- 5. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE.**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	26 October 2010, 11.30 a.m.
Date and time of Extraordinary General Meeting	:	28 October 2010, at 11.30 a.m. (or as soon thereafter following the conclusion or adjournment of the 34th Annual General Meeting of the Company to be held at 10.30 a.m. on the same day and at the same place)
Place of Extraordinary General Meeting	:	300 Jalan Bukit Ho Swee The Equation Singapore 169566

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TABLE OF CONTENTS

	Page
DEFINITIONS	2
LETTER TO SHAREHOLDERS	7
1. INTRODUCTION	7
2. THE PROPOSED OPTION SCHEME	8
3. THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTIONS AT A DISCOUNT UNDER THE OPTION SCHEME	15
4. THE PROPOSED PARTICIPATION OF CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES IN THE OPTION SCHEME	16
5. THE PROPOSED GRANT OF OPTIONS TO MR. CHNG WENG HUAT, AN ASSOCIATE OF A CONTROLLING SHAREHOLDER OF THE COMPANY	17
6. FINANCIAL EFFECTS OF THE OPTION SCHEME	18
7. THE PROPOSED RENEWAL OF SHARE PURCHASE MANDATE	19
8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS	33
9. EXTRAORDINARY GENERAL MEETING	33
10. DIRECTORS' RECOMMENDATION	34
11. ACTION TO BE TAKEN BY SHAREHOLDERS	34
12. DIRECTORS' RESPONSIBILITY STATEMENT	35
13. DOCUMENTS FOR INSPECTION	35
APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME	36
NOTICE OF EXTRAORDINARY GENERAL MEETING	56
1. PROPOSED ADOPTION OF THE EQUATION SHARE OPTION SCHEME 2010	56
2. THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTIONS AT A DISCOUNT UNDER THE OPTION SCHEME	56
3. THE PROPOSED PARTICIPATION OF MR. CHNG WENG WAH IN THE OPTION SCHEME	57
4. THE PROPOSED PARTICIPATION OF MR. CHNG WENG HUAT IN THE OPTION SCHEME	57
5. THE PROPOSED GRANT OF OPTIONS UNDER THE EQUATION SHARE OPTION SCHEME 2010 TO MR. CHNG WENG HUAT, AN ASSOCIATE OF A CONTROLLING SHAREHOLDER OF THE COMPANY	57
6. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE	57
PROXY FORM	

DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:

“ACRA”	:	Accounting and Corporate Regulatory Authority
“Act”	:	The Companies Act, Chapter 50 of Singapore as amended or modified from time to time
“Adoption Date”	:	The date upon which the Option Scheme is adopted by the Company in a general meeting
“Aggregate Exercise Price”	:	The total amount payable for Scheme Shares which may be acquired upon the exercise of an Option
“AGM”	:	Annual general meeting
“Articles”	:	The Articles of Association of the Company
“Associate”	:	(a) In relation to any director, chief executive officer, substantial shareholder or Controlling Shareholder (being an individual) means: (i) his Immediate Family; (ii) the trustee of any trust of which he or his Immediate Family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his Immediate Family together (directly or indirectly) have an interest of thirty per cent. (30%) or more; and (b) in relation to a substantial shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30%) or more
“Associated Company”	:	A company in which at least twenty per cent. (20%) but not more than fifty per cent. (50%) of its shares are held by the Company or the Group and over which the Company has control
“Board”	:	The board of Directors of the Company from time to time
“Catalist”	:	The Sponsor-supervised listing platform of the SGX-ST
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 11 October 2010

DEFINITIONS

“Committee”	:	The committee comprising all the members of the Remuneration Committee of the Company from time to time, and duly authorised and appointed by the Board to administer the Option Scheme pursuant to Rule 11 of the Scheme Rules
“Company”	:	Equation Corp Limited
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly fifteen per cent. (15%) or more of the nominal amount of all voting shares in the Company; or (b) in fact exercises control over the Company
“Date of Grant”	:	The date on which an Option is granted to a Participant pursuant to the Option Scheme
“Director”	:	A director (whether executive or non-executive) for the time being of the Company or its Subsidiary
“EGM”	:	The extraordinary general meeting of the Company to be held on 28 October 2010, notice of which is set out on pages 56 to 58 of this Circular
“Employee”	:	A confirmed full-time employee of the Company or its Subsidiaries selected by the Committee to participate in the Scheme in accordance with Rule 4 of the Scheme Rules
“EPS”	:	Earnings per Share
“Executive Director”	:	A director who is a full-time employee of a Group Company
“Exercise Period”	:	Subject to Rules 6, 7 and 8 of the Scheme Rules, the period during which an Option is exercisable in whole or in part pursuant to the Scheme Rules
“Exercise Price”	:	The price at which a Participant shall subscribe for each Scheme Share upon the exercise of an Option as determined in accordance with Rule 5 of the Scheme Rules
“FY”	:	The financial year ended, or as the case may be, ending 30 June
“Group”	:	The Company and its subsidiaries
“Group Company”	:	A company within the Group
“Immediate Family”	:	A person’s spouse, child, adopted child, step-child, sibling and parent, or such other definition as the SGX-ST may from time to time require
“Latest Practicable Date”	:	15 September 2010, being the latest practicable date prior to the printing of this Circular

DEFINITIONS

“Market Day”	:	A day on which SGX-ST is open for securities trading
“Market Price”	:	The weighted average of the last-dealt price for a Share, as determined by reference to the daily Official List published by the SGX-ST for the three (3) consecutive trading days immediately preceding the Date of Grant of an Option
“Memorandum”	:	The Memorandum of Association of the Company
“Non-Executive Director”	:	A director (including an independent director) who does not perform any executive function in the Company or its Subsidiary
“Notice of EGM”	:	The notice of the EGM as set out on pages 56 to 58 of this Circular
“NTA”	:	Net tangible assets
“Official List”	:	The list of issuers maintained by the SGX-ST in relation to the SGX Main Board or Catalist
“Option(s)”	:	The right to subscribe for Scheme Shares granted or to be granted to a Participant pursuant to the Option Scheme and for the time being subsisting
“Option Period”	:	Subject to Rules 6 and 7 of the Scheme Rules: (a) In relation to Options which are exercisable at no discount to the Market Price, a period commencing twelve (12) months from the Date of Grant and expiring at the end of one hundred and twenty (120) months from the Date of Grant; and (b) In relation to Options which are exercisable at a discount to the Market Price, a period commencing twenty (24) months from the Date of Grant and expiring at the end of one hundred and twenty (120) months from the Date of Grant, as further referred to in section 2.2.9(a) of this Circular
“Option Scheme” or “Equation Share Option Scheme 2010”	:	The proposed Equation Share Option Scheme 2010, which may be varied, amended or modified from time to time in accordance with the Scheme Rules
“Ordinary Resolutions”	:	The ordinary resolutions as set out in the Notice of EGM
“Participant”	:	A person selected by the Committee to participate in the Option Scheme in accordance with Rule 4 of the Scheme Rules
“Proxy Form”	:	The proxy form in respect of the EGM as set out in this Circular

DEFINITIONS

“Record Date”	:	The date as at the close of business on which the Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions
“Rules of Catalist”	:	The Rules of Section B of the Listing Manual of the SGX-ST, as amended or modified from time to time
“Scheme Rules”	:	The rules of the Option Scheme, as set out in Appendix 1 of this Circular
“Scheme Shares”	:	The new Shares which may be allotted and issued from time to time pursuant to the exercise of Option(s)
“Securities Account”	:	A securities account maintained by a Depositor with CDP
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Persons (other than CDP) who are for the time being registered as holders of Shares in the Register of Members maintained by the Company and Depositors who have Shares entered against their names in the Depository Register
“Shares”	:	Ordinary shares in the capital of the Company
“Share Purchase”	:	A purchase of Shares by the Company pursuant to the Share Purchase Mandate
“Share Purchase Mandate”	:	A general mandate to be given by the Shareholders to authorize the Directors to purchase Shares in accordance with the terms set out in this Circular
“Sponsor”	:	KW Capital Pte Ltd
“Substantial Shareholder”	:	A person who has an interest in the Shares of which is not less than five per cent. (5%) of all the voting shares
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers
“Treasury Shares”	:	Has the meaning ascribed to it in Section 4 of the Act
“S\$” or “cents”	:	Singapore dollars and cents respectively
“%” or “per cent.”	:	Per centum or percentage.

In this Circular:

- (i) The terms “Depositor”, “Depository Register” and “Depository Agent” shall have the meaning ascribed to them respectively in Section 130A of the Act.
- (ii) The term “subsidiary” shall have the meaning ascribed to it in Section 5 of the Act.
- (iii) Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders.
- (iv) References to persons shall include corporations.

DEFINITIONS

- (v) The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.
- (vi) 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 Act or any statutory modification thereof and used in this Circular shall have the same meaning assigned to it under the Act or any statutory modification thereof, as the case may be.
- (vii) Any reference to a time of a day in this Circular shall be a reference to Singapore time unless otherwise stated.
- (viii) Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

LETTER TO SHAREHOLDERS

EQUATION CORP LIMITED.

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

Board of Directors:

Ambassador Toh Hock Ghim (Chairman and Independent Director)
Chng Weng Wah (Executive Director and Chief Executive Officer)
Lee Teck Leng (Non-Executive Director and Independent Director)
Teo Soon Chye (Non-Executive Director and Independent Director)

Registered Office:

8 Cross Street #11-00
PwC Building
Singapore 048424

11 October 2010

To: The Shareholders of Equation Corp Limited.

Dear Sir/Madam,

- (1) THE PROPOSED ADOPTION OF THE EQUATION SHARE OPTION SCHEME 2010;**
- (2) THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTIONS AT A DISCOUNT UNDER THE EQUATION SHARE OPTION SCHEME 2010;**
- (3) THE PROPOSED PARTICIPATION OF CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES IN THE EQUATION SHARE OPTION SCHEME 2010;**
- (4) THE PROPOSED GRANT OF OPTIONS UNDER THE EQUATION SHARE OPTION SCHEME 2010 TO MR. CHNG WENG HUAT, AN ASSOCIATE OF A CONTROLLING SHAREHOLDER OF THE COMPANY; AND**
- (5) THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

1. INTRODUCTION

1.1 EGM

The Directors are proposing to convene an EGM to seek Shareholders' approval in relation to the following matters:

- (a) the proposed adoption of the Option Scheme, the rules of which are set out in Appendix 1 of this Circular;
- (b) the proposed grant of authority to offer and grant Options at a discount under the Option Scheme;
- (c) the proposed participation of Controlling Shareholders and their Associates in the Option Scheme;
- (d) the proposed grant of Options under the Option Scheme to Mr. Chng Weng Huat, an Associate of a Controlling Shareholder of the Company; and
- (e) the proposed renewal of the Share Purchase Mandate.

LETTER TO SHAREHOLDERS

1.2 Circular

The purpose of this Circular is to provide Shareholders with the relevant information pertaining to the matters set out in Section 1.1 of this Circular and to seek Shareholders' approval for the resolutions in respect thereof to be tabled at the EGM, as set out in the Notice of EGM on pages 56 to 58 of this Circular.

1.3 Listing and quotation of Scheme Shares

An application will be made to SGX-ST for the listing and quotation of Scheme Shares which may be issued from time to time pursuant to the exercise of Options under the Option Scheme. An appropriate announcement will be made upon receipt of the listing and quotation notice from the SGX-ST. The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Circular.

2. THE PROPOSED OPTION SCHEME

2.1 Rationale for the Option Scheme

The Company previously had in place a share option scheme, which was adopted on 23 December 1999 ("**1999 Scheme**"). The 1999 Scheme was a broad-based incentive tied to the overall performance of the Company and with the objective of, inter alia, aligning the interests of key executives of the Group with those of the Shareholders, i.e. by allowing these key executives an opportunity to participate in the equity of the Company, and attracting and recruiting participants whose contributions were important to the long term growth of the Company.

