

LETTER TO SHAREHOLDERS DATED 5 SEPTEMBER 2018

THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO ITS CONTENTS OR THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Unless otherwise stated, capitalised terms on this cover are defined in this Letter under the Section entitled "Definitions".

If you have sold or transferred all your Shares, you should immediately forward this Letter to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Letter.



CH OFFSHORE LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 197600666D)

LETTER TO SHAREHOLDERS

IN RELATION TO

(A) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

(B) THE PROPOSED CHANGE OF AUDITORS

This Letter is issued to Shareholders together with the 2018 Annual Report. The resolution proposed to be passed in relation to the above matter is set out in the Notice of AGM attached to the 2018 Annual Report.

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DEFINITIONS

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

Companies, Organisations, Persons and Agencies

“CDP”	:	The Central Depository (Pte) Limited
“Company”	:	CH Offshore Ltd.
“Group”	:	The Company and its subsidiaries
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

General

“2018 AGM”	:	Shall have the meaning ascribed to it in Section 1 of this Letter
“2018 Annual Report”	:	The annual report of the Company for the financial year ended 30 June 2018
“ACRA”	:	The Accounting and Corporate Regulatory Authority of Singapore
“AGM”	:	The annual general meeting of the Company
“Audit Committee”	:	The audit committee as at the date of this Letter, being Thia Peng Heok, George, Tan Kian Huay and Tan Sooh Whye
“Auditors”	:	The auditors of the Company as appointed from time to time
“Average Closing Price”	:	Shall have the meaning ascribed to it in Section 3.4 of this Letter
“Board”	:	The board of Directors of the Company
“BT Group”	:	Shall have the meaning ascribed to it in Section 8.4(b) of this Letter
“BTI”	:	BT Investment Pte. Ltd.
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as may be amended or modified from time to time
“concert parties”	:	Shall have the meaning ascribed to it in the Take-over Code

DEFINITIONS

“Concert Party Group”	:	Shall have the meaning ascribed to it in Section 8.4(a) of this Letter
“Constitution”	:	The constitution of the Company, as amended or modified from time to time
“day of the making of the offer”	:	Shall have the meaning ascribed to it in Section 3.4 of this Letter
“Deloitte”	:	Deloitte & Touche LLP
“Directors”	:	The directors of the Company for the time being
“EY”	:	Ernst & Young LLP
“Highest Last Dealt Price”	:	Shall have the meaning ascribed to it in Section 3.4 of this Letter
“Latest Practicable Date”	:	20 August 2018, being the latest practicable date prior to the printing of this Letter
“Letter”	:	This Letter to Shareholders dated 5 September 2018
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time
“Listing Rules”	:	The listing rules of the SGX-ST as set out in the Listing Manual, as amended or modified from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Market Purchases”	:	Shall have the meaning ascribed to it in Section 3.3(a) of this Letter
“Maximum Price”	:	Shall have the meaning ascribed to it in Section 3.4 of this Letter
“MUCO”	:	Shall have the meaning ascribed to it in Section 8.4 of this Letter
“NAV”	:	Net asset value
“Notice of AGM”	:	Notice of AGM of the Company dated 5 September 2018 convening the 2018 AGM
“Off-Market Purchases”	:	Shall have the meaning ascribed to it in Section 3.3(b) of this Letter

DEFINITIONS

“Proposed Change of Auditors”	:	The proposed change of Auditors from Deloitte & Touche LLP to Ernst & Young LLP
“Registrar”	:	The Registrar of Companies appointed under the Companies Act and includes any Deputy or Assistant Registrar of Companies
“Related Expenses”	:	Has the meaning ascribed to it in Section 3.4 of this Letter
“Relevant Period”	:	The period commencing from the date of the 2018 AGM, being the date on which the Share Buyback Mandate is passed, if approved by the Shareholders, and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date the resolution relating to the Share Buyback Mandate is passed
“Required Price”	:	In relation to the offer required to be made pursuant to: (a) the Share Buyback Mandate, refers to the price which shall be determined in accordance with Note 4 of Appendix 2 to the Take-over Code; and (b) Rule 14.1 of the Take-over Code, refers to the price which shall be determined in accordance with Rule 14.3 of the Take-over Code.
“Securities Account”	:	The securities account maintained by a Depositor with the CDP, but does not include a securities sub-account maintained with a Depository Agent
“Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time
“Share Buyback Mandate”	:	A general mandate given by Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, Shares in accordance with the terms set out in the Letter as well as the rules and regulations set forth in the Companies Act and the Listing Manual
“Shareholders”	:	Registered holders of Shares, except where the registered holder is the CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
“Shares”	:	Ordinary shares in the share capital of the Company
“SIC”	:	Securities Industry Council

DEFINITIONS

“ Substantial Shareholder ”	:	A person who has an interest in one or more voting shares of the Company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the Company
“ Take-over Code ”	:	The Singapore Code on Take-overs and Mergers, as may be amended or modified from time to time
“ usage ”	:	Has the meaning ascribed to it in Section 4.2 of this Letter

Units of Measurement, Currencies and Countries

“ S\$ ” and “ cents ”	:	Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore
“ US\$ ” and US cents ”	:	United States dollars and cents respectively, the lawful currency of the United States of America
“ % ” or “ per cent. ”	:	Per centum or percentage

The expressions “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in the Securities and Futures Act. The terms “**subsidiary**”, “**subsidiary holdings**” and “**treasury shares**” shall have the meanings ascribed to them in the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*.

Words importing persons shall, where applicable, include corporations and unincorporated associations.

Any reference in this Letter to “**Rule**” or “**Chapter**” is a reference to the relevant rule or chapter in the Listing Manual as for the time being amended.

