

LETTER TO SHAREHOLDERS (“LETTER”) DATED 12 MARCH 2019

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

This Letter is issued by CH Offshore Ltd. (the “Company”). If you are in any doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional advisers immediately.

If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Letter to the purchaser or transferee as arrangements will be made by CDP for a separate Letter to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should at once hand this Letter with any other documents received immediately to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the contents of this Letter, including the accuracy, completeness, or correctness of any of the statements or opinions made or reports contained in this Letter.



CH OFFSHORE LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197600666D)

LETTER TO SHAREHOLDERS

in relation to

- (1) THE PROPOSED ADOPTION OF THE IPT GENERAL MANDATE**
- (2) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE**

Independent Financial Adviser to the Non-conflicted Directors of the Company
with respect to the IPT General Mandate



PROVENANCECAPITAL

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)

This Letter is issued to you together with the Annual Report of CH Offshore Ltd. for the financial period ended 31 December 2018 [**Annual Report 2018 (Year Ended 31 Dec 2018)**]. The resolutions proposed to be passed in relation to the above matter are set out in the Notice of Annual General Meeting attached to the Annual Report 2018 (Year Ended 31 Dec 2018).

This page has been intentionally left blank.

CONTENTS

	Page
DEFINITIONS	1
LETTER TO SHAREHOLDERS	
1 INTRODUCTION	6
2 THE PROPOSED ADOPTION OF THE IPT GENERAL MANDATE	7
3 PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE	15
4 INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS	37
5 ABSTENTION FROM VOTING	38
6 RECOMMENDATION BY THE DIRECTORS	38
7 CONSENT	39
8 DIRECTORS' RESPONSIBILITY STATEMENT	39
9 ACTION TO BE TAKEN BY SHAREHOLDERS	39
10 DOCUMENTS AVAILABLE FOR INSPECTION	40
APPENDIX I: LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE NON-CONFLICTED DIRECTORS OF CH OFFSHORE LTD.	41
APPENDIX II: GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL	51

DEFINITIONS

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

- “2018 AGM”** : The AGM convened and held on 21 September 2018
- “2019 AGM”** : The AGM to be convened and held on 28 March 2019
- “Act”** : The Companies Act (Cap. 50) of Singapore, as amended, supplemented or modified from time to time
- “AGM”** : The annual general meeting of the Company
- “Applicable Laws”** : All laws, by-laws, regulations, orders and/or official directions for the time being in force affecting the Company and its subsidiaries, including but not limited to the Act, the SFA and the listing rules of the SGX-ST, provided always that a waiver granted in connection with any such law shall be treated as due compliance with such relevant law
- “approved exchange”** : A stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual
- “Approving Authorities”** : Has the meaning ascribed to it in section 2.5.3 of this Letter
- “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 trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more
- (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 30% or more
- “associated company”** : A company in which at least 20% but not more than 50% of its shares are held by the listed company or group

DEFINITIONS

“Audit Committee”	:	The audit committee of the Company as at the date of this Letter, which comprises Mr. Thia Peng Heok, George, Mr. Tan Kian Huay and Mr. Wan Hin Weng
“Average Closing Price”	:	Has the meaning given to it in section 3.3.4 of this Letter
“Board” or “Board of Directors”	:	The board of directors of the Company as at the date of this Letter
“BTI”	:	BT Investment Pte. Ltd.
“CDP”	:	The Central Depository (Pte) Limited
“CFO”	:	Chief Financial Officer
“CHOSM MD”	:	The managing director of CHO Ship Management Pte. Ltd., a wholly-owned subsidiary of the Company
“Company”	:	CH Offshore Ltd.
“Constitution”	:	The constitution of the Company as at the date of this Letter
“control”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
“controlling shareholder”	:	A person who (i) holds directly or indirectly 15% or more of the total number of issued shares in the company excluding treasury shares (unless the SGX-ST determines that such person is not a controlling shareholder) or (ii) in fact exercises control over a company
“Director(s)”	:	The director(s) of the Company as at the date of this Letter
“entity at risk”	:	Means (i) the listed company; (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company
“Group”	:	The Company and its subsidiaries
“Highest Last Dealt Price”	:	Has the meaning given to it in section 3.3.4 of this Letter
“IFA” or “Independent Financial Adviser”	:	Provenance Capital Pte. Ltd., being the independent financial adviser in connection with the Proposed Adoption of the IPT General Mandate