The 1999 Scheme was valid for a period of 10 years from the date of its adoption and has since expired. As at the Latest Practicable Date, there were options outstanding under the 1999 Scheme for the issuance of up to 3,100,000 Shares held by 5 option holders at an exercise price of between S\$0.052 to S\$0.056 and the exercise period of which shall occur within the period from 25 May 2013 to 16 April 2016.

On 31 October 2008, the Company also adopted a performance share award scheme, known as the "ECL Performance Share Scheme ("**PS Scheme**"). The PS Scheme differed from and was intended to complement the 1999 Scheme in that it allows the Company to target specific performance objectives and to provide an incentive for participants in the PS Scheme to achieve these targets by awarding fully paid shares to participants upon their accomplishing their respective performance targets. There have been no awards under the PS Scheme as at the Latest Practicable Date.

The Company continues to believe that attracting and retaining outstanding and dynamic individuals as employees and directors are paramount to the Group's long-term objective of achieving growth, expansion and profitability in its business operations.

The Company also believes that, by adopting both a share option scheme and a performance share award scheme, the Company will have greater flexibility to tailor reward and incentive packages that are attractive and effective to align participants' interests with those of Shareholders, entice participants to stay with the Group and motivate participants to improve their performance within the Group. The Company, accordingly, wishes to re-introduce a share option scheme, in the form of the Option Scheme.

LETTER TO SHAREHOLDERS

The Option Scheme is a share incentive scheme. The purpose of the Option Scheme is again to allow persons (including Controlling Shareholders and their Associates) who are Employees, Executive Directors and Non-Executive Directors who have contributed significantly to the growth and development of the Group to have a personal stake in the Company at relatively low direct cost to the Company's profitability. The Option Scheme will also help to achieve the following positive objectives:

- (a) to motivate Participants to optimise their performance, efficiency and productivity to achieve higher levels of contribution to the Group and to work towards the growth and prosperity of the Group reflected through the growth in the price of the Shares, which ultimately benefits the Shareholders;
- (b) to increase the competitiveness of the Group by giving it the option to use the Option Scheme as an additional component in its compensation and incentive package to attract and retain key staff whose contributions are important to the long-term growth and profitability of the Group;
- (c) to instill a sense of loyalty in the staff with the view to achieving long-term prosperity for the Group;
- (d) to attract potential Employees and Directors with relevant skills to contribute to the Group and to create value for Shareholders; and
- (e) to align the interests of Participants with the interests of the Shareholders.

2.2 Summary of the Rules of the Option Scheme

The rules of the Option Scheme are set out in Appendix 1 of this Circular. A summary of the Scheme Rules is set out below.

2.2.1 Eligibility

The following persons shall be eligible to participate in the Option Scheme if they have attained the age of twenty (21) years and are not undischarged bankrupts on or before the relevant Date of Grant and have, at the absolute discretion of the Committee, been selected to participate in the Option Scheme:–

- (a) Employees of a Group Company; and
- (b) Directors of a Group Company.

2.2.2 Controlling Shareholders and their Associates

Participants who are Controlling Shareholders or Associates of Controlling Shareholders shall (notwithstanding that they may meet the eligibility criteria in section 2.2.1(a) above) not participate in the Scheme unless:–

- (a) their participation; and
- (b) the actual number of Shares and terms of any Option to be granted to them, have been approved by the independent Shareholders in a general meeting, in separate

LETTER TO SHAREHOLDERS

resolutions for each such person, and, in respect of each such person, in separate resolutions for each of (i) his participation and (ii) the actual number of Shares and terms of any Option to be granted to him.

2.2.3 Rationale for participation by Non-Executive Directors

Although the Non-Executive Directors are not involved in the day-to-day running of the Group's business, they, nonetheless, play an invaluable role in furthering the business interests of the Group by contributing their experience and expertise.

In particular, the Non-Executive Directors are persons from different professions and working backgrounds and they bring to the Group their wealth of knowledge, business expertise and contacts within the business community. They also 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 participation by the Non-Executive Directors in the Scheme allows the Group to have a fair and equitable system to reward Non-Executive Directors who have made and who continue to make significant contributions to the long-term development and growth of the Group and provides the Company with a further avenue to acknowledge and recognise their services and contributions as it may not always be possible to compensate them fully or appropriately by increasing the directors' fees or other forms of cash payment.

The grant of Options to Non-Executive Directors will also allow the Company to attract and retain experienced and qualified persons from different professional backgrounds to join the Company and motivate existing Directors to take extra efforts to promote the interests of the Company and the Group.

The Non-Executive Directors (including Independent Directors) may be appointed as members of the Committee. However, the Scheme Rules provide that no member of the Committee shall be involved in any deliberation in respect of Options to be granted to him. As at the date of this Circular, the Non-Executive Directors are Ambassador Toh Hock Ghim, Mr. Teo Soon Chye and Mr. Lee Teck Leng.

2.2.4 Entitlements

Subject to any adjustment pursuant to Rule 10 of the Scheme Rules, the number of Shares in respect of which Options may be granted to a Participant pursuant to the Scheme shall be determined at the discretion of the Committee who shall take into account criteria such as the rank, performance, length of service and contributions made by such Participant to the Group and the potential for such Participant to make further contributions to the Group, as well as the performance of Group.

2.2.5 Size of the Option Scheme

The aggregate number of Scheme Shares over which the Committee may grant Options on any date under the Option Scheme, when added to the number of Shares available in respect of any other share option or share scheme of the Company then in force shall

LETTER TO SHAREHOLDERS

not exceed fifteen per cent. (15%) of the total issued shares capital of the Company (excluding treasury shares) from time to time.

The aggregate number of Scheme Shares over which Options may be granted under the Option Scheme to Controlling Shareholders and/or their Associates shall not exceed twenty five per cent. (25%) of the Scheme Shares available under the Option Scheme, and the number of Scheme Shares over which an Option may be granted under the Option Scheme to each Controlling Shareholder and/or his Associate shall not exceed ten per cent. (10%) of the Scheme Shares available under the Option Scheme.

By way of illustration, as at the Latest Practical Date, the Company's total issued share capital comprised 2,070,375,222 Shares and there were no Treasury Shares. Also, as stated under section 2.1 above, no awards have been issued under the PS Scheme but there are options outstanding under the 1999 Scheme, i.e. for the issuance of up to 3,100,000 Shares. Based on this and assuming no awards are issued under the PS Scheme, the maximum number of Shares that the Company may make available under the Option Scheme is 307,456,283 Shares, i.e. $(2,070,375,222 \times 15\%) - 3,100,000$.

2.2.6 Date of Grant

The Committee may, subject as provided in Rule 9 of the Scheme Rules, grant Options to the Participants as it may select in its absolute discretion at any time during the duration of the Scheme, provided that in the event that an announcement is made on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Options may only be granted on or after the second (2nd) Market Day from the date on which the aforesaid announcement is released.

2.2.7 Acceptance of Grant

The grant of an Option must be accepted not later than 5.00 p.m. on the thirtieth (30th) day from such Date of Grant. The Option Holder must complete, sign and return to the Company the acceptance form accompanied by payment of S\$1.00 as consideration or such other amount and such other documentation as the Committee may require.

2.2.8 Exercise Price

Subject to any adjustment pursuant to Rule 10 of the Scheme Rules, the Exercise Price for each Share in respect of which an Option is exercisable shall be payable upon the exercise of the Option and shall be determined by the Committee in its absolute discretion, on the Date of Grant, and fixed by the Committee at:

- (a) the Market Price; or
- (b) a price which is set at a discount to the Market Price, provided that:
 - (i) the maximum discount shall not exceed twenty per cent (20%) of the Market Price. The Committee shall have the sole and absolute discretion to determine the exact amount of discount to each Participant; and

LETTER TO SHAREHOLDERS

- (ii) the Shareholders shall have authorised the making of offers and grants of Options under the Scheme at a discount not exceeding the maximum discount as aforesaid.

2.2.9 Right to Exercise Option

- (a) Subject as provided in this Rule 6 and in Rule 7 and Rule 8 of the Scheme Rules, an Option shall be exercisable, in whole or in part, after twenty four (24) months from the Date of Grant of that Option but before one hundred and twenty (120) months from the Date of Grant of that Option (in the case where the Option is granted at a discount), or after twelve (12) months from the Date of Grant of that Option but before one hundred and twenty (120) months from the Date of Grant of that Option
- (b) An Option shall, to the extent unexercised, immediately lapse and become null and void without any claim against the Company:
 - (i) subject to Rules 6(c) and (d) of the Scheme Rules, upon the Participant ceasing to be in full-time employment of the Group for any reason whatsoever; or
 - (ii) 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 Option; or
 - (iii) in the event of misconduct on the part of the Participant as determined by the Committee in its absolute discretion or if the Participant commits any breach of any of the terms of his Option.

For the purpose of sub-section (b)(i) above, a Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date. In determining the employment period of the Participant, any period during which the Participant was previously employed by any company within the Group or an associated company of the Company or of the company to which the Participant has been seconded as contemplated by this Scheme shall be taken into account.

For the avoidance of doubt, where the Participant is a non-executive Director of the Company, the cessation of his appointment as a Director of the Company shall be treated as equivalent to the cessation of the full time employment of an employee within the Group. Hence, subject to Rules 6(c) and 6(d) of the Scheme Rules, upon the cessation of the appointment of a non-executive Director, any option granted to him under this Scheme shall lapse.

- (c) If a Participant ceases to be employed by the Group by reason of ill-health, injury, disability (in each case evidenced to the satisfaction of the Committee), redundancy, retirement or for any other reason approved in writing by the Committee, he may exercise his Option within the period of six (6) months after the date of such cessation of employment or before the expiry of the relevant Option

LETTER TO SHAREHOLDERS

Period, whichever is earlier, or such other period as approved by the Committee in writing, and upon the expiry of such period, the Option shall lapse and become null and void.

- (d) If the Participant dies and at the date of his death holds any unexercised Option, such Option may, at the discretion of the Committee, be exercised by the duly appointed legal personal representative(s) of the Participant within the period of twelve (12) months after his death or before the expiry of the relevant Option Period, whichever is earlier, and upon the expiry of such period, the Option shall lapse and become null and void.
- (e) For the avoidance of doubt, any Option which is permitted to be exercised in accordance with sub-sections (c) or (d) above, shall be so capable of being exercised notwithstanding that the exercise thereof may take place prior to the commencement of the relevant Option Period.

2.2.10 Exercise of Option

- (a) An Option may be exercised, in whole or in part (provided that an Option may be exercised in part only in respect of one thousand (1,000) Shares or any multiple thereof), by a Participant giving a notice in writing to the Company in the form or substantially in the form set out in Appendix C of the Scheme Rules (subject to such modification as the Committee may from time to time determine). Such notice must be accompanied by a remittance for the Aggregate Exercise Price and any other documentation the Committee may require.
- (b) Subject to prevailing legislation and guidelines issued by the SGX-ST, the Company will deliver Shares to Participants in relation to the exercise of an Option, either by way of an issue of new Shares, deemed to be fully paid upon their issuance and allotment, or the delivery of Treasury Shares. In determining whether to issue new Shares or deliver Treasury Shares (if any), the Company will take into account factors such as (but not limited to) the amount of cash available, the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of the various modes of settlement.

2.2.11 Alteration of Capital

- (a) If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, or a reduction, sub-division or consolidation of the existing Shares) shall take place, then:
 - (i) the Exercise Price for the Shares; and/or
 - (ii) the class and/or number of Shares comprised in an Option to the extent unexercised; and/or
 - (iii) the class and/or number of Shares over which additional Options may be granted to the Participants,

shall be adjusted in such manner as the Committee may determine to be appropriate and except in relation to a capitalisation issue, upon the written

LETTER TO SHAREHOLDERS

confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable.