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

Any reference to a time of day in this Letter shall be a reference to Singapore time unless otherwise provided.

Any discrepancies in the tables included in this Letter between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

LETTER TO SHAREHOLDERS

CH OFFSHORE LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No.197600666D)

Directors

Thia Peng Heok, George (*Non-Executive Independent Chairman*)
Tan Pong Tyea (*Executive Director*)
Tan Sooh Whye (*Non-Executive Director*)
Tan Kian Huay (*Non-Executive Independent Director*)
Dr Benety Chang (*Non-Executive Director*)
Ms Jeanette Chang (*Non-Executive Director*)
Mr Heath McIntyre (*Non-Executive Director*)
Mr Tan Kiang Kherng (*Non-Executive Director*)

Registered Office

10 Anson Road
#33-15
International Plaza
Singapore 079903

5 September 2018

To: The Shareholders of CH Offshore Ltd.

Dear Sir/Madam

(A) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

(B) THE PROPOSED CHANGE OF AUDITORS

1. INTRODUCTION

We refer to the Notice of AGM and in particular:

- (a) the ordinary resolution 11 under the heading “Special Business” in relation to the proposed renewal of the Share Buyback Mandate; and
- (b) the ordinary resolution 8 in relation to the Proposed Change of Auditors.

The purpose of this Letter is to provide Shareholders with the relevant information relating to, and to explain the rationale for, the proposed renewal of the Share Buyback Mandate and the Proposed Change of Auditors, both for which approval of Shareholders will be sought at the Forty-Second AGM to be held on 21 September 2018 (the “**2018 AGM**”).

This Letter has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than Shareholders to whom this Letter is despatched by the Company) or for any other purpose.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Letter.

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2. PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1. General

Under the Companies Act, a company may purchase or acquire its own shares, stocks and/or preference shares if it is expressly permitted to do so by its Constitution. Article 3(B) of the Constitution expressly permits the Company to, *inter alia*, purchase or otherwise acquire any of its issued Shares. It is also a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares should obtain approval from its shareholders to do so at a general meeting of its shareholders.

At the last AGM held on 27 September 2017, Shareholders had approved the renewal of the Share Buyback Mandate to enable the Company to purchase or otherwise acquire its issued Shares on the terms of the said Share Buyback Mandate. The approval conferred on the Directors will, unless renewed, expire at the 2018 AGM.

In this regard, approval is now being sought from Shareholders at the 2018 AGM for the proposed renewal of the Share Buyback Mandate.

2.2. Rationale

The Directors constantly seek to increase shareholder value and to improve, *inter alia*, the return on equity of the Group. A share buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced. Share buybacks provide the Company with a mechanism to facilitate the return of surplus cash/funds over and above its ordinary capital requirements, and in excess of the financial and possible investment needs of the Group, in an expedient, effective and cost-efficient manner. It will also provide the Directors with greater flexibility over the Company's dividend policy and share capital structure with a view to enhancing the earnings and/or NAV per Share. The Directors further believe that share buybacks by the Company will help mitigate short term market volatility, offset the effects of short-term speculation and bolster Shareholder confidence.

While the Share Buyback Mandate would authorise a purchase or acquisition of Shares up to the 3.26% limit described in Section 3.1 below during the period referred to in Section 3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full 3.26% limit as authorised, and will be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST.

The Directors will ensure that after a purchase or acquisition of Shares pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

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3. AUTHORITY AND LIMITS OF THE SHARE BUYBACK MANDATE

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are similar in terms to those previously approved by Shareholders at the AGM held on 27 September 2017, save in relation to the maximum number of Shares which may be purchased or acquired by the Company, which is proposed to be lowered from 10% to 3.26%. Further details of the authority and limits of the Share Buyback Mandate are summarised below.

3.1. Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. Subject to the Companies Act, the total number of Shares that may be purchased or acquired by the Company shall not exceed 3.26% of the total number of issued Shares (excluding any Shares which are held by the Company as treasury shares and subsidiary holdings) as at the date of the AGM at which the renewal of the Share Buyback Mandate is approved, unless the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Companies Act, or the court has, at any time during the Relevant Period, made an order under Section 78I of the Companies Act confirming the reduction of share capital of the Company, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered by the special resolution of the Company or the order of the court, as the case may be.

As at the Latest Practicable Date, the Company is holding 198,000 treasury shares and has no subsidiary holdings.

For illustrative purposes only, on the basis of 704,892,514 Shares in issue as at the Latest Practicable Date (excluding treasury shares and subsidiary holdings) and assuming no further Shares are issued on or prior to the 2018 AGM and the Company does not reduce its share capital, not more than 22,979,496 Shares (representing approximately 3.26% of the issued ordinary share capital of the Company as at the Latest Practicable Date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate during the period referred to in Section 3.2 below.

3.2. Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2018 AGM at which the proposed renewal of the Share Buyback Mandate is approved, up to:

- (a) the date on which the next AGM is held or required by law to be held;
- (b) the date on which the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

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The authority conferred on the Directors by the Share Buyback Mandate to purchase or acquire Shares may be renewed at the AGM to be held after the 2018 AGM (i.e. the Forty-Second AGM), or at an extraordinary general meeting to be convened immediately after the conclusion or adjournment of the next AGM. When seeking the approval of Shareholders for the renewal of the Share Buyback Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the previous Share Buyback Mandate made during the previous 12 months, including the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for such purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions.

3.3. Manner of Purchase of Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

- (a) on-market purchases (“**Market Purchases**”), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchases (if effected otherwise than on the SGX-ST) pursuant to an equal access scheme in accordance with Section 76C of the Companies Act (“**Off-Market Purchases**”).