DEFINITIONS

“IFA Letter”	:	The letter from the IFA to the Non-conflicted Directors dated 12 March 2019
“Interested Person(s)”	:	A director, chief executive officer, or controlling shareholder of the Company, or an associate of any such director, chief executive officer, or controlling shareholder
“IPT(s)”	:	Interested person transactions (within the meaning of Chapter 9 of the Listing Manual) entered or to be entered between an entity at risk and an interested person
“IPT General Mandate”	:	The general mandate for Mandated Transactions as set out in section 2 of this Letter
“Latest Practicable Date”	:	26 February 2019, being the latest practicable date prior to the printing of this Letter
“Letter”	:	This letter to shareholders dated 12 March 2019
“listed group”	:	A listed company and/or its subsidiaries
“Listing Manual”	:	The listing manual of the SGX-ST
“Mandated Interested Persons”	:	Has the meaning given to it in section 2.2 of this Letter
“Mandated Transactions”	:	Has the meaning given to it in section 2.4 of this Letter
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Market Purchase”	:	Has the meaning given to it in section 3.3.3(i) of this Letter
“Maximum Price”	:	Has the meaning given to it in section 3.3.4 of this Letter
“Non-conflicted Directors”	:	Directors who are deemed independent in respect of the IPT General Mandate, being Mr. Thia Peng Heok, George, Mr. Tan Pong Tyea, Mr. Tan Kian Huay and Mr. Wan Hin Weng
“Notice of AGM”	:	Notice of AGM of the Company dated 12 March 2019 convening the 2019 AGM
“NAV”	:	Net asset value
“NTA”	:	Net tangible assets
“Off-Market Purchase”	:	Has the meaning given to it in section 3.3.3(ii) of this Letter

DEFINITIONS

“Proposed Adoption of the IPT General Mandate”	:	The proposed adoption of the IPT General Mandate pursuant to Chapter 9 of the Listing Manual to be approved by the independent Shareholders as set out in section 2 of this Letter
“Proposed Renewal of the Share Buyback Mandate”	:	The proposed renewal of the Share Buyback Mandate to be approved by the Shareholders as set out in section 3 of this Letter
“Proposed Transactions”	:	Collectively, the Proposed Adoption of the IPT General Mandate and the Proposed Renewal of the Share Buyback Mandate
“Proxy Form”	:	The proxy form as appended to the annual report of the Company for the financial period ended 31 December 2018
“Related Expenses”	:	Has the meaning given to it in section 3.3.4 of this Letter
“Relevant Period”	:	The period commencing from the date on which the Proposed Renewal of the Share Buyback Mandate is approved and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier
“Registrar”	:	The Accounting and Corporate Regulatory Authority of Singapore
“SFA”	:	The Securities and Futures Act (Cap. 289) of Singapore, as amended, supplemented or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Buyback Mandate”	:	The proposed general mandate to be given by the Shareholders to authorise the Directors to exercise all powers of the Company to purchase or acquire, on behalf of the Company, Shares as set out in section 3 of this Letter
“Shareholder” or “Member”	:	Means: (a) where CDP is named in the Register of Members of the Company as the holder of Shares, a Depositor in respect of the number of Shares which stand in credit against his name in the Depository Register; and (b) in any other case, a person whose name appears on the Register of Members maintained by the Company pursuant to Section 190 of the Act and/or any other Applicable Laws
“Shares”	:	Ordinary shares in the issued and paid-up capital of the Company

DEFINITIONS

- “Substantial Shareholder”** : Shall have the meaning ascribed to it in Section 81 of the Act and Section 2(4) of the SFA, being a person who:
- (a) has an interest or interests in one (1) or more Shares in the Company; and
 - (b) the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the Shares in the Company
- “Take-over Code”** : The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
- “S\$”** : Singapore dollars, the lawful currency of the Republic of Singapore
- “US\$”** : United States dollars, the lawful currency of the United States of America

The terms **“Depositor”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The terms **“treasury shares”** and **“subsidiary”** shall have the meanings ascribed to them respectively in Sections 4 and 5 of the 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*. References to persons shall include corporations.

The headings in this Letter are inserted for convenience only and shall be ignored in construing this Letter.