- (b) Unless the Committee considers an adjustment to be appropriate, the following (whether singly or in combination) shall not be regarded as events requiring adjustment:
 - (i) any issue of securities as consideration for an acquisition or a private placement of securities;
 - (ii) any increase in the number of issued Shares as a consequence of the exercise of options or other convertibles issued from time to time by the Company entitling holders thereof to subscribe for new Shares in the capital of the Company (including the exercise of any Options granted pursuant to this Scheme);
 - (iii) any issue of Shares pursuant to any scrip dividend scheme for the time being of the Company; and
 - (iv) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased by the Company by way of market purchase(s) effected on SGX-ST pursuant to a share purchase mandate (or any renewal thereof) given by the shareholders of the Company in general meeting and for the time being in force.
- (c) No such adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive; and unless the Committee, after considering all relevant circumstances, considers it equitable to do so.
- (d) Upon any adjustment made pursuant to the Scheme Rules, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing informing him (or his duly appointed personal representatives where applicable) of the Exercise Price thereafter in effect and the nominal amount, class and/or number of Scheme Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

2.2.12 Duration of the Option Scheme

- (a) The Option Scheme shall continue for a period of ten (10) years commencing from the Adoption Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may be required.
- (b) The Option Scheme may be terminated at any time by the Committee or by ordinary resolution of the Shareholders in general meeting and if the Scheme is so terminated no further Options shall be offered by the Company hereunder but the then existing rights of Participants under the Scheme shall not thereby be affected.

LETTER TO SHAREHOLDERS

2.2.13 Administration of the Option Scheme

The Option Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board. A member of the Committee shall abstain from voting where the Committee is deliberating on whether an Option shall be granted to him pursuant to the Option Scheme or on any matter relating to the Option Scheme in which such member is interested.

2.2.14 Voting, dividend and other rights

Shares allotted and issued or Treasury Shares which are transferred, upon the exercise of an Option shall be subject to all provisions of the Memorandum and Articles of the Company (including all provisions thereof relating to the voting, dividend, transfer and other rights attached to the Shares, including those rights which arise from a liquidation of the Company) and shall rank pari passu in all respects with the then existing issued Shares in the capital of the Company except for any dividends, rights, allotments or other distributions, the Record Date for which falls prior to the date of exercise of the Option.

3. THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTIONS AT A DISCOUNT UNDER THE OPTION SCHEME

3.1 Rationale for grant of Options at a discount

As mentioned in Section 2.2.8 above, the Option Scheme allows for Options to be granted at a discounted Exercise Price. Pursuant to the Scheme Rules, the maximum discount that may be given is twenty per cent. (20%) of the Market Price of the Shares as at the Date of Grant.

Any entitlement to and quantum of the discount are left to the discretion of the Committee. The Committee will exercise its discretion on a case by case basis, taking into account the individual merits and factors pertaining to the specific Participant, and the objective that is desired to be achieved by the Company through the grant of the Option.

The Company believes that the ability to offer Scheme Shares at a discount will operate as a means to recognise and acknowledge relevant Employees and Directors for their outstanding performance and a reward for their valuable and dedicated service to the Group, as well as to motivate and encourage greater dedication and loyalty to the Company. It will also help to place the Company in a more competitive position in the recruitment and retention of talents in an intensely competitive environment by enhancing the competitiveness of remuneration packages offered to existing and prospective employees.

Further, because Option(s) granted with a discount under the Option Scheme are subject to a longer vesting period (i.e. 2 years), than those granted at the Market Price (i.e. 1 year), holders of such Option(s) are encouraged to have a long-term view of the Group, thereby promoting staff and executive retention and reinforcing their commitment to the Group. The Company believes that the maximum 20% discount to the Market Price of the Scheme Shares is sufficient to allow for flexibility in the Option Scheme, while minimising the potential dilutive effect to the Shareholders arising from the Option Scheme.

LETTER TO SHAREHOLDERS

4. THE PROPOSED PARTICIPATION OF CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES IN THE OPTION SCHEME

4.1 Rationale

As stated in section 2.1 above, a key objective of the Option Scheme is to motivate Participants to optimise their performance, efficiency and productivity to achieve higher levels of contribution to the Group and to work towards the growth and prosperity of the Group reflected through the growth in the price of the Shares, which ultimately benefits the Shareholders.

Regardless of whether they are Controlling Shareholders or Associates of Controlling Shareholders, the Company believes that all deserving and eligible Participants should be similarly entitled to take part and benefit from the Company in accordance with its fair and equitable system of remuneration based on the principles of meritocracy.

Although the Controlling Shareholders and their Associates may already have shareholding interests in the Company, the extension of the Option Scheme to include them ensures that they are fairly and equally entitled to take part and benefit from this system of remuneration, together with other eligible executives of the Group who are not Controlling Shareholders or their Associates.

The terms of the Option Scheme, which do not differentiate between the Controlling Shareholders and their Associates from other Participants in determining the eligibility of such persons to be granted Option(s), are not unduly favourable to the Controlling Shareholders and their Associates. Likewise, Controlling Shareholders and their Associates should not be excluded from participating in the Option Scheme simply because they are Controlling Shareholders or Associates of Controlling Shareholders. In addition, to deny participation by the Controlling Shareholders and their Associates may serve to de-motivate them and undermine the objectives of the Option Scheme to reward the key executives.

Since the commencement of the 1999 Scheme, no option has been granted to the Controlling Shareholders of the Company or their Associates, and no participant under the 1999 Scheme was granted more than five per cent. (5%) of the total options available under the Option Scheme.

Currently, it is proposed that the Option Scheme be extended to two (2) individuals one of whom, i.e. Mr. Chng Weng Wah, is a Controlling Shareholder, and the other, namely, Mr. Chng Weng Huat, who is Mr. Chng Weng Wah's brother and Associate. The shareholding interests of Mr. Chng Weng Wah and Mr. Chng Weng Huat in the issued share capital of the Company as at the Latest Practicable Date are set out in Section 8 of this Circular.

(a) Participation in the Option Scheme by Mr. Chng Weng Wah

Mr. Chng Weng Wah is and has been 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 Group. Mr. Chng Weng Wah is the guiding force behind the Group, and under his leadership, it is believed he will continue to make invaluable contribution to the Group. The proposed participation of Mr. Chng Weng Wah in the Option Scheme is to optimise his performance standards and efficiency and encourage his long-term commitment to the Group.

LETTER TO SHAREHOLDERS

(b) Participation in the Option Scheme by Mr. Chng Weng Huat

Mr. Chng Weng Huat was the Company's MIS Manager from February 2005 to July 2010. In July 2010, he was redeployed as the Business Development Director of a Group Company, DiSa Digital Safety Pte. Ltd. ("DISA P/L"), which was acquired by the Company in January 2010. As MIS Manager, he supported the information technology ("IT") functions of the Company and has helped ensure the smooth and effective functioning of the Group IT networks and systems. As Business Development Director of DISA, Mr. Chng Weng Huat has played a significant role in formulating the company's marketing strategies for the exploitation of its exclusive licence rights to the proprietary DISA anti-theft software. The proposed participation of Mr. Chng Weng Huat in the Option Scheme is also to optimise his performance standards and efficiency and encourage his long-term commitment to the Group.

4.2 Safeguards

As a safeguard against abuse, all members of the Board who are not Controlling Shareholders or Associates of the Controlling Shareholders (and not just members of the Committee) will be involved in deliberations in respect of Option(s) to be granted to the Controlling Shareholders and their Associates and the related terms and conditions. The limits on the aggregate number of Shares comprised in Options that may be granted to Controlling Shareholders and/or their Associates are set out in Section 2.2.5 of this Circular.

Specific approval of the independent Shareholders is required for the grant of Options to Controlling Shareholders and their Associates as well as the actual number of and terms of such Options. In seeking such independent Shareholders' approval, clear justification as to their participation, the number of Options and the terms of the Options to be granted to the Controlling Shareholders and their Associates will need to be provided.

The Company is of the view that there are sufficient safeguards against abuse resulting from the participation of Controlling Shareholders and their Associates in the Option Scheme.

5. THE PROPOSED GRANT OF OPTIONS TO MR. CHNG WENG HUAT, AN ASSOCIATE OF A CONTROLLING SHAREHOLDER OF THE COMPANY

5.1 Specific approval

As stated earlier, under the Rules of Catalyst, as and when the Company proposes to make a grant of Options to a Controlling Shareholder or an Associate of a Controlling Shareholder who is otherwise eligible to participate in the Option Scheme, the Company shall seek approval from Shareholders at a general meeting in separate resolutions for:—

- (a) each of their participation in the Scheme; and
- (b) the actual number and terms of the Options to be granted to each of them,

provided always that the person in respect of whom such resolution is required to be passed abstain from voting on such resolution relating to himself.

It is currently proposed that Mr. Chng Weng Huat shall be entitled to participate in the Option Scheme, on the terms set out below, in view of his contributions to the Group.

LETTER TO SHAREHOLDERS

5.2 Proposed terms of grant of Options to Mr. Chng Weng Huat

For the reasons set out above, subject to the Shareholders' approval being received at the EGM for the proposed adoption of the Option Scheme and the proposed participation of Controlling Shareholders and/or their Associates in the Option Scheme, it is proposed that approval be given to the Committee to grant Options to Mr. Chng Weng Huat on the following terms:

- (a) Proposed Date of Grant of Option(s) : Any time within six (6) month from the date of the EGM
- (b) Proposed Number of Shares comprised in the proposed Options : Up to 250,000 Shares
- (c) Exercise Price per Share : 20% discount to Market Price as at the Date of Grant
- (d) Exercise Period : Exercisable at any time after the 2nd anniversary of the Date of Grant and up to the 10th anniversary of the Date of Grant

The Directors are of the view that the proposed grant of Options to Mr. Chng Weng Huat on the aforesaid terms is fair given the significant contribution he has made to the Group. The grant of the Options on the terms as set out above (including the size of the Option) is also consistent with the purposes of the Option Scheme.

5.3 Limits on grant of Option(s) to Controlling Shareholders

As at the Latest Practicable Date, the total number of issued Shares is 2,070,375,222 Shares. The proposed Option to be granted to Mr. Chng Weng Huat to subscribe for an aggregate of up to 250,000 Shares represents approximately 0.08% of the aggregate number of Shares which may be made available pursuant to the Option Scheme as at the Latest Practicable Date and is within the applicable limits of the Option Scheme as set out under Section 2.2.5 above.

6. FINANCIAL EFFECTS OF THE OPTION SCHEME

6.1 Share Capital

The Option Scheme will result in an increase in the issued share capital of the Company to the extent of the Scheme Shares that will be allotted and issued pursuant to the exercise of Options granted under the Option Scheme. This, in turn will depend, inter alia, on the number of Shares comprised in each Option granted, the number of Options that are accepted and exercised and the Exercise Price of the Shares comprised in each Option.

6.2 NTA

The issue of Scheme Shares upon the exercise of Options granted under the Option Scheme will increase the Company's consolidated NTA by the aggregate Exercise Price of the Scheme Shares issued. On a per Share basis, the effect on the NTA of the Company will be accretive if the Exercise Price is above the Company's consolidated NTA per Share, but dilutive otherwise.

LETTER TO SHAREHOLDERS

6.3 EPS

The Option Scheme will have a dilutive impact on the Company's consolidated EPS following the increase in the Company's number of issued Shares to the extent that Scheme Shares are allotted and issued upon the exercise of the Options.

6.4 Potential cost of issuing the Option(s)

Under Financial Reporting Standard 102 ("**FRS 102**") relating to share-based payments, the recognition of an expense in respect of Options granted under the Option Scheme is required. The expense will be based on the fair value of the Options at each Date of Grant and will be recognised over the vesting period. This fair value is normally estimated by applying the option pricing model at the Date of Grant, taking into account the terms and conditions of the grant of the Options and recognised as a charge to the Company's consolidated profit and loss statement ("**P&L**") over the period from the Date of Grant to the vesting date ("**Vesting Period**"), with a corresponding credit to the Company's reserve account.

Before the end of the Vesting Period and at the end of each accounting year, the estimate of the number of Option(s) that are expected to vest in each Participant by the vesting date is revised, and the impact of the revised estimate is recognised in the consolidated P&L with a corresponding adjustment to the Company's reserve account. After the vesting date, no adjustment of the charge to the consolidated profit and loss account is made.