The Directors may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate, the Listing Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all of the following conditions:

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

Pursuant to the Listing Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;

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- (3) the reasons for the proposed purchase or acquisition of Shares;
- (4) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable takeover rules;
- (5) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST; and
- (6) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases.

3.4. Maximum Purchase Price

The purchase price (excluding applicable brokerage, stamp duties, commission, goods and services tax and other related expenses (“**Related Expenses**”)) to be paid for a Share will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price,

(the “**Maximum Price**”) in either case, excluding Related Expenses.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five Market Days on which 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 five Market Days;

“**Highest Last Dealt Price**” means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

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

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4. STATUS OF THE PURCHASED OR ACQUIRED SHARES

The Shares purchased or acquired by the Company may be cancelled or kept as treasury shares.

4.1. Cancellation

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. 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.

At the time of each purchase or acquisition of Shares by the Company, the Directors will decide whether the Shares purchased or acquired will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time. It is presently intended by the Company that Shares which are purchased or acquired by the Company pursuant to the Share Buyback Mandate will be held as treasury shares, up to the maximum number of treasury shares permitted by law to be held by the Company.

4.2. Treasury Shares

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

(a) Maximum Holdings

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

(b) Voting and Other Rights

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

In addition, no dividend may be paid, and no other distribution of the Company's assets (whether in cash or otherwise) 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 greater or smaller number is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

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

- (i) sell the treasury shares for cash;

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

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

5. REPORTING REQUIREMENTS

Within 30 days of the passing of a Shareholders’ resolution to approve the purchase or acquisition of Shares by the Company, the Board shall lodge a copy of such resolution with the Registrar.

The Board shall notify the Registrar within 30 days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include:

- (a) the date of the purchase or acquisition;
- (b) the number of Shares purchased or acquired by the Company;
- (c) the number of Shares cancelled;
- (d) the number of Shares held as treasury shares;
- (e) the Company’s issued share capital (excluding treasury shares and subsidiary holdings) before and after the purchase or acquisition;
- (f) the amount of consideration paid by the Company for the purchase or acquisition;
- (g) whether the Shares were purchased or acquired out of profits or capital of the Company; and
- (h) such other particulars as may be required in the prescribed form.

The Board shall also lodge with the Registrar within 30 days of the cancellation or disposal of treasury shares the notice of the cancellation or disposal of treasury shares in the prescribed form with such particulars as may be required in the form, together with payment of the prescribed fee.

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6. SOURCE OF FUNDS FOR THE SHARE BUYBACK

The Companies Act permits the Company to purchase or acquire its own Shares out of capital or profits so long as the Company is solvent. Under Section 76F(4) of the Companies Act, the Company is solvent if at the date of payment for the purchase or acquisition of its Shares:

- (a) there is no ground on which the Company could be found to be unable to pay its debts;
- (b) if:
 - (i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) 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, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

In the event the Shares which are purchased or acquired by the Company are cancelled immediately on purchase or acquisition (as opposed to being held as treasury shares to the extent permitted under the Companies Act), the Company shall:

- (A) reduce the amount of its share capital where the Shares were purchased or acquired out of capital of the Company;
- (B) reduce the amount of 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 were purchased or acquired out of both capital and profits of the Company,

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

The Company will use internal resources or external borrowings or a combination of both to fund purchases and acquisitions of Shares pursuant to the proposed Share Buyback Mandate. In considering the use of external funding, the Company will take into consideration the availability of external financing and the resulting impact on the prevailing gearing level of the Company and the Group.

The Company will only exercise the Share Buyback Mandate in the interests of the Company and the Group without causing adverse financial impact to the Company and the Group. In particular, the Company will have regard to any relevant financial covenants which are applicable to the Company and/or the Group under any agreements for banking and credit facilities which may be granted by a financial institution to the Company and/or the Group from time to time. The Company will not effect any share buyback if such purchases or acquisitions would result in any breaches of the relevant financial covenants.

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7. FINANCIAL EFFECTS OF THE SHARE BUYBACK MANDATE

The actual impact on the financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Share Buyback Mandate will depend on, *inter alia*, the exact number of Shares purchased or acquired, the purchase price paid at the relevant time of purchase, how the purchase or acquisition is funded, whether the Shares purchased or acquired are held in treasury or immediately cancelled on purchase or acquisition as well as how the Shares held in treasury are subsequently dealt with by the Company in accordance with Section 76(K) of the Companies Act.

7.1. Purchase or acquisition out of capital or profits

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (after deducting applicable brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount of distributable profits available for cash dividends by the Company will not be reduced.

7.2. Number of Shares purchased or acquired

Based on 704,892,514 Shares in issue as at the Latest Practicable Date (excluding treasury shares and subsidiary holdings), and assuming no further Shares are issued on or prior to the 2018 AGM and the Company does not reduce its share capital, the exercise in full of the proposed Share Buyback Mandate will result in the purchase or acquisition of 22,979,496 Shares, representing approximately 3.26% of the total Shares in issue (excluding treasury shares and subsidiary holdings).

7.3. Maximum Price to be paid for the Share Buybacks

For illustrative purposes only:

- (a) In the case of a Market Purchase by the Company and assuming that the Company purchases or acquires the 22,979,496 Shares at the Maximum Price of S\$0.137 for one Share (being 105% of the average of the closing market prices of a Share over the last five Market Days on which transactions in the Shares were recorded, immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 22,979,496 Shares is approximately S\$3,148,191 (excluding Related Expenses) (equivalent to approximately US\$2,281,298 based on the exchange rate of US\$1.00 : S\$1.38).
- (b) In the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires the 22,979,496 Shares at the Maximum Price of S\$0.157 for one Share (being 120% of the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 22,979,496 Shares is approximately S\$3,607,781 (excluding Related Expenses) (equivalent to approximately US\$2,614,334 based on the exchange rate of US\$1.00 : S\$1.38).