Any reference in this Letter to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, SFA, the Listing Manual or any statutory modification thereof and used in this Letter shall, where applicable, have the same meaning assigned to it under the Act, SFA, the Listing Manual or any statutory modification thereof, as the case may be. Summaries of the provisions of any laws and regulations (including the Listing Manual) contained in this Letter are of such laws and regulations (including the Listing Manual) as at the Latest Practicable Date.

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

LETTER TO SHAREHOLDERS

CH OFFSHORE LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197600666D)

Directors:

Mr. Thia Peng Heok, George (*Independent and Non-Executive Chairman*)
Dr. Benety Chang (*Chief Executive Officer and Executive Director*)
Mr. Heath McIntyre (*Executive Director*)
Ms. Jeanette Chang (*Non-Executive Director*)
Mr. Tan Kiang Kherng (*Non-Executive Director*)
Mr. Tan Pong Tyea (*Non-Executive Director*)
Mr. Tan Kian Huay (*Independent, Non-Executive Director*)
Mr. Wan Hin Weng (*Independent, Non-Executive Director*)

Registered Office:

12A Jalan Samulun
Singapore 629131

Date: 12 March 2019

To: The Shareholders of the Company

Dear Sir/Madam

I. THE PROPOSED ADOPTION OF THE IPT GENERAL MANDATE**II. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE**

1. INTRODUCTION

1.1. We refer to the Notice of AGM and in particular:

1.1.1. the ordinary resolution 10 under the heading “Special Business” in relation to the proposed adoption of the IPT General Mandate (the “**Proposed Adoption of the IPT General Mandate**”); and

1.1.2. the ordinary resolution 11 under the heading “Special Business” in relation to the proposed renewal of the Share Buyback Mandate (the “**Proposed Renewal of the Share Buyback Mandate**”),

(collectively, the “**Proposed Transactions**”).

1.2. The purpose of this Letter is to provide Shareholders with relevant information relating to, and seek Shareholders’ approval for, the Proposed Transactions at the AGM to be held on 28 March 2019 (the “**2019 AGM**”).

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

LETTER TO SHAREHOLDERS

2. THE PROPOSED ADOPTION OF THE IPT GENERAL MANDATE

2.1. Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual governs transactions in which a listed company or any of its subsidiaries or associated companies enters into or proposes to enter into with a party who is an interested person of the listed company.

Under Rules 905 and 906 of the Listing Manual, immediate announcement and shareholders' approval would be required in respect of transactions with Interested Persons if certain materiality thresholds are reached or exceeded.

Rule 920 of the Listing Manual permits a listed company to seek a mandate from its shareholders for recurrent transactions with Interested Persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses, that may be carried out with the Interested Persons. Transactions conducted under such a mandate are not subject to Rules 905 and 906 of the Listing Manual. The general mandate is subject to annual renewal.

General information on the listing rules relating to IPTs, including the meanings of terms such as "associate", "entity at risk", "interested person", "same interested person" and "interested person transaction" used in Chapter 9 of the Listing Manual, are set out in **Appendix 2** of this Letter.

2.2. Classes of Mandated Interested Persons

Baker Technology Limited ("**Baker Technology**" and together with its subsidiaries, the "**Baker Tech Group**") is a leading manufacturer and provider of specialised marine offshore equipment and services, mainly focused on the offshore oil and gas industry.

Baker Technology is deemed to be an Interested Person within the meaning defined in Chapter 9 of the Listing Manual, for the following reasons:

- 2.2.1. Baker Technology, through its direct wholly-owned subsidiary BT Investment Pte Ltd. ("**BTI**"), holds a 54.98% shareholding interest in the Company as of the Latest Practicable Date; and
- 2.2.2. Dr. Benety Chang, the Chief Executive Officer and an Executive Director of the Group, holds a 42.88% direct shareholding, and is also deemed to be interested in the 9.44% shareholding held by his wife, Dr. Doris Heng Chin Ngor, in Baker Technology as of the Latest Practicable Date.

As there are complementary synergies between the Group and the Baker Tech Group, details of which are specifically set out in sections 2.3 and 2.4 of this Letter, the Group intends to leverage on the Baker Tech Group's strengths and resources in order to further enhance the Group's businesses. In transacting with the Baker Tech Group, the Group expects that the aggregate value of all IPTs with the Baker Tech Group in the same financial year may exceed 5% of the Group's latest audited NTA, requiring Shareholders' approval to be obtained under Rule 906 of the Listing Manual. Therefore in view of the foregoing, the Group has decided to obtain a general mandate from Shareholders for such IPTs pursuant to Rule 920 of the Listing Manual.