7. THE PROPOSED RENEWAL OF SHARE PURCHASE MANDATE

7.1 Background

Any purchase or acquisition by the Company of its Shares has to be made in accordance with, and in the manner prescribed by the Act, the Rules of Catalyst, the Articles and such other laws and regulations as may for the time being be applicable.

At the AGM held on 30 October 2009 ("**2009 AGM**"), the Company obtained the approval of the Shareholders for the renewal of the Share Purchase Mandate. The rationale for, the authority and limitations on, and the financial effects of the Share Buy Back Mandate approved at the 2009 AGM were set out in a letter to the Shareholders dated 12 October 2009, attached to the Notice of the 2009 AGM.

The Company has not undertaken any purchase or acquisition of Shares pursuant to the Share Purchase Mandate approved by Shareholders at the 2009 AGM up to the Latest Practicable Date.

7.2 Proposed Renewal of the Share Purchase Mandate

The Share Purchase Mandate renewed at the 2009 AGM will be expiring on the date of the forthcoming AGM of the Company, which is scheduled to be held on 28 October 2010 ("**2010 AGM**"). Accordingly, the Company is proposing to seek Shareholders' approval for the renewal of the Share Purchase Mandate at the EGM.

If approved at the EGM, the authority conferred by the Share Purchase Mandate will continue in force until the date the next AGM is held or is required by law to be held, whichever is earlier (whereupon it will lapse, unless renewed at such meeting) or until it is varied or revoked by the

LETTER TO SHAREHOLDERS

Company in general meeting (if so varied or revoked prior to the date the next annual general meeting is held or is required by law to be held, whichever is earlier).

7.3 Rationale for the Share Purchase Mandate

The Share Purchase Mandate will give the Directors the flexibility to purchase or acquire its Shares when circumstances permit.

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 Company, its subsidiaries and associated companies (“**Group**”), the management strives to increase Shareholders’ value by improving, inter alia, the return on equity of the Group. Share purchase is one of the ways through which the return on equity of the Group can be enhanced.
- (b) The Share Purchase Mandate is an efficient, expedient 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 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 re-purchase programmes help buffer short-term share price volatility and off-set the side effects of short-term speculators and investors and, in turn, bolster shareholder confidence and employee morale.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares of up to ten per cent. (10%) of the issued share capital of the Company as at the date of the EGM at which the Share Purchase Mandate is approved, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full ten per cent. (10%) limit as authorized, and no purchases of Shares would be made in circumstances which would have or may have a material adverse effect on the liquidity (for example, share trading volume) and working capital of the Company or the Group.

7.4 Authority and Terms of the Share Purchase Mandate

The authority and terms of the Share Purchase Mandate, if renewed at the EGM, are substantially the same as previously approved by Shareholders at the 2009 AGM, as summarized below:–

7.4.1 Maximum number of Shares

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

The total number of Shares that may be purchased or acquired is limited to that number of Shares representing not more than ten per cent. (10%) of the total number of issued Shares of the Company, ascertained as at the date of the general meeting at which the Share Purchase Mandate is approved, unless:

LETTER TO SHAREHOLDERS

- (a) the Company has, at any time during the period commencing from the date on which the last annual general meeting of the Company was held or if no such meeting was held the date it was required by law to be held before the resolution for the Share Purchase Mandate is passed, and expiring on the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier, after the date the resolution in question is passed (“**Relevant Period**”), reduced its share capital by a special resolution under section 78B or 78C of the Act; or
- (b) the court has, at any time during the Relevant Period, made an order under section 78I of the Act confirming the reduction of share capital of the Company.

For purposes of calculating the percentage of issued shares above, any of the Shares which are held as treasury shares will be disregarded.

Purely for illustrative purposes only, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date, comprising 2,070,375,222 Shares, and assuming that no further Shares are issued on or prior to the date of the EGM, not more than 207,037,522 Shares (representing ten per cent. (10%) of the total number of issued Shares of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

7.4.2 Duration of authority

Under the Share Purchase Mandate, the Company may purchase Shares at any time and from time to time, on and from the date of the 2009 AGM, at which the renewal of the Share Purchase Mandate was last approved, up to the earlier of:

- (a) the date on which the next annual general meeting of the Company is held or is required by law to be held;
- (b) the date on which the Share Purchase Mandate is carried out to the full extent mandated; or
- (c) the time when the authority conferred by the Share Purchase Mandate is revoked or varied by the Company in general meeting.

7.4.3 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.

The Company is considered solvent in the event that:–

- (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 twelve (12) months immediately following the date of the payment; and

LETTER TO SHAREHOLDERS

- (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).

7.4.4 Manner of purchases or acquisitions of Shares

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

- (a) an on-market purchase transacted on the SGX-ST ("**Market Purchase**") through the ready market trading system one or more duly licensed dealers appointed by the Company; and/or
- (b) an off-market purchase or acquisition effected otherwise than on the SGX-ST in accordance with an equal access scheme available to all Shareholders ("**Off-Market Purchase**"), as may be determined or formulated by the Directors as they may consider fit to satisfy all the conditions prescribed by the Act and the Rules of Catalist. An equal access scheme for Off-Market Purchase must, however, satisfy the following conditions pursuant to section 76C of the Act:–
 - (i) the 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 issued Shares;
 - (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

In an Off-Market Purchase, the Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Rules of Catalist, the 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(s). An equal access scheme must however, pursuant to Section 76C of the Act, satisfy the following conditions:–

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

LETTER TO SHAREHOLDERS

Under the Rules of Catalist, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders which must contain at least the following information:–

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

7.4.5 Purchase Price

The purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors provided that the purchase price to be paid for a Share must not exceed:–

- (a) in the case of a Market Purchase, five per cent. (5%) above the average of the closing market prices of the Shares over the last five (5) Market Days (as defined hereinafter) on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, ten per cent. (10%) above the average of the closing market prices of the Shares over the last 5 Market Days (as defined hereinafter) on which transactions in the Shares were recorded immediately preceding the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period. Such announcement should state the purchase price, which shall not be more than the Maximum Price (as defined hereinafter) calculated on the foregoing basis, for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

For the purpose of this paragraph, “**Maximum Price**” in either case excludes any related expenses of the Share Purchase, and “**Market Day**” shall mean a day on which the SGX-ST is open for trading.

LETTER TO SHAREHOLDERS

7.5 Status of purchased shares

Under the current law, Shares purchased or acquired by the Company shall be deemed cancelled immediately on purchase or acquisition unless such Shares are held by the Company as treasury shares. All rights and privileges attached to the Shares will expire upon cancellation. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

7.6 Treasury Shares

Under the current law, 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 Act are summarised below:–

7.6.1 Maximum Holdings

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

7.6.2 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 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. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

7.6.3 Disposal and Cancellation

Where Shares are held as Treasury Shares, the Company may at any time:–

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

LETTER TO SHAREHOLDERS

7.7 Source of Funds

In purchasing Shares, the Company may only apply funds legally available for such purchase in accordance with its Memorandum and Articles, and the applicable laws in Singapore. 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. However, in considering the option of external financing, the Directors will also consider the financial position of the Group, particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions of the Shares in circumstances beneficial to the Company and Shareholders and not resulting in any material adverse effect to the liquidity (for example, share trading volume), working capital and the overall financial position of the Company and/or the Group.

The 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.

7.8 Financial Effects

If the purchased or acquired Shares are cancelled, 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 share capital and profits proportionately where the Shares are purchased or acquired out of both the capital and the profits of the Company,

by the corresponding total purchase price paid by the Company for the Shares to be purchased.

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.

If, on the other hand, the purchased or acquired Shares are not cancelled but held in treasury, then there is no change in the Company's issued capital. However, there will be financial effects as illustrated below.

LETTER TO SHAREHOLDERS

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, inter alia:–

- (a) whether the Shares are purchased or acquired is a Market Purchase or an Off-Market Purchase;
- (b) whether the Shares are purchased or acquired out of capital and/or profits of the Company;
- (c) the aggregate number of Shares purchased or acquired;
- (d) the consideration paid for such Shares;
- (e) whether the Shares purchased or acquired are held as treasury shares or cancelled; and
- (f) the amount (if any) borrowed by the Company to fund the purchase or acquisition.

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 EGM, the Company may purchase or acquire up to 207,037,522 Shares, which is equivalent to the ten per cent. (10%) limit of the total issued Shares as at the date of the EGM.

Assuming the Company purchases or acquires 20,703,752 Shares, equivalent to one per cent. (1%) 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) will be:

- (a) in the case of Market Purchases of Shares, approximately S\$1.30 million based on S\$0.063 for one Share (being the price equivalent to one hundred and five per cent. (105%) of the average closing prices of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date); and
- (b) in the case of Off-Market Purchases of Shares, approximately S\$1.37 million based on S\$0.066 for one Share (being the price equivalent to one hundred and ten per cent. 110% of the average closing prices of the Shares traded on the SGX-ST for the five (5) 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 Group for the financial year ended 30 June 2010 and assuming that:–

- (a) the Share Purchase Mandate had been effective on the Latest Practicable Date; and
- (b) the purchases or acquisitions of Shares are financed solely out of the capital of the Company; and
- (c) the purchased Shares are held as treasury shares,

LETTER TO SHAREHOLDERS

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 2010 would have been as follows:

Purchases made entirely out of capital and held as treasury shares — Market Purchases

(S\$'000)	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
Share Capital	110,127	110,127	110,127	110,127
Treasury Shares	—	(1,304)	—	(1,304)
Non-distributable reserves	6,961	6,961	6,145	6,145
Accumulated losses	(59,810)	(59,810)	(44,198)	(44,198)
Shareholders' fund	57,278	55,974	72,074	70,770
Minority interests	(2,501)	(2,501)	—	—
Total Equity	54,777	53,473	72,074	70,770
Net tangible assets	24,185	22,881	72,074	70,770
Cash & cash equivalents	4,274	2,970	224	224
Current assets	15,856	14,552	570	570
Current liabilities	19,065	19,065	6,249	7,553
Total borrowings ⁽¹⁾	14,053	14,053	273	273
Number of Shares ('000)	2,015,375	1,994,671	2,015,375	1,994,671
Financial Ratios				
NTA per share (cents)	1.20	1.15	3.58	3.55
Gearing ⁽²⁾	0.17	0.20	NM ⁽³⁾	NM ⁽³⁾
Earning per share (cents)	(0.12)	(0.12)	(0.15)	(0.15)
Current ratio ⁽⁴⁾	0.83	0.76	0.09	0.08

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) Not meaningful.
- (4) Current ratio is derived based on current assets over by current liabilities.

LETTER TO SHAREHOLDERS

Purchases made entirely out of capital and held as treasury shares — Off-Market Purchases

(\$S'000)	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
Share Capital	110,127	110,127	110,127	110,127
Treasury Shares	—	(1,366)	—	(1,366)
Non-distributable reserves	6,961	6,961	6,145	6,145
Accumulated losses	(59,810)	(59,810)	(44,198)	(44,198)
Shareholders' fund	57,278	55,912	72,074	70,708
Minority interests	(2,501)	(2,501)	—	—
Total Equity	54,777	53,411	72,074	70,708
Net tangible assets	24,185	22,819	72,074	70,708
Cash & cash equivalents	4,274	2,908	224	224
Current assets	15,856	14,490	570	570
Current liabilities	19,065	19,065	6,249	7,615
Total borrowings ⁽¹⁾	14,053	14,053	273	273
Number of Shares ('000)	2,015,375	1,994,671	2,015,375	1,994,671
Financial Ratios				
NTA per share (cents)	1.20	1.14	3.58	3.54
Gearing ⁽²⁾	0.17	0.20	NM ⁽³⁾	NM ⁽³⁾
Earning per share (cents)	(0.12)	(0.12)	(0.15)	(0.15)
Current ratio ⁽⁴⁾	0.83	0.76	0.09	0.07

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) Not meaningful.
- (4) Current ratio is derived based on current assets over 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 Group and the Company and a decline in the current ratios of the 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,

LETTER TO SHAREHOLDERS

the number and price of the Shares purchased or acquired, the amount (if any) borrowed by the Company to fund the purchases or acquisitions, and/or 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 historical audited financial statements of the Group for the financial year ended 30 June 2010. It is not necessarily representative of future financial performance.