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7.4. Illustrative Financial Effects

For illustrative purposes only, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the proposed Share Buyback Mandate are set out in Sections 7.4.1 and 7.4.2 below and are calculated based on the audited financial statements of the Company and the Group for the financial year ended 30 June 2018 and are based on the following assumptions:

- (a) the purchase or acquisition of Shares took place at the beginning of the financial year on 1 July 2017;
- (b) the purchase or acquisition of Shares was financed by external long-term bank borrowings by the Company;
- (c) the Related Expenses were insignificant and have been ignored for the purpose of computing the financial effects; and
- (d) the number of Shares which may be held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

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7.4.1. Purchases or Acquisitions made out of capital

(a) Purchases or acquisitions made out of capital and cancelled

	← GROUP →				
		Market Purchase		Off-Market Purchase	
		(A)	(B)	(A)	(B)
Audited before buyback	After buyback and cancelled	After buyback and held as treasury shares	After buyback and cancelled	After buyback and held as treasury shares	
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>As at 30 June 2018</u>					
(Loss) after tax and minority interests	(24,595)	(24,595)	(24,595)	(24,595)	(24,595)
Share capital	55,379	53,098	55,379	52,765	55,379
Treasury shares	(46)	(46)	(2,327)	(46)	(2,660)
Revenue reserves	41,291	41,291	41,291	41,291	41,291
Total equity/NAV	96,624	94,343	94,343	94,010	94,010
Current assets	17,906	17,906	17,906	17,906	17,906
Current liabilities	12,940	15,221	15,221	15,554	15,554
Total borrowings	9,164	11,445	11,445	11,778	11,778
Cash and bank balances	4,249	4,249	4,249	4,249	4,249
Number of issued Shares (excluding treasury shares and subsidiary holdings) ('000)	704,893	681,914	681,914	681,914	681,914
<u>Financial Ratios</u>					
(Loss) per Share (US cents) ⁽¹⁾	(3.49)	(3.61)	(3.61)	(3.61)	(3.61)
NAV per Share (US cents) ⁽²⁾	13.71	13.84	13.84	13.79	13.79
Gearing ratio (times) ⁽³⁾	0.05	0.08	0.08	0.08	0.08
Current ratio (times) ⁽⁴⁾	1.38	1.18	1.18	1.15	1.15

Notes:

- (1) Earnings per Share represents profit attributable to Shareholders divided by the number of Shares issued as at 30 June 2018.
- (2) NAV per Share represents the ratio of NAV to the number of issued Shares.
- (3) Gearing ratio represents the ratio of total borrowings less cash and bank balances to net worth.
- (4) Current ratio represents the ratio of current assets to current liabilities.

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(b) Purchases or acquisitions made out of capital and held as treasury shares

	← COMPANY →				
	Audited before buyback US\$'000	Market Purchase		Off-Market Purchase	
		(A)	(B)	(A)	(B)
		After buyback and cancelled	After buyback and held as treasury shares	After buyback and cancelled	After buyback and held as treasury shares
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 30 June 2018					
(Loss) after tax	(17,360)	(17,360)	(17,360)	(17,360)	(17,360)
Share capital	55,379	53,098	55,379	52,765	55,379
Treasury shares	(46)	(46)	(2,327)	(46)	(2,660)
Revenue reserves	(3,304)	(3,304)	(3,304)	(3,304)	(3,304)
Total equity/NAV	52,029	49,748	49,748	49,415	49,415
Current assets	58,112	58,112	58,112	58,112	58,112
Current liabilities	49,321	51,602	51,602	51,935	51,935
Total borrowings	9,164	11,445	11,445	11,778	11,778
Cash and bank balances	2,667	2,667	2,667	2,667	2,667
Number of issued Shares (excluding treasury shares and subsidiary holdings) ('000)	704,893	681,914	681,914	681,914	681,914
Financial Ratios					
(Loss) per Share (US cents) ⁽¹⁾	(2.46)	(2.55)	(2.55)	(2.55)	(2.55)
NAV per Share (US cents) ⁽²⁾	7.38	7.30	7.30	7.25	7.25
Gearing ratio (times) ⁽³⁾	0.12	0.18	0.18	0.18	0.18
Current ratio (times) ⁽⁴⁾	1.18	1.13	1.13	1.12	1.12

Notes:

- (1) Earnings per Share represents profit attributable to Shareholders divided by the number of Shares issued as at 30 June 2018.
- (2) NAV per Share represents the ratio of NAV to the number of issued Shares.
- (3) Gearing ratio represents the ratio of total borrowings less cash and bank balances to net worth.
- (4) Current ratio represents the ratio of current assets to current liabilities.