LETTER TO SHAREHOLDERS

The IPT General Mandate will apply to Mandated Transactions to be carried out between members of the Group, and Baker Technology, its subsidiaries and its associated companies (collectively, the “**Mandated Interested Persons**”).

Nevertheless, for the avoidance of doubt, the Mandated Interested Persons would include such subsidiaries and associated companies of Baker Technology which may, during such period while the IPT General Mandate is in effect, become Mandated Interested Persons where previously they were not so.

2.3. Rationale for, and benefits of, the IPT General Mandate

In view of the time-sensitive and recurrent nature of commercial transactions, the adoption of the IPT General Mandate is intended to facilitate the Mandated Transactions in the day-to-day operations of the Group that may be transacted from time to time with the Mandated Interested Persons, provided that they are carried out on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

The Directors believe that the IPT General Mandate is in the interests of the Group for the following reasons:

- 2.3.1. the Group carries out a business of, *inter alia*, vessel chartering in the offshore oil and gas industry. As such, parts of the Group’s businesses are complementary to the business of the Mandated Interested Persons and *vice versa*, and there are opportunities for the Group and the Mandated Interested Persons to leverage on each other’s business, experience and resources, to add value to the businesses of both and enhance profitability of the Group;
- 2.3.2. from the Group’s perspective, the IPT General Mandate will enable the Group to take full advantage of the opportunities available to the Mandated Interested Persons, and tap on the wide network of contacts and resources established by the Mandated Interested Persons. The procurement of products and services from Interested Persons and *vice versa* pursuant to the IPT General Mandate would also enable the Group to benefit from having access to competitive quotes from Interested Persons, in addition to obtaining quotes from or transacting with non-interested persons, as well as having another source of revenue from the Mandated Interested Persons;
- 2.3.3. the IPT General Mandate will enhance the Group’s ability to pursue business opportunities which are time-sensitive in nature, as it will eliminate the need for the Company to announce and convene separate general meetings on each occasion to seek Shareholders’ prior approval for the entry by the relevant entity in the Group into such Mandated Transactions; and
- 2.3.4. the IPT General Mandate will improve the administrative efficacy of the Group, as it will substantially reduce the expenses associated with convening general meetings on an ad hoc basis to comply with Chapter 9 of the Listing Manual, and will allow manpower resources and time to be channelled towards attaining other corporate objectives without compromising existing corporate objectives.

LETTER TO SHAREHOLDERS

2.4. Categories and nature of the Mandated Transactions under the IPT General Mandate

The Group is principally engaged in the ownership and chartering of vessels and the provision of marine support services for the offshore oil and gas industry. As part of its business of ship chartering, the Group also provides ship management services to its clients. In addition, through its experience in owning and operating offshore supply vessels, the Group has also build up in-depth knowledge and expertise in this area.

As stated in section 2.2 of this Letter, the Baker Tech Group specialises in marine offshore equipment and services, mainly focused on the offshore oil and gas industry. Its core business is in the design, construction, operation and chartering of mobile offshore units and offshore supply vessels, and a wide range of critical equipment and components for the offshore marine industry. These include offshore pedestal cranes, anchor winches, skidding systems, jacking systems and raw water tower structures. It also provides services such as project and technical management, vessel engineering, repair and maintenance, warehousing, shipyard and wharfage services, quality assurance, and construction supervision.

Subsequent to the Baker Tech Group's acquisition of the Group in 2018, the Group's strategy has been to leverage on the Baker Tech Group's expertise, technology, network and contacts and *vice versa*. In this regard, the Baker Tech Group and the Group intend to build on their relationship by providing certain additional services, including without limitation, referral services for prospective clients and project and technical management services, to the other party.