The Company will take into account both financial and non-financial factors, including but not limited to the working capital requirements, availability of financial resources, the expansion and investment plans of the Group, the prevailing market conditions and Share performance etc., in assessing the relative impact of any Share purchase before its execution.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to ten per cent. (10%) of its issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire ten per cent. (10%) of its issued Shares. In addition, the Company may either cancel all or part of the Shares purchased, or hold all or part of the Shares purchased as treasury shares. The proposed Share Purchase will only be exercised in the best interest of the Company to enhance the earnings per Share of the Company.

7.9 Tax Implications

Pursuant to Section 10J of the Income Tax Act (Chapter 134) of Singapore, where a company buys back its own shares (which shall be deemed cancelled under Section 76B of the Act by way of an On-Market Purchases or an Off-Market Purchases) and make payment out of contributed capital, it will not be regarded as a payment of dividend and an amount equal to the payment shall be debited to the contributed capital account kept by the company. Where a company buys back its own shares using its distributable profits, it is deemed as having paid a dividend to the Shareholders from whom the shares are purchased or acquired.

Shareholders who are in doubt as to their respective tax positions or the tax implications as a result of any share purchase or acquisition by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

7.10 Reporting Requirements under the Act

Within thirty (30) days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the ACRA. Within thirty (30) days of a purchase of Shares on Catalist or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including inter alia, details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before the purchase and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

7.11 Rules of Catalist

As at the Latest Practicable Date, Shares are held in the hands of the public Shareholders, representing approximately 75.02% of the issued Share capital of the Company. The "public", as defined under the Rules of Catalist, are persons other than the Directors, chief executive officer,

LETTER TO SHAREHOLDERS

substantial shareholders or Controlling Shareholders of the Company and its subsidiaries, as well as the Associates of such persons.

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 ten per cent. (10%) pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on Catalist, 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.

The Rules of Catalist specify 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 close of acceptances of the offer.

Such announcement, which must be in the form of Appendix 8D to the Rules of Catalist, must include 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, number of shares cancelled or held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable) and the total consideration (including stamp duties and clearing charges) paid or payable for the shares.

While the Rules of Catalist 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.

In particular, the Company will not purchase any Shares during the period commencing two (2) weeks before the announcement of the Company’s quarterly results, and one (1) month before the announcement of the Company’s annual results, as the case may be, and ending on the date of the announcement of the relevant results.

In undertaking any Share purchase, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient number of Shares remain in public hands so that the Share purchase will not:

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

LETTER TO SHAREHOLDERS

7.12 Take-over implications under the Take-over Code

Obligation to Make a Mandatory Take-over Offer

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

Consequently, a Shareholder or a group of Shareholders acting in concert could, depending on the level of increase in his or their interest in the Company, become obliged to make a mandatory take-over offer in accordance with Rule 14 of the Take-over Code as a result of the Company's purchase or acquisition of Shares.

Persons Acting in Concert

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

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

LETTER TO SHAREHOLDERS

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

For this purpose, ownership or control of at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the voting rights of a company will be regarded as the test of associated company status.

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

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

- (a) unless exempted, Directors and persons acting in concert with them will incur an obligation to make a takeover 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 thirty per cent. (30%) or more, or if the voting rights of such Directors and their concert parties fall between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by one per cent. (1%) in any period of six (6) months; and
- (b) a Shareholder who is not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 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 thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of Share purchases by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers and/or the Securities Industry Council of Singapore and/or other relevant authorities at the earliest opportunity before they acquire any Shares in the Company during the period when the Share Purchase Mandate is in force.

Application of the Take-over Code

The number of Shares held by the Directors and substantial Shareholders are set out in Section 8 below. In the event the Company purchases the maximum number of Shares permissible under the Share Purchase Mandate, the shareholdings and voting rights of:

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

LETTER TO SHAREHOLDERS

and accordingly, no mandatory take-over offer is required to be made pursuant to the Take-over Code.

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

Previous Share purchases

The Company has not undertaken any purchase or acquisition of Shares pursuant to the Share Purchase Mandate approved by Shareholders at the 2009 AGM up to the Latest Practicable Date.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The shareholdings of the Directors and substantial shareholders as recorded in the Register of Directors' Shareholdings and Register of substantial shareholders (based on notifications received from the respective Directors and substantial shareholders) as at the Latest Practicable Date were as follows:

	Direct Interest		Deemed Interest		Number of Shares comprised in outstanding options or awards granted by the Company	Total Interest		
	No of Shares	%	No of Shares	%		No of Shares	%	
Directors								
Chng Weng Wah	126,983,591	6.13	370,440,000 ⁽¹⁾	17.89	—	497,423,591	24.02	
Ambassador Toh Hock Ghim	—	—	—	—	2,000,000 ⁽²⁾	—	NM ⁽³⁾	
Lee Teck Leng	—	—	—	—	—	—	—	
Teo Soon Chye	—	—	—	—	—	—	—	
Substantial Shareholder								
Starbids Venture Inc	—	—	370,440,000 ⁽⁴⁾	17.89	—	370,440,000	17.89	

Notes:—

- (1) This represents Mr. Chng Weng Wah's interest of 370,440,000 Shares held by his family trust, Starbids Venture Inc.
- (2) On 26 May 2008, 2,000,000 options were granted to Ambassador Toh, a director of the Company to subscribe for 2,000,000 ordinary shares of the Company under the 1999 Scheme. The exercise period of the option is from 26 May 2010 to 25 May 2013.
- (3) Not meaningful.
- (4) This represents Starbids Venture Inc's interest of 370,440,000 Shares held through Citibank Nominees Singapore Pte Ltd.

9. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 56 to 58 of this Circular, will be held at 300 Jalan Bukit Ho Swee, The Equation, Singapore 169566 on 28 October 2010, at 11.30 a.m, for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the said notice.

LETTER TO SHAREHOLDERS

10. DIRECTORS' RECOMMENDATION

10.1 Proposed resolutions relating to the Option Scheme

The Directors are all eligible to participate in, and therefore interested in the Option Scheme. They have, accordingly, abstained from making any recommendations on Ordinary Resolution Nos. 1, 2, 3 and 4, being the Ordinary Resolutions relating to the Option Scheme as set out in the Notice of EGM (on pages 56 to 58 of this Circular).

Each Director shall also decline to accept appointment as proxies for any Shareholder to vote in respect of each of the said Ordinary Resolution Nos. 1, 2, 3 and 4, unless the Shareholder concerned shall have given instructions in his proxy as to the manner in which the votes are to be cast in respect of such Ordinary Resolutions.

10.2 Proposed renewal of the Share Purchase Mandate

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company and, accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 5 relating to the proposed renewal of the Share Purchase Mandate as set out in the Notice of EGM (on pages 56 to 58 of this Circular).

11. ACTION TO BE TAKEN BY SHAREHOLDERS

11.1 Appointment of Proxies

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM 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 forty-eight (48) hours before the time fixed for the EGM. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.

11.2 WHEN DEPOSITOR REGARDED AS SHAREHOLDER

In view of Section 130D of the Act, a Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register forty-eight (48) hours before the EGM.

A Depositor is not regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat. Depositors who wish to attend and vote at the EGM, and whose names are shown in the records of CDP as at a time no later than forty-eight (48) hours prior to the time of the EGM, may attend as CDP's proxies. Depositors who are individuals and who wish to attend the EGM in person need not take any further action and can attend and vote at the EGM without the lodgment of any proxy form.

Individual Depositors who are unable to attend the 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 EGM.

LETTER TO SHAREHOLDERS

11.3 Abstention from Voting

Shareholders who are entitled to participate in the proposed Option Scheme, shall abstain from voting at the EGM in respect of the Ordinary Resolutions relating to the Option Scheme set out in the Notice of EGM.

Controlling Shareholders and their Associates who are entitled to participate in the Option Scheme will abstain from voting at the EGM in respect of the Ordinary Resolutions relating to the Option Scheme. Accordingly, the Company shall procure that Mr. Chng Weng Wah and his Associates (including Mr. Chng Weng Huat) shall abstain from voting in respect of the Ordinary Resolutions relating to the Option Scheme at the EGM.

12. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been approved by the Directors. The Directors (including those who may have delegated detailed supervision of the preparation of this Circular) collectively and individually accept full responsibility for the accuracy of the information given and confirm that, to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are full and true and the Directors are not aware of facts the omission of which would make any statement in this Circular misleading.

13. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 8 Cross Street #11-00 PwC Building, Singapore 048424 during normal business hours from the date of this Circular up to the date of the EGM:

- (a) the Memorandum and Articles of the Company; and
- (b) the Scheme Rules.

Yours faithfully,
For and on behalf of the Board

Chng Weng Wah
Chief Executive Officer.

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

Rules	Description	Page
1	Name of Scheme	37
2	Definitions	37
3	Objectives of the Scheme.	40
4	Grant of Options	41
5	Exercise Price	42
6	Right to Exercise Option.	42
7	Take-over, Change of Control and Winding-Up of the Company.	43
8	Exercise of Options, Allotment and Listing of Shares.	44
9	Limitations on the size of the Scheme	45
10	Alteration of Capital	46
11	Administration of Scheme.	47
12	Notices	47
13	Alteration and Termination of Scheme.	48
14	Terms of Employment Unaffected	48
15	Duration of the Scheme	48
16	Taxes and Consents.	49
17	Costs and Expenses of the Scheme	49
18	Disclaimer of Liability	49
19	Disputes	49
20	Disclosures	49
21	Governing Law.	50

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

1. Name of Scheme

The Scheme shall be called the “Equation Share Option Scheme”

2. Definitions

(a) In this Scheme, unless the context otherwise requires, the following words and expressions shall have the following meanings:—

“Act”	The Companies Act, Chapter 50 of Singapore as amended or modified from time to time
“Adoption Date”	The date upon which this Scheme is adopted by the Company in a general meeting
“Aggregate Exercise Price”	The total amount payable for the Scheme Shares which may be acquired on the exercise of an Option
“Associate”	In relation to a person, means his or her spouse, child, adopted child, step-child, brother, sister or parent
“Associated Company”	A Company which is for the time being an Associated Company of the Company as defined in the Listing Manual, provided that at the Offer Date, the Company has control over the management of the Associated Company.
“Auditors”	The auditors of the Company for the time being
“Board”	The Board of Directors of the Company
“CDP”	The Central Depository (Pte) Limited
“Closing Date”	30 Days from the relevant Offer Date
“Commencement Date”	The date as set out in Rule 10.1 hereunder
“CPF”	Central Provident Fund
“Committee”	A committee duly authorised and appointed by the Board of Directors of the Company and comprising Directors of the Company, established for the purpose of administering the Scheme
“Company” or “Equation”	Equation Corp Limited
“Controlling Interest”	The interest of the Company’s Controlling Shareholder(s)
“Control”	The capacity to dominate decision making, directly or indirectly in relation to the financial and operating policies of the Company