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7.4.2. Purchases or acquisitions made out of profits

(a) Purchases or acquisitions made out of profits and cancelled

	← GROUP →				
	Market Purchase		Off-Market Purchase		
	(A)	(B)	(A)	(B)	
	Audited before buyback US\$'000	After buyback and cancelled US\$'000	After buyback and held as treasury shares US\$'000	After buyback and cancelled US\$'000	After buyback and held as treasury shares US\$'000
As at 30 June 2018					
(Loss) after tax and minority interests	(24,595)	(24,595)	(24,595)	(24,595)	(24,595)
Share capital	55,379	55,379	55,379	55,379	55,379
Treasury shares	(46)	(46)	(2,327)	(46)	(2,660)
Revenue reserves	41,291	39,010	41,291	38,677	41,291
Total equity/NAV	96,624	94,343	94,343	94,010	94,010
Current assets	17,906	17,906	17,906	17,906	17,906
Current liabilities	12,940	15,221	15,221	15,554	15,554
Total borrowings	9,164	11,445	11,445	11,778	11,778
Cash and bank balances	4,249	4,249	4,249	4,249	4,249
Number of issued Shares (excluding treasury shares and subsidiary holdings) ('000)	704,893	681,914	681,914	681,914	681,914
Financial Ratios					
(Loss) per Share (US cents) ⁽¹⁾	(3.49)	(3.61)	(3.61)	(3.61)	(3.61)
NAV per Share (US cents) ⁽²⁾	13.71	13.84	13.84	13.79	13.79
Gearing ratio (times) ⁽³⁾	0.05	0.08	0.08	0.08	0.08
Current ratio (times) ⁽⁴⁾	1.38	1.18	1.18	1.15	1.15

Notes:

(1) Earnings per Share represents profit attributable to Shareholders divided by the number of Shares issued as at 30 June 2018.

(2) NAV per Share represents the ratio of NAV to the number of issued Shares.

(3) Gearing ratio represents the ratio of total borrowings less cash and bank balances to net worth.

(4) Current ratio represents the ratio of current assets to current liabilities.

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(b) Purchases or acquisitions made out of profits and held as treasury shares:

	← COMPANY →				
	Audited before buyback US\$'000	Market Purchase		Off-Market Purchase	
		(A)	(B)	(A)	(B)
		After buyback and cancelled	After buyback and held as treasury shares	After buyback and cancelled	After buyback and held as treasury shares
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 30 June 2018					
(Loss) after tax	(17,360)	(17,360)	(17,360)	(17,360)	(17,360)
Share capital	55,379	55,379	55,379	55,379	55,379
Treasury shares	(46)	(46)	(2,327)	(46)	(2,660)
Revenue reserves	(3,304)	(5,585)	(3,304)	(5,918)	(3,304)
Total equity/NAV	52,029	49,748	49,748	49,415	49,415
Current assets	58,112	58,112	58,112	58,112	58,112
Current liabilities	49,321	51,602	51,602	51,935	51,935
Total borrowings	9,164	11,445	11,445	11,778	11,778
Cash and bank balances	2,667	2,667	2,667	2,667	2,667
Number of issued Shares (excluding treasury shares and subsidiary holdings) ('000)	704,893	681,914	681,914	681,914	681,914
Financial Ratios					
(Loss) per Share (US cents) ⁽¹⁾	(2.46)	(2.55)	(2.55)	(2.55)	(2.55)
NAV per Share (US cents) ⁽²⁾	7.38	7.30	7.30	7.25	7.25
Gearing ratio (times) ⁽³⁾	0.12	0.18	0.18	0.18	0.18
Current ratio (times) ⁽⁴⁾	1.18	1.13	1.13	1.12	1.12

Notes:

- (1) Earnings per Share represents profit attributable to Shareholders divided by the number of Shares issued as at 30 June 2018.
- (2) NAV per Share represents the ratio of NAV to the number of issued Shares.
- (3) Gearing ratio represents the ratio of total borrowings less cash and bank balances to net worth.
- (4) Current ratio represents the ratio of current assets to current liabilities.

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Shareholders should note that the financial effects set out above are purely for illustrative purposes only and based on the abovementioned assumptions. Although the Share Buyback Mandate (if renewed) would authorise the Company to purchase or acquire up to 3.26% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as determined in accordance with the applicable provisions of the Companies Act, the Company may not necessarily purchase or acquire or be able to purchase or acquire the 3.26% of the total number of its issued Shares (excluding treasury shares and subsidiary holdings). In addition, the Company may cancel all or part of the Shares purchased or acquired, or hold all or part of the Shares purchased or acquired in treasury.

The above analyses are based on historical figures for the financial year ended 30 June 2018 and are not necessarily representative or indicative of the Company's or the Group's future financial performance.

8. OBLIGATIONS UNDER THE TAKE-OVER CODE

Appendix 2 to the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

8.1. Obligation to make a take-over offer

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

8.2. 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), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert:

- (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 and any 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;

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- (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 stockbroker, with its client 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 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 the foregoing, 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
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, 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 and/or entities for the purchase of voting rights.

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

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

8.3. Effect of Rule 14 and Appendix 2 to the Take-over Code

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

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

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However, Shareholders will be subject to the provisions of Rule 14 of the Take-over Code if they acquire Shares after the buyback of Shares by the Company. For this purpose, an increase in the percentage of voting rights as a result of the buyback of Shares by the Company will be taken into account in determining whether a Shareholder and persons acting in concert with him have increased their voting rights by more than 1% in any period of six months.

8.4. Applicability of Rule 14 and Appendix 2 to the Take-over Code

Based on interests of the Directors and the Substantial Shareholders in the Shares as at the Latest Practicable Date as recorded in the Register of Directors' shareholding and the Register of Substantial Shareholders as set out in Section 12 below:

- (a) Mr Tan Pong Tyea, an executive Director of the Company, and Falcon Energy Group Limited are each deemed to have an interest in the 239,760,131 Shares directly and indirectly held by Energian Pte. Ltd., representing approximately 34.01% of the entire issued and paid-up capital of the Company (collectively, the "**Concert Party Group**"); and
- (b) Baker Technology Limited, Dr Benety Chang and Dr Doris Heng Chin Ngor are each deemed to have an interest in the 371,646,150 Shares directly held by BTI, representing approximately 52.72% of the entire issued and paid-up capital of the Company (collectively, the "**BT Group**").

For illustrative purposes only, based on the assumptions that:

- (i) the purchase or acquisition of 22,979,496 Shares by the Company pursuant to the Share Buyback Mandate by way of Market Purchase is made entirely out of capital and cancelled;
- (ii) there is no change in the Concert Party Group and the BT Group's shareholdings in the Company between the Latest Practicable Date and the 2018 AGM;
- (iii) no new Shares are issued following Shareholders' approval of the Share Buyback Mandate; and
- (iv) the Concert Party Group and the BT Group do not sell or otherwise dispose of their shareholdings in the Company,

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the shareholdings of the Concert Party Group and the BT Group as at the Latest Practicable Date and after the purchase or acquisition by the Company of the maximum of 3.26% of the issued Shares (excluding treasury shares and subsidiary holdings) by way of Market Purchases pursuant to the Share Buyback Mandate, are set out below.

	Before Share Buyback			After Share Buyback		
	Direct Interest (Number of Shares)	Deemed Interest (Number of Shares)	Total Interest (%)	Direct Interest (Number of Shares)	Deemed Interest (Number of Shares)	Total Interest (%)
Concert Party Group						
Tan Pong Tyea	–	239,760,131	34.01	–	239,760,131	35.16
Falcon Energy Group Limited	–	239,760,131	34.01	–	239,760,131	35.16
Energian Pte. Ltd.	45,379,956	194,380,175	34.01	45,379,956	194,380,175	35.16
BT Group						
BT Investment Pte. Ltd.	371,646,150	–	52.72	371,646,150	–	54.50
Baker Technology Limited	–	371,646,150	–	371,646,150	54.50	
Dr Benety Chang	–	371,646,150	52.72	–	371,646,150	54.50
Dr Doris Heng Chin Ngor	–	371,646,150	52.72	–	371,646,150	54.50

As at the Latest Practicable Date, BTI has made a mandatory unconditional cash offer to acquire all the Shares other than those already owned, controlled or agreed to be acquired by BTI and parties acting in concert with it (the “MUCO”). Energian Pte. Ltd. has executed an irrevocable undertaking in favour of BTI, pursuant to which it has undertaken and agreed, amongst other things, not to accept the MUCO in respect of all the Shares held by it and any other Shares which it may acquire, or which may be allotted and issued to it, on or after the date of the said undertaking. Further details on the MUCO can be found in the announcements released by the Company on 26 July 2018 and 10 August 2018.

Notwithstanding the MUCO, and based on the illustrative example above, in the event that the Company purchases or acquires the maximum of 3.26% of the issued Shares (excluding treasury shares and subsidiary holdings) by way of Market Purchases pursuant to the Share Buyback Mandate, the aggregate percentage of total voting rights of:

- (A) the Concert Party Group will increase from 34.01 to 35.16%, which may result in the Concert Party Group being obliged to make a general offer under the Take-over Code for Shares not owned by them; and
- (B) the BT Group will increase from 52.72% to 54.50%, which would not result in the BT Group becoming obliged to make a general offer under the Take-over Code for Shares not owned by them,

under Rule 14 of the Take-over Code.

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Save as disclosed, the Directors confirm that they are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate.

The statements in this Letter do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. **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 any purchase or acquisition of Shares by the Company should consult their professional advisers, the SIC and/or other relevant authorities at the earliest opportunity.**

8.5. Exemptions under the Take-over Code

The Concert Party Group will be exempted under Appendix 2 to the Take-over Code, from the requirement under Rule 14.1 of the Take-over Code to make a general offer for the Company if the voting rights of the Concert Party Group (holding between 30% and 50% of the Company's voting rights) would increase by more than 1% in any period of six months, as a result of the Company purchasing or acquiring Shares pursuant to the Share Buyback Mandate, subject to the following conditions:

- (a) this Letter on the resolution to authorise the proposed renewal of the Share Buyback Mandate contains advice to the effect that by voting for the proposed renewal of the Share Buyback Mandate, Shareholders are waiving their right to a general offer at the Required Price from the Concert Party Group; and the names of the Concert Party Group and their voting rights at the time of the resolution and after the Company's purchase or acquisition of Shares pursuant to the Share Buyback Mandate are disclosed in this Letter;
- (b) the resolution to authorise the proposed renewal of the Share Buyback Mandate is approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the Company's purchase or acquisition of Shares pursuant to the Share Buyback Mandate;
- (c) the Concert Party Group abstains from voting for and/or recommending Shareholders to vote in favour of the resolution to authorise the proposed renewal of the Share Buyback Mandate;
- (d) within seven (7) days after the passing of the resolution to authorise the proposed renewal of the Share Buyback Mandate, each member of the Concert Party Group who are also Directors submits to the SIC a duly signed form as prescribed by the SIC; and
- (e) the Concert Party Group not having purchased or acquired and not purchasing or acquiring any Shares between the date on which they know that the announcement of the proposed renewal of the Share Buyback Mandate is imminent and the earlier of:
 - (i) the date on which the authority of the Share Buyback Mandate expires; and

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- (ii) the date on which the Company announces it has bought back such number of Shares as authorised by Shareholders by the Share Buyback Mandate or it has decided to cease buying back its shares, as the case may be,

if such acquisitions, taken together with the Company's purchase or acquisition of Shares pursuant to the Share Buyback Mandate, would cause the aggregate voting rights of the Concert Party Group to increase by more than 1% in any period of six months.