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

“Controlling Shareholder”	A person who exercises Control over the Company. Unless rebutted, a person who controls directly or indirectly a shareholding interest of fifteen (15)% or more of the Company’s issued share capital shall be presumed to be a Controlling Shareholder of the Company
“Date of Grant”	The date on which an Option is granted to a Participant pursuant to the Option Scheme
“Depositor”	A person being a Depository Agent or holder of Securities Account maintained with CDP but does not include a holder of an account maintained with a Depository Agent
“Depository Agent”	An entity registered as a depository agent with CDP for the purpose of maintaining securities sub-accounts for its own account and for the account of others
“Depository Register”	A register maintained by CDP in respect of book entry securities
“Director”	A director (whether executive or non-executive), for the time being of the Company or its Subsidiary
“Employee”	A confirmed full-time employee of the Company or its Subsidiaries selected by the Committee to participate in the Scheme in accordance with Rule 4
“Executive Director”	A director who is a full-time employee of the Company or its Subsidiary
“Exercise Price”	The price at which a Participant shall subscribe for each Scheme Share upon the exercise of an Option as determined in accordance with Rule 5
“Financial Year”	Each period of twelve (12) months at the end of which period the profit and loss accounts and balance sheets of the Company are prepared and audited for the purpose of laying the same before an annual general meeting of the Company
“Group”	The Company and its Subsidiaries
“Listing Manual”	The Listing Manual of the SGX-ST, Section B: Rules of Catalist as amended or modified from time to time.
“Market Day”	A day on which the SGX-ST is open for trading in securities
“Market Price”	The weighted average of the last-dealt price for a Share, as determined by reference to the daily Official List published by the SGX-ST for the three (3) consecutive trading days immediately preceding the Date of Grant of Option.
“Month”	Calendar month

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

“Non-Executive Director”	A director (including an independent director) who does not perform any executive function in the Company or its Subsidiary
“Offer”	The Company’s offer to a Participant of an Option to subscribe for Shares under the Scheme.
“Offer Date”	The date on which an Offer is made to a Participant to participate in the Scheme
“Option”	The right to subscribe for the Scheme Shares granted or to be granted pursuant to this Scheme and for the time being subsisting
“Option Period”	Subject to Rules 6 and 7:– (a) In relation to Options which are exercisable at no discount to the Market Price, a period commencing twelve (12) months from the Date of Grant and expiring at the end of one hundred and twenty (120) months from the Date of Grant; and (b) In relation to Options which are exercisable at a discount to the Market Price, a period commencing twenty (24) months from the Date of Grant and expiring at the end of one hundred and twenty (120) months from the Date of Grant
“Participant”	The holder of an Option
“Record Date”	The date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares
“Scheme”	The Equation Share Option Scheme 2010, as the same may be amended from time to time
“Scheme Shares”	Shares to be issued pursuant to the Scheme
“SGX-ST”	The Singapore Exchange Securities Trading Limited.
“Shares”	Ordinary shares in the capital of the Company
“Shareholders”	A person who is named as a registered holder of the Shares from time to time and in the case of the Depositor, a person who is named as the Depositor in the Depository Register maintained by the CDP and into whose Securities Account those Shares are credited
“Subsidiary”	A company (wheresoever incorporated) which is for the time being a subsidiary of the Company as defined within the meaning of Section 5 of the Act

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

“Trading Day”	A day on which is for the time being a subsidiary of the Company within the meaning of the Companies Act
“Treasury Shares”	Has the meaning ascribed to it in Section 4 of the Act
“\$”	Singapore dollars
“%” or “per cent.”	Percentage or per centum

- (b) Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and *vice versa*. References to persons shall, where applicable, include corporations.
- (c) Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Listing Manual or any modification thereof and used in the Scheme shall have the meaning assigned to it under the Act or the SGX-ST Listing Manual or any modification thereof, as the case may be.
- (d) Any reference to a time of the day in the Scheme shall be a reference to Singapore time.
- (e) Unless the context otherwise requires, references to “Rules” are to rules of the Scheme.

3. Objectives of the Scheme

The Scheme is a share incentive scheme. The purpose of the Scheme is to allow persons (including Controlling Shareholders and their Associates) who are Employees, Executive Directors and Non-Executive Directors who have contributed significantly to the growth and development of the Group to have a personal stake in the Company at relatively low direct cost to the Company’s profitability. The Scheme will also help to achieve the following positive objectives:–

- (a) motivate the Participants to optimise their performance, efficiency and productivity to achieve higher levels of contribution to the Group and to work towards the growth and prosperity of the Group reflected through the growth in the price of the Shares, which ultimately benefits the Shareholders;
- (b) increase the competitiveness of the Group by giving it the option to use the Scheme as an additional component in its compensation and incentive package to attract and retain key staff whose contributions are important to the long-term growth and profitability of the Group;
- (c) instill a sense of loyalty in the staff with the view to achieving long-term prosperity for the Group;
- (d) to attract potential Employees and Directors with relevant skills to contribute to the Group and to create value for Shareholders; and
- (e) to align the interests of Participants with the interests of the Shareholders.

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

4. Grant of Options

- (a) The following persons shall be eligible to participate in the Scheme if he has attained the age of 21 years and is not an undischarged bankrupt on or before the relevant Date of Grant and is at the absolute discretion of the Committee, selected to participate in the Scheme:–
- (i) an Employee of the Company or its Subsidiary; and
 - (ii) a Director of the Company or its Subsidiary.
- (b) Participants who are Controlling Shareholders or Associates of Controlling Shareholders shall (notwithstanding that they may meet the eligibility criteria in Rule 4(a) above) not participate in the Scheme unless:–
- (i) their participation; and
 - (ii) the actual number of Shares and terms of any Option to be granted to them, have been approved by the independent Shareholders in general meeting in separate resolutions for each such person and, in respect of each such person, in separate resolutions for each of (i) his participation and (ii) the actual number of Shares and terms of any Option to be granted to him.
- For the purposes of obtaining such approval of the independent Shareholders, the Committee shall procure that the circular, letter or notice to the Shareholders in connection therewith shall set out the following:–
- (aa) clear justifications for the participation of such Controlling Shareholders or Associates of Controlling Shareholders; and
 - (bb) clear rationale for the number and terms (including the Exercise Price) of the Options to be granted to such Controlling Shareholders or Associates of Controlling Shareholder.
- (c) The Committee may, subject as provided in Rule 9, grant Options to the Participants as it may select in its absolute discretion at any time during the duration of the Scheme, provided that in the event that an announcement is made on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Options may only be granted on or after the second (2nd) Market Day from the date on which the aforesaid announcement is released.
- (d) The Letter of Offer to grant the Option shall be in or substantially in the form set out in Appendix A (subject to such modification as the Committee may from time to time determine). The Option shall be personal to the Participant to whom it is granted and shall not be transferred, charged or assigned, pledged or otherwise disposed of or encumbered, in whole or in part, but may be exercised by the Participant's legal personal representative(s) as provided in Rule 6(d) in the event of the death of the Participant.
- (e) Subject to any adjustment pursuant to Rule 10, the number of Shares in respect of which Options may be granted to a Participant pursuant to the Scheme shall be determined at the discretion of the Committee who shall take into account criteria such as the rank, performance, length of service of such Participant, and the services and/or contributions made by such Participant to the Group and the potential for such Participant making further contributions to the Group as well as the performance of Group.

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

- (f) The grant of an Option to a Participant under this Rule 4 shall be accepted by the Participant within thirty (30) days from the Date of Grant of that Option and not later than 5.00 p.m. on the thirtieth (30th) day from such Date of Grant by completing, signing and returning the Acceptance Form in or substantially in the form set out in Appendix B (subject to such modification as the Committee may from time to time determine), accompanied by payment of \$1.00 as consideration.
- (g) If a grant of an Option is not accepted in the manner as provided in Rule 4(e), such offer shall upon the expiry of the thirty (30) day period automatically lapse and shall be null and void and of no effect.

5. Exercise Price

Subject to any adjustment pursuant to Rule 10, the Exercise Price payable for each Share in respect of which an Option is exercisable shall be determined by the Committee in its absolute discretion, on the Date of Grant, at:

- (a) the Market Price; or
- (b) a price which is set at a discount to the Market Price, provided that:–
 - (i) the maximum discount shall not exceed twenty per cent. (20%) of the Market Price. The Committee shall have the sole and absolute discretion to determine the exact amount of discount to each Participant; and
 - (ii) the Shareholders shall have authorised the making of offers and grants of Options under the Scheme at a discount not exceeding the maximum discount as aforesaid,

6. Right to Exercise Option

- (a) Subject as provided in this Rule 6 and in Rule 7 and Rule 8, an Option shall be exercisable, in whole or in part, after twenty four (24) months from the Date of Grant of that Option but before one hundred and twenty (120) months from the Date of Grant of that Option (in the case where the Option is granted at a discount), or after twelve (12) months from the Date of Grant of that Option but before one hundred and twenty (120) months from the Date of Grant of that Option (in the case where the Option is not granted at a discount).
- (b) An Option shall, to the extent unexercised, immediately lapse and become null and void without any claim against the Company:–
 - (i) subject to Rules 6(c) and (d) hereof, upon the Participant ceasing to be in full-time employment of the Group for any reason whatsoever; or
 - (ii) 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 Option; or
 - (iii) in the event of misconduct on the part of the Participant as determined by the Committee in its absolute discretion or if the Participant commits any breach of any of the terms of his Option.

For the purpose of this Rule 6(b)(i), a Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

to him, unless such notice shall be withdrawn prior to its effective date. In determining the employment period of the Participant, any period during which the Participant was previously employed by any company within the Group or an associated company of the Company or of the company to which the Participant has been seconded as contemplated by this Scheme shall be taken into account. For the avoidance of doubt, where the Participant is a Non-Executive Director of the Company, the cessation of his appointment as a Director of the Company shall be treated as equivalent to the cessation of the full time employment of an employee within the Group. Hence, subject to Rules 6(c) and 6(d) below, upon the cessation of the appointment of a Non-Executive Director, any option granted to him under this Scheme shall lapse.

- (c) If a Participant ceases to be employed by the Group by reason of ill-health, injury, disability (in each case evidenced to the satisfaction of the Committee), redundancy, retirement or for any other reason approved in writing by the Committee, he may exercise his Option within the period of six (6) months after the date of such cessation of employment or before the expiry of the relevant Option Period, whichever is earlier, or such other period as approved by the Committee in writing, and upon the expiry of such period, the Option shall lapse and become null and void.
- (d) If the Participant dies and at the date of his death holds any unexercised Option, such Option may, at the discretion of the Committee, be exercised by the duly appointed legal personal representative(s) of the Participant within the period of twelve (12) months after his death or before the expiry of the relevant Option Period, whichever is earlier, and upon the expiry of such period, the Option shall lapse and become null and void.
- (e) For the avoidance of doubt, any Option which is permitted to be exercised by reason of Rules 6(c) or 6(d) shall be so capable of being exercised notwithstanding that the exercise thereof may take place prior to the commencement of the Option Period.

7. Take-over, Change of Control and Winding-Up of the Company

- (a) In the event of a take-over offer being made for the Shares and such offer becoming or being declared unconditional, a Participant shall, subject to Rule 7(f) below, be entitled to exercise any Option then held by him within six (6) months of the date on which such offer becomes or is declared unconditional or until the expiry of the Option Period relating thereto, whichever is the earlier, after which all Options, to the extent unexercised, shall lapse and become null and void. Provided that if during such period of six (6) months, a party becomes entitled or bound to exercise rights of compulsory acquisition of the Shares under the provisions of the Act and gives notice to the Participant that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participant until that specified date or until the expiry of the Option Period relating thereto, whichever is the earlier, after which all Options, to the extent unexercised, shall lapse and become null and void.
- (b) In the event of another person (such expression to include bodies corporate and unincorporate and persons acting in concert) acquiring control of the Company, each Participant shall be entitled to exercise any Option then held by him in the period commencing on the date on which the change of control occurs and ending on either the expiry of six (6) months thereafter or the date of the expiry of the Option Period, whichever is the earlier, after which all Options, to the extent unexercised, shall lapse and become null and void.