Shareholders should therefore note that by voting in favour of the ordinary resolution to approve the proposed renewal of the Share Buyback Mandate, they will be waiving their rights to a general offer at the Required Price by the Concert Party Group in the circumstances set out above.

9. OBLIGATIONS UNDER THE LISTING MANUAL

9.1. Notifications and Announcements

(a) Notification

The Listing Manual specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares to the SGX-ST not later than 9.00 a.m.:

- (i) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (ii) 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 for the Off-Market Purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details prescribed in the Listing Manual.

(b) Announcement

The Company, upon undertaking any sale, transfer, cancellation and/or use of treasury shares, will comply with Rule 704(28) of the Listing Manual, which provides that an issuer must make an immediate announcement thereof, stating the following:

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

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9.2. Dealings in Securities

While the Listing Rules do not expressly prohibit the purchase or acquisition of shares by a listed company during any particular time or times, because a listed company would be considered an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not purchase or acquire any Shares pursuant to the proposed Share Buyback Mandate after a development which could have a material effect on the price of the Shares has occurred or has been the subject of consideration and/or a decision of the Board until such time as such information has been publicly announced.

In particular, in line with Rule 1207(19)(c) of the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases during the period:

- (a) commencing two weeks before the announcement of the Company’s financial statements for each of the first three quarters of its financial year; and
- (b) one month before the announcement of the Company’s full year financial statements.

9.3. Listing Status on the SGX-ST

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed must be held by public (as defined in the Listing Rules). Where such percentage falls below 10%, the listed company must, as soon as practicable, announce that fact, and the SGX-ST may suspend trading of the class, or all the securities of the listed company.

As at the Latest Practicable Date, approximately 13.26% of the issued Shares are held by the public. **For illustrative purposes only**, in order to maintain the public float of not less than 10% of the total number of issued Shares (excluding preference shares, convertible equity securities and treasury shares), the Company would not purchase or acquire more than 22,979,496 Shares (representing approximately 3.26% of the total Shares in issue (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.

The Directors will use their best efforts to ensure that the Company does not effect a purchase or acquisition of Shares if the purchase or acquisition of Shares would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the orderly trading or listing status of the Shares on the SGX-ST. Before deciding to effect a purchase or acquisition of Shares, the Directors will ensure that, notwithstanding such purchase or acquisition, a sufficient float in the hands of the public will be maintained to provide for an orderly market for trading in the Shares.

10. PREVIOUS SHARE BUYBACKS

The Company did not purchase or acquire any Share in the 12 months preceding the Latest Practicable Date.

11. TAX IMPLICATIONS

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

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12. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of Directors and Substantial Shareholders of the Company as at the Latest Practicable Date, as recorded in the Company's Register of Directors Shareholdings and the Register of Substantial Shareholders respectively, are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Thia Peng Heok, George	–	–	–	–
Tan Pong Tyea	–	–	239,760,131 ^(a)	34.01
James William Noe	–	–	–	–
Zhang Haibo	–	–	–	–
Tan Sooh Whye	–	–	–	–
Tan Kian Huay	–	–	–	–
Substantial Shareholders (other than Directors)				
BT Investment Pte. Ltd.	371,646,150 ^(c)	52.72	–	–
Baker Technology Limited	–	–	371,646,150 ^(c)	52.72
Dr Benety Chang	–	–	371,646,150 ^(c)	52.72
Dr Doris Heng Chin Ngor	–	–	371,646,150 ^(c)	52.72
Energian Pte. Ltd.	45,379,956	6.44	194,380,175 ^{(a)(b)}	27.57
Falcon Energy Group Limited	–	–	239,760,131 ^(a)	34.01

Notes:

- (a) Mr Tan Pong Tyea and Falcon Energy Group are each deemed pursuant to Section 4 of the Securities and Futures Act to have an interest in the 239,760,131 Shares held by Energian Pte. Ltd.
- (b) 194,380,175 Shares are held in the name of CGS-CIMB Securities (Singapore) Pte. Ltd.
- (c) Baker Technology Limited, Dr Benety Chang and Dr Doris Heng Chin Ngor are each deemed pursuant to Section 4 of the Securities and Futures Act to have an interest in the 371,646,150 Shares held by BT Investment Pte. Ltd.

13. THE PROPOSED CHANGE OF AUDITORS

13.1. Background and Rationale

The Company's current Auditors, Deloitte, have served as the Auditors since the financial year ended 30 June 2002, and was last re-appointed at the AGM held on 27 September 2017 to hold office until the conclusion of the 2018 AGM.

Following the acquisition of 371,646,150 Shares, representing approximately 52.72% of the total number of issued Shares by BTI on 26 July 2018, the Company has become a subsidiary of BTI. BTI is a wholly-owned subsidiary of Baker Technology Limited, a public company listed on the Mainboard of the SGX-ST. In view of the foregoing, the Board is of the view that it would be appropriate to effect a change of Auditors to further strengthen the

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corporate governance processes of the Company. EY is the existing auditors of Baker Technology Limited. A change of Auditors would also enable the Company to benefit from fresh perspectives and views of another professional audit firm, thus enhancing the value of the audit of the Group. Accordingly, the Company proposes to seek Shareholders' approval at the 2018 AGM for EY to be appointed as the Auditors, in place of Deloitte.

The Audit Committee and the Board, in reviewing the suitability of EY, took into consideration, *inter alia*, the criteria and approaches for the appointment and evaluation of the external auditors contained in the Audit Committee Guide issued by the Singapore Institute of Directors, as well as factors such as the adequacy of the resources and experiences of the auditing firm to be selected and the audit engagement partner to be assigned to the audit, the audit firm's other engagements, the size and complexity of the Group and the number and experience of supervisory and professional staff to be assigned. Following the review, the Audit Committee and the Board are of the opinion that EY is well suited to meet the existing needs and audit requirements of the Group, is likely to enhance the value of the audit, and that the requirements of Rule 712 of the Listing Manual have been complied with.

The quality scope of audit services to be provided by EY will be comparable to those currently provided by Deloitte.

EY had, on 28 August 2018, given their written consent to act as the Auditors, subject to the approval of Shareholders at the 2018 AGM. The Company has also received the notice of nomination pursuant to Section 205(11) of the Companies Act. A copy of the notice of nomination is enclosed in the Annex to this Letter. The appointment of EY would be effective upon obtaining the approval of Shareholders at the 2018 AGM for the Proposed Change of Auditors. If approved, EY will hold office until the conclusion of the next AGM.

In view of the above, Deloitte will retire and will not seek re-appointment as the Auditors at the 2018 AGM, being the end of their current term. The Company had, on 28 August 2018, received a letter from Deloitte giving notice that they would not be seeking re-appointment as the Auditors at the 2018 AGM. The Board wishes to express their appreciation for past services rendered by Deloitte.

13.2. Information on EY

EY is one of the world's big four accounting firms and a global leader in assurance, tax, transactions and advisory services. In Singapore, EY has a history of 129 years, with over 175 partners and close to 3,100 people offering assurance, tax, transaction and advisory services to a wide-ranging clientele base consisting of multinational companies, private companies and public sector organizations. The Singapore firm is part of an integrated Asia-Pacific Area, which comprises more than 43,000 people in 24 countries and over 80 offices. About 39% of Singapore public listed companies are currently audited by EY. For more information about EY, please visit <http://www.ey.com/sg/en/>.

The engagement partner-in-charge from EY will be Yee Woon Yim, who has more than 30 years of audit experience in providing audit and assurance services to a variety of clients, including public companies listed on the SGX-ST. Yee Woon Yim is also a practising member of the Institute of Singapore Chartered Accountants and is a public accountant registered with ACRA.

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13.3. Confirmations

In accordance with the requirements of Rule 1203(5) of the Listing Manual:

- (a) Deloitte, the outgoing Auditors, has confirmed that it is not aware of any professional reasons why the new Auditors, EY, should not accept appointment as the Auditors;
- (b) the Company confirms that there were no disagreements with Deloitte on accounting treatments within the last 12 months;
- (c) the Company confirms that save as disclosed in this Letter, it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of Shareholders;
- (d) the specific reasons for the Proposed Change of Auditors are set out in Section 13.1 above; and
- (e) the Company confirms that it is in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of EY.

13.4. Statement of the Audit Committee

The Audit Committee has reviewed and deliberated the Proposed Change of Auditors, and having satisfied itself of the suitability of EY and ensuring compliance with the Listing Manual, recommends the Proposed Change of Auditors.

14. DIRECTORS' RECOMMENDATIONS

Having fully considered the rationale, the benefit and the information relating to the proposed renewal of the Share Buyback Mandate, the Directors (save for Mr Tan Pong Tyea) are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of proposed ordinary resolution 11 as set out in the Notice of AGM.

The Directors, having taken into account the Audit Committee's recommendations and fully considered the rationale, the benefits and the information relating to the Proposed Change of Auditors, are of the opinion that the Proposed Change of Auditors is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of proposed ordinary resolution 8 as set out in the Notice of AGM.

The Directors further recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisor.

15. ABSTENTION FROM VOTING

Each of the Concert Party Group will abstain from voting at the 2018 AGM in respect of ordinary resolution 11 in relation to the proposed renewal of the Share Buyback Mandate in view of Note 3(iii) of Appendix 2 to the Take-over Code, and will not accept nominations as proxy or otherwise for voting at the 2018 AGM in respect of the said ordinary resolution.

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16. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buyback Mandate and the Proposed Change of Auditors, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in the Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Letter in its proper form and context.

17. CONSENTS

Each of Deloitte and EY have given and have not withdrawn their written consent to the issue of this Letter with the inclusion of their name and all references thereto, in the form and context in which they appear in this Letter.

18. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 10 Anson Road, #33-15 International Plaza, Singapore 079903 during normal business hours from the date of this Letter up to and including the date of the 2018 AGM:

- (a) the Constitution of the Company;
- (b) the letter from Deloitte dated 28 August 2018, giving notice that they would not be seeking re-appointment as the Auditors at the 2018 AGM;
- (c) the letter from EY dated 28 August 2018, giving their consent to act as the Auditors; and
- (d) the 2018 Annual Report.

Yours faithfully

For and on behalf of the Board of Directors of
CH OFFSHORE LTD.

Thia Peng Heok, George
Non-Executive Independent Chairman

ANNEX

NOTICE OF NOMINATION



14 August 2018

The Board of Directors
CH OFFSHORE LTD.
10 Anson Road, #33-15 International Plaza,
Singapore 079903

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

We, BT Investment Pte. Ltd., being the 52.72% shareholder of CH Offshore Ltd., would like to nominate Ernst & Young LLP as Auditors for CH Offshore Ltd. in place of Deloitte & Touche LLP in the forthcoming Annual General Meeting.

Please include this as an item in your Notice of Annual General Meeting to shareholders.

Yours faithfully
BT INVESTMENT PTE. LTD.

A handwritten signature in black ink, appearing to read "Jeanette Chang".

Jeanette Chang
DIRECTOR

A small, handwritten mark or signature in the bottom right corner of the page.