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

- (c) If under the Act the court sanctions a compromise or arrangement, proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant shall be entitled, subject to Rule 6(b) above and Rule 7(f) below, to exercise any Option then held by him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), after which the Option, to the extent unexercised, shall lapse and become null and void. Provided always that the date of exercise of the Option shall be before the fifth anniversary of the Date of Grant.
- (d) In the event of a members' solvent voluntary winding-up (other than for amalgamation or reconstruction), each Participant shall be entitled to exercise any Option then held by him within thirty (30) days of the passing of the resolution of such winding-up or before the expiry of the Option Period relating thereto, whichever is the earlier, after which all Options, to the extent unexercised shall, subject to Rule 7(f) below, lapse and become null and void.
- (e) If an order is passed for the winding-up of the Company on the basis of its insolvency (whether voluntary or involuntary), all Options, to the extent unexercised, shall lapse and become null and void.
- (f) If in connection with making of a general offer referred to in Rule 7(a) or the change of control referred to in Rule 7(b) or the scheme referred to in Rule 7(c) or the winding-up referred to in Rule 7(d), arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, which is not then exercisable, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 7.
- (g) For the avoidance of doubt, any Option which is permitted to be exercised by reason of Rules 7(a), 7(b), 7(c), and 7(d) shall be so capable of being exercised notwithstanding that the exercise thereof may take place prior to the commencement of the Option Period.

8. Exercise of Options, Allotment and Listing of Shares

- (a) An Option may be exercised, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), by a Participant giving a notice in writing to the Company in the form or substantially in the form set out in Appendix C (subject to such modification as the Committee may from time to time determine). Such notice must be accompanied by a remittance for the Aggregate Exercise Price and any other documentation the Committee may require. All payments pursuant to this Rule shall be made by cheque, cashier's order, bank draft or postal order made out in favour of the Company. An Option shall be deemed to be exercised upon the receipt by the Company of the said notice duly completed and the Aggregate Exercise Price.
- (b) The exercise of an Option (including the time and manner of such exercise) shall be subject to and carried out in accordance with any guidelines that may from time to time be prescribed by the Committee. The Company further reserves the right to treat any exercise as invalid where it has reason to believe that such exercise would or may infringe any applicable guidelines of the SGX-ST.

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

- (c) Subject to prevailing legislation and guidelines issued by the SGX-ST, the Company will deliver Shares to Participants in relation to the exercise of an Option, either by way of an issue of new Shares, deemed to be fully paid upon their issuance and allotment, or the delivery of Treasury Shares. In determining whether to issue new Shares or deliver Treasury Shares, the Company will take into account factors such as (but not limited to) the amount of cash available, the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of the various modes of settlement.
- (d) The Company shall, as soon as practicable after the exercise of an Option by a Participant but in any event within 10 Market Days after the date of the exercise of the Option in accordance with Rule 8(a), allot and issue or procure the delivery or transfer, as the case may be, of the relevant Scheme Shares in respect of which the Option has been exercised by the Participant and within five (5) Market Days from the date of such allotment or transfer, deliver the relevant share certificates to CDP for the credit of the Securities Account of that Participant by ordinary post or such other mode of delivery as the Committee may deem fit.
- (e) Where new Shares are allotted pursuant to this Rule, the Company shall, as soon as practicable, apply to the SGX-ST and/or any other stock exchange on which the Shares are quoted, for the listing and quotation of the Scheme Shares.
- (f) Shares which are allotted or transferred on the exercise of an Option to a Participant shall be transferred or issued respectively in the name of CDP to the credit of the securities account of that Participant maintained with CDP or the securities sub-account maintained by the Participant with a Depository Agent.
- (g) Shares which are allotted on the exercise of an Option to a Participant shall be subject to all the provisions of the Articles of Association of the Company (including all provisions thereof relating to the voting, dividend, transfer and other rights attached to the Shares, including those rights which arise from a liquidation of the Company), and shall rank *pari passu* in all respects with other of the then existing issued Shares, save for any dividends, rights, allotments or other distributions, the Record Date of which falls on or prior to the date of exercise of the Option.

9. Limitations on the Size of the Scheme

- (a) The aggregate number of Scheme Shares over which the Committee may grant Options on any date under the Scheme, when added to the number of Shares issued and/or issuable in respect of any other share option or share scheme of the Company then in force shall not exceed 15% of the total issued shares capital of the Company (excluding treasury shares) from time to time.
- (b) The aggregate number of Scheme Shares over which Options may be granted under the Scheme to Controlling Shareholders and/or their Associates shall not exceed 25% of the Scheme Shares available under the Scheme, and the number of Scheme Shares over which an Option may be granted under the Scheme to each Controlling Shareholder and/or his Associate shall not exceed 10% of the Scheme Shares available under the Scheme.

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

10. Alteration of Capital

- (a) If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, or a reduction, sub-division or consolidation of the existing Shares) shall take place, then:–
- (i) the Exercise Price for the Shares; and/or
 - (ii) the class and/or number of Shares comprised in an Option to the extent unexercised; and/or
 - (iii) the class and/or number of Shares over which additional Options may be granted to the Participants,

shall be adjusted in such manner as the Committee may determine to be appropriate and except in relation to a capitalisation issue, upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable.

- (b) Unless the Committee considers an adjustment to be appropriate, the following (whether singly or in combination) shall not be regarded as events requiring adjustment:–
- (i) any issue of securities as consideration for an acquisition or a private placement of securities;
 - (ii) any increase in the number of issued Shares as a consequence of the exercise of options or other convertibles issued from time to time by the Company entitling holders thereof to subscribe for new Shares in the capital of the Company (including the exercise of any Options granted pursuant to this Scheme);
 - (iii) any issue of Shares pursuant to any scrip dividend scheme for the time being of the Company; and
 - (iv) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased by the Company by way of market purchase(s) effected on SGX-ST pursuant to a share purchase mandate (or any renewal thereof) given by the shareholders of the Company in general meeting and for the time being in force.
- (c) No such adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive; and unless the Committee, after considering all relevant circumstances, considers it equitable to do so.
- (d) Upon any adjustment made pursuant to this Rule 10, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing informing him (or his duly appointed personal representatives where applicable) of the Exercise Price thereafter in effect and the nominal amount, class and/or number of Scheme Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

11. Administration of Scheme

- (a) The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the board of directors of the Company.
- (b) The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as they think fit.
- (c) Any decision of the Committee, made pursuant to any provisions of the Scheme (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to interpretation of the Scheme or any rule, regulation or procedure thereunder or as to any rights under the Scheme). Provided that a member of the Committee shall abstain from voting where the Committee is deliberating on whether an Option shall be granted to him pursuant to the Scheme or on any matter relating to the Scheme in which such member is interested.
- (d) All determinations or actions of the Committee with respect to the interpretation and/or implementation of the Scheme shall be by the affirmative vote of the majority of the members thereof or by way of a written instrument signed by a majority of the members of the Committee. In the latter case, the determination or actions so taken shall be as fully effective as if they had been taken by a vote of the majority of the members of the Committee at a meeting duly called and held. Only in the event of a tie shall the Chairman of the Committee be requested to cast his vote, otherwise, a simple majority of the members of the Committee shall suffice.

12. Notices

- (a) A Participant shall not by virtue of any unexercised Option be entitled to receive copies of any notices or other documents sent by the Company to the holders of Shares.
- (b) Any notice or other communication between the Company and a Participant may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its registered office at 8 Cross Street #11-00, PwC Building, Singapore 048424 and, in the case of the Participant, his address as notified by him to the Company from time to time.
- (c) Any notice or other communication sent by post:–
 - (i) by the Company shall be deemed to have been received twenty-four (24) hours after the same was put in the post properly addressed and stamped;
 - (ii) by the Participant shall be deemed to have been received when the same is delivered to the Company at its registered office at 8 Cross Street #11-00, PwC Building, Singapore 048424.

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

13. Alteration and Termination of Scheme

- (a) Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee except that:–
- (i) no modification or alteration shall alter adversely the rights attaching to any Options granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters (3/4) in nominal amount of all the Shares which would be issued and allotted upon exercise in full of all outstanding Options;
 - (ii) the definitions of “Associate”, “Controlling Shareholder”, “Employee”, “Participant”, “Committee” and “Exercise Price” and the provisions of Rules 4, 5, 6, 7, 8(e), 9, 10, 11 and this Rule 13 shall not be altered to the advantage of Participants except with the prior sanction of the Company in general meeting; and
 - (iii) no modification or alteration shall be made without the prior approval of the SGX-ST or any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary.
- (b) Written notice of any modification or alteration made in accordance with this Rule shall be given to all Participants but omission to give notice to any Participant shall not invalidate any such amendments.
- (c) Notwithstanding anything to the contrary contained in Rule 13(a), 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 Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the requirements of any regulatory or other relevant authority or body (including the SGX-ST).
- (d) The Scheme may be terminated at any time by the Committee or by ordinary resolution of the Shareholders in general meeting and if the Scheme is so terminated no further Options shall be offered by the Company hereunder but the then existing rights of Participants under the Scheme shall not thereby be affected.

14. Terms of Employment Unaffected

Where the Participant is employed by the Company or its Subsidiaries, the terms of employment of a Participant shall not be affected by his participation in the 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 for any reason.

15. Duration of the Scheme

The Scheme shall continue for a period of ten (10) years commencing from the Adoption Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may be required.

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

The expiry of the Scheme shall not affect Options which have been granted and accepted as provided in Rule 4, whether such Options have been exercised (whether fully or partially) or not.

16. Taxes and Consents

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Scheme shall be borne by that Participant. The Participant shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or exercise of the relevant Option.

17. Costs and Expenses of Scheme

- (a) The Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Scheme Shares in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent.
- (b) Save for the taxes referred to in Rule 16 and the fees referred to in Rule 17(a) above, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment of the Shares of the Company pursuant to the exercise of any Option shall be borne by the Company.

18. Disclaimer of Liability

Notwithstanding any provisions contained herein and subject to the Act, 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 procuring the listing of the Shares on the SGX-ST in accordance with Rule 8(c) (and any other stock exchange on which the Shares are quoted or listed).

19. Disputes

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

20. Disclosures

- 20.1 In accordance with the Listing Manual, the Company shall, on any grant of Option(s) make an announcement providing details of the grant, including the date of grant, exercise price of Option(s) granted, number of Option(s) granted, market price of its securities on the date of grant, number of Option(s) granted to directors and controlling shareholders (and their associates), if any, and validity period of the Option(s).
- 20.2 The Company shall further make the following disclosures in its annual report to shareholders:—
 - (a) the names of the members of the Committee;

APPENDIX 1 — RULES OF THE EQUATION EMPLOYEE SHARE OPTION SCHEME

- (b) the information required in the table below for the following participants of the Scheme:—
 - (i) Directors;
 - (ii) Participants who are Controlling Shareholders and their Associates; and
 - (iii) Participants, other than those in (i) and (ii) above, who receive five (5)% or more of the total number of Options available under the Scheme;

Name of Participant	Options granted during the financial year under review	Aggregate Options granted since commencement of the Scheme to the end of financial year under review	Aggregate Options exercised since commencement of the Scheme to the end of financial year under review	Aggregate Options outstanding as at the end of financial year under review

- (c) in respect of the Options granted during the Financial Year under review, the number and proportion of Options granted at a discount, in respect of every ten (10)% discount range, up to the maximum discount of twenty (20)%.

Provided that if any of the above requirements is not applicable, an appropriate negative statement should be included therein.

21. Governing Law

The Scheme shall be governed by and construed in accordance with the laws of the Republic of Singapore. The Company and the Participants, by participating in the Scheme agree to irrevocably submit to the exclusive jurisdiction of the courts of Singapore.

EQUATION SHARE OPTION SCHEME 2010
LETTER OF OFFER

PRIVATE & CONFIDENTIAL

Serial No: _____

[Date]

To : [Name]
 [Designation]
 [Address]

Dear Sir/Madam

We have the pleasure of informing you that you have been nominated by the Committee of the Board of Directors of Equation Corp Limited (the "Company") to participate in the **EQUATION EXECUTIVES' SHARE OPTION SCHEME 2010** (the "Scheme").

Accordingly, an offer is hereby made to grant you an option in consideration of the payment of the sum of \$1.00, to subscribe and be allotted _____ ordinary shares in the capital of the Company (the "Shares") at the price of \$ _____ per share (the "Option"). The Option shall be subject to the terms of this letter and the Scheme (as the same may be amended from time to time).

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of or encumbered, in whole or in part, to any person and whomsoever unless approved by the Committee.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of \$1.00 not later than 5:00 p.m. on the _____ day of _____ 20_____, failing which this offer will lapse.

Yours faithfully
For and on behalf of
The Board of Equation Corp Limited

Enc.

EQUATION SHARE OPTION SCHEME 2010
ACCEPTANCE FORM

PRIVATE & CONFIDENTIAL

Serial No: _____

To : The Company Secretary
Equation Corp Limited
300 Jalan Bukit Ho Swee
The Equation
Singapore 169566

Closing Time and Date for :
Acceptance of Offer

Number of Shares in respect of which :
Option is Offered

Exercise Price per Share : \$ _____

Total Amount Payable : \$ _____

I have read your Letter of Offer dated [Date of Grant] and agree to be bound by the terms of the Letter of Offer and the Rules of the **EQUATION EXECUTIVES' SHARE OPTION SCHEME 2010**.

I hereby accept the Option to subscribe for _____ ordinary shares in the capital of the Company at the price of \$ _____ per share. I enclose a **cheque/cashier's order/bank draft/postal order for \$1.00 in payment for the consideration for the Option.

I understand that:-

- (i) I am not obliged to exercise the Option; and
- (ii) if I exercised the Option to subscribe for shares in the Company, I shall notify the Company Secretary or any other person authorised in writing by the Directors of the Company within 24 hours of my disposal of the shares (or any part thereof) arising from the exercise of the Option, stating the date of transaction, the transaction price and the number of shares disposed of and such other information as the Company may require.

I confirm that as the date hereof, I am not less than 21 years old or an undischarged bankrupt.

I further acknowledge that you have not made any representation or warranty to induce me to accept the Offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the Offer.

I agree to keep confidential all information relating to the grant of the Option to me.

Please print in block letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

Identification No./Passport No. : _____

Signature : _____

Date : _____

Note:—

Shares must be accepted in full or in multiples of 1,000.

EQUATION SHARE OPTION SCHEME 2010
EXERCISE OF OPTION TO SUBSCRIBE

PRIVATE & CONFIDENTIAL

Serial No: _____

To : The Company Secretary
Equation Corp Limited
300 Jalan Bukit Ho Swee
The Equation
Singapore 169566

Total number of ordinary shares of \$ each ("Shares") offered under the Scheme on [Date of Grant] : _____

Number of Shares previously issued and allotted thereunder : _____

Outstanding balance of Shares to be issued and allotted thereunder : _____

Number of Shares now to be subscribed : _____

Exercise Price per Share : _____

Pursuant to your Letter of Offer dated [Date of Grant] and my acceptance thereof, I hereby exercise the Option (as defined under the Scheme) to subscribe for _____ Shares (in multiples of 1,000) in the capital of Equation Corp Limited (the "Company") at \$ _____ per Share.

I enclose a **cheque/cashier's order/bank draft/postal order no. _____ for \$ _____ being the aggregate exercise price in payment for the subscription of the Shares.

I agree to subscribe for the Shares subject to the terms of the Letter of Offer, the **EQUATION SHARE OPTION SCHEME 2010** and the Memorandum of Association and the Articles of Association of the Company.

I declare that I am subscribing for the Shares for myself and not as a nominee for any other person.

I request that the Company allot and issue the Shares in the name of The Central Depository (Pte) Limited ("CDP") and to deliver to CDP the share certificate(s) for the Shares for credit into my securities account as specified below and I undertake to bear such fees or other charges as may be imposed by CDP in connection with the foregoing:—

(i) Direct Securities Account No.: _____

or

(ii) Securities sub-account No. and the name of the Depository Agent

Securities sub-account No.: _____

Name of Depository Agent: _____

or

(iii) CPF investment account No. and the name of the CPF agent bank

CPF investment account No.: _____

Name of CPF agent bank: _____

Please print in block letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

Identification No./Passport No. : _____

Signature : _____

Date : _____

NOTICE OF EXTRAORDINARY GENERAL MEETING

EQUATION CORP LIMITED

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the shareholders of Equation Corp Limited ("**Company**") will be held at 300 Jalan Bukit Ho Swee, The Equation, Singapore 169566, on 28 October 2010, at 11:30 a.m., or as soon thereafter following the conclusion or adjournment of the 34th Annual General Meeting of the Company to be held at 10.30 a.m. on the same day and at the same place, for the purpose of considering and, if thought fit, passing with or without amendment, the ordinary resolutions as set out below. All capitalised terms used in this notice which are not defined herein shall have the meanings ascribed to them in the circular dated 11 October 2010 to shareholders of the Company.

ORDINARY RESOLUTIONS:

1. PROPOSED ADOPTION OF THE EQUATION SHARE OPTION SCHEME 2010

That the share option scheme to be known as the Equation Share Option Scheme 2010 ("**Option Scheme**"), the rules of which have been set out in the circular to Shareholders dated 11 October 2010 ("**Circular**"), be and is hereby approved and adopted substantially in the form set out in the rules of the Option Scheme, and the Directors of the Company be and are hereby authorised:

- (a) to establish and administer the Option Scheme;
- (b) to modify and/or amend the Option Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Option Scheme and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Option Scheme; and
- (c) to offer and grant Option(s) in accordance with the rules of the Option Scheme and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the Option(s) under the Option Scheme.

2. THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTIONS AT A DISCOUNT UNDER THE OPTION SCHEME

That subject to and contingent upon the passing of Ordinary Resolution No. 1, the Directors of the Company be and are hereby authorised to offer and grant Options in accordance with the rules of the Option Scheme with exercise prices set at a discount to the Market Price (as defined below); provided that such discount shall not exceed twenty per cent. (20%) of the Market Price.

In this notice, "**Market Price**" means the price equal to the average of the last dealt prices for a Share on the SGX-ST over the three (3) consecutive Market Days immediately preceding the date of grant of that Option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST, rounded up to the nearest whole cent in the event of fractional prices.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. THE PROPOSED PARTICIPATION OF MR. CHNG WENG WAH IN THE OPTION SCHEME

That, subject to and contingent upon the passing of Ordinary Resolution Nos. 1 and 2, the participation of Mr. Chng Weng Wah, a Controlling Shareholders in the proposed Option Scheme and in accordance with the rules thereof be and is hereby approved.

4. THE PROPOSED PARTICIPATION OF MR. CHNG WENG HUAT IN THE OPTION SCHEME

That, subject to and contingent upon the passing of Ordinary Resolution Nos. 1 and 2, the participation of Mr. Chng Weng Huat, an associate of a Controlling Shareholder in the proposed Option Scheme and in accordance with the rules thereof be and is hereby approved.

5. THE PROPOSED GRANT OF OPTIONS UNDER THE EQUATION SHARE OPTION SCHEME 2010 TO MR. CHNG WENG HUAT, AN ASSOCIATE OF A CONTROLLING SHAREHOLDER OF THE COMPANY

That, subject to and contingent upon the passing of Ordinary Resolution Nos. 1, 2 and 4, the proposed offer and grant to Mr. Chng Weng Huat, an Associate of a Controlling Shareholder of the Company, of an Option to subscribe for up to 250,000 Shares at a twenty per cent. (20%) discount to the Market Price, which shall be issued within 6 month from the date of the EGM pursuant to and in accordance with the rules of the Option Scheme.

6. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

“That:

- (a) for the purposes of Sections 76C and 76E of the Act, 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 (“**Shares**”), up to a maximum of ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of the passing of this Resolution at such price or prices as may be determined by the Directors from time to time at their discretion, up to but not exceeding the Maximum Price (as hereafter defined), and such purchases and acquisitions of the Shares may be effected by way of:–
 - (i) On-market purchases (“**Market Purchases**”) transacted on the SGX-ST through the ready market trading system through one or more duly licensed dealers appointed by the Company for the purpose; and/or
 - (ii) Off-market purchases (“**Off-Market Purchases**”) effected otherwise than on the SGX-ST in accordance with an equal access scheme(s) available to all Shareholders, as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act (Chapter 50) of Singapore and the Rules of Catalist.

(“Share Purchase Mandate”);

- (b) the Share Purchase Mandate shall, unless varied or revoked 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;

NOTICE OF EXTRAORDINARY GENERAL MEETING

(c) in this Resolution:

“Average Closing Price” means the average of the last dealt prices of a Share for the 5 Market Days on which the Shares are transacted on 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 Rules of Catalist, for any corporate action that occurs after the relevant 5-day period;

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

“Maximum Price” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed (i) in the case of a Market Purchase of a Share, one hundred and five per cent. (105%) of the Average Closing Price of the Shares; and (ii) in the case of an Off-Market Purchase of an Share, one hundred and ten per cent. (110%) of the Average Closing Price of the Shares;

(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.”

All capitalised terms used in this Notice of EGM which are not defined herein shall have the same meaning ascribed to them in the Circular to Shareholders dated 11 October 2010.

BY ORDER OF THE BOARD

Ms Joanna Lim Lan Sim
Company Secretary
11 October 2010

Notes:

1. A member of the Company entitled to attend and vote at the Meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as percentage of the whole) to be represented by each proxy.
3. The instrument appointing a proxy or proxies must be deposited together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof must be lodged 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 Extraordinary General Meeting.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
5. A corporation which is a member may, by resolution of its directors or other governing body, appoint such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

EQUATION CORP LIMITED

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

IMPORTANT:

1. For investors who have used their CPF monies to buy shares in the Company, this Circular is sent to them at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. This Proxy Form is therefore, 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 member/members of Equation Corp Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting (the "Meeting") of the Company to be held at 300 Jalan Bukit Ho Swee, The Equation, Singapore 169566 on 28 October 2010 at 11.30 a.m. (or as soon thereafter following the conclusion or adjournment of the 34th Annual General Meeting of the Company to be held at 10.30 a.m. on the same day and at the same place) and at any adjournment or postponement thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment or postponement thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

Ordinary Resolutions	For	Against
Proposed Adoption Of The Equation Share Option Scheme 2010 (Resolution 1)		
The Proposed Grant Of Authority To Offer And Grant Options At A Discount Under The Option Scheme (Resolution 2)		
The Proposed Participation Of Mr. Chng Weng Wah In The Option Scheme (Resolution 3)		
The Proposed Participation Of Mr. Chng Weng Huat In The Option Scheme (Resolution 4)		
The Proposed Grant Of Options Under The Equation Share Option Scheme 2010 To Mr Chng Weng Huat, An Associate Of A Controlling Shareholder Of The Company (Resolution 5)		
The Proposed Renewal Of The Share Purchase Mandate (Resolution 6)		

Dated this _____ day of _____ 2010

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable

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

IMPORTANT: PLEASE READ NOTES ON THE REVERSE



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in section 130A of the Act, Chapter 50 of Singapore), you should insert the number of Shares. If you have Shares registered in your name in the Depository Register and Shares registered in your name in the Register of Shareholders, you should insert the aggregate number of Shares entered against your name in the Depository Register and the number of Shares registered in your name in the Register of Shareholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A Shareholder of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or more proxies to attend and vote in his stead.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at **8 Cross Street #11-00, PwC Building, Singapore 048424**, not less than forty-eight (48) hours before the time set for the Extraordinary General Meeting.
4. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney shall be notarised. The notarised letter or power of attorney together with the proxy form shall be deposited at the registered office of the Company at **8 Cross Street #11-00, PwC Building, Singapore 048424**; failing which the instruments will be treated as invalid.
5. Where a number of proxies have been appointed, the instrument shall specify the proportion of votes as to be represented by each proxy. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his 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 its duly appointed attorney or a duly authorised officer.
7. Where a Shareholder is a legal person, its legal representative, or such other person authorised by a resolution of its board of directors or other decision-making body, shall act as its corporate representative in attending the meeting.
8. A proxy need not be a member of the Company.
9. The submission of an instrument or form appointing a proxy by a member of the Company does not preclude him from attending and voting in person at the EGM if he is able to do so.
10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Shareholder, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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