The IPT General Mandate will apply to two (2) categories of transactions with the Mandated Interested Persons for the purpose of the Group's ordinary business operations. These categories and the corresponding transactions are:

2.4.1. IPTs relating to vessel charters, repairs and related operations of the Group ("Category 1"):

these transactions include:

- (a) provision or obtaining of charter (as charterer or shipowner) of vessels to and from the Mandated Interested Persons;
- (b) provision of ship management services, including without limitation, technical services, provision of crew, crew insurance, and commercial management of vessels, to the Mandated Interested Persons; and
- (c) obtaining of vessel engineering, vessel repair and maintenance services, fabrication services and goods, and shipyard and wharfage services from the Mandated Interested Persons;

2.4.2. IPTs relating to other services ("Category 2"):

these transactions include:

- (a) obtaining of warehousing services from the Mandated Interested Persons. Warehousing services may be provided by Baker Engineering Pte. Ltd. and Sea Deep Shipyard Pte. Ltd., which are the wholly-owned subsidiaries of Baker Technology. Such warehousing space is mainly used by the Group to store equipment and spare parts;

LETTER TO SHAREHOLDERS

- (b) provision or obtaining of referral services to and from the Mandated Interested Persons. There may be instances where certain clients or contacts of the Group require certain services not provided by the Group but can be provided by Baker Tech Group, or vice versa. The Group and the Mandated Interested Persons may refer such clients or contacts to the Mandated Interested Persons or the Group, as the case may be, in return for a referral fee; and
- (c) obtaining of project and technical management services, including without limitation technical design services and advisory services, from the Mandated Interested Persons,

(collectively, the “**Mandated Transactions**” and each, a “**Mandated Transaction**”).

The IPT General Mandate will not cover any transaction with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions. Other transactions with Interested Persons that do not fall within the ambit of the IPT General Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

For the current financial year up to the Latest Practicable Date, the Group has not carried out any IPTs (including those below S\$100,000 in value) with any member of the Baker Tech Group.

2.5. **Guidelines and Review Procedures for the Mandated Transactions**

All contracts entered into or transactions with Interested Persons shall be carried out at prevailing market rates on pricing and terms which are no more favourable to the Interested Persons than the usual commercial terms and prevailing market rates extended to or received from unrelated third parties.

The Group will implement the following procedures to ensure that the Mandated Transactions with the Mandated Interested Persons under the IPT General Mandate are undertaken on an arm’s length basis and on normal commercial terms:

2.5.1. Guidelines and Review Procedures for IPTs under Category 1

The relevant member of the Group carrying out the Mandated Transaction shall review and compare the pricing and terms of the Mandated Transaction with the pricing and terms of two (2) other transactions of a similar nature with unrelated third parties. During the review and comparison, the relevant member of the Group shall also take into account factors such as, but not limited to, quality of goods or services, suitability of time schedules, duration of contracts, preferential rates, rebates or discounts accorded for bulk sales or purchases, other relevant specifications of the contract and/or strategic purposes of the transaction, where applicable.

Where the prevailing market rates are not available for comparison, the pricing and terms of the Mandated Transaction will be reviewed and determined as to whether they are consistent with the Group’s usual business practices and pricing policies for the same or substantially similar type of transactions with unrelated third parties, and whether they are arm’s length deals on market terms that are

LETTER TO SHAREHOLDERS

beneficial for and in the best interests of the Group. The Mandated Transaction shall be beneficial to the interests of the Group after taking into account factors such as, but not limited to, quality of goods and services, suitability of time schedules, duration of contracts, preferential rates, rebates or discounts accorded for bulk sales or purchases, other relevant specifications of the contract and/or strategic purposes of the transaction, where applicable.

2.5.2. Guidelines and Review Procedures for IPTs under Category 2

In respect of leasing of warehousing space from the Mandated Interested Persons, the relevant member of the Group carrying out the Mandated Transaction shall review and compare the rental rates and terms of the Mandated Transaction with the rental rates and terms offered or charged by the Mandated Interested Persons to unrelated third parties. During the review and comparison, the relevant member of the Group shall take into account other factors such as, but not limited to, the size and location of the unit, duration of the lease, specifications of the unit, and any other relevant factors that may affect rental rates or the terms of the lease.

In respect of the referral services provided to or obtained from the Mandated Interested Persons, and the project and technical management services obtained from the Mandated Interested Persons, such services shall be transacted at arm's length, on a commercial basis, and in accordance with usual business practices and policies for the same or substantially similar type of transactions with unrelated third parties (where relevant) to ensure that the terms are not prejudicial to the interests of either party.

2.5.3. Approval of Mandated Transactions

Before entering into any Mandated Transaction under Category 1 or Category 2, all such transactions will be subject to review and the pre-approval by the relevant approving authorities according to the value of the Mandated Transaction as set out in the approval matrix below (the “**Approving Authorities**”):

Mandated Transaction approval matrix	
Value of each Mandated Transaction	Approving Authorities (each having no interest, direct or indirect, in the Mandated Transaction)
1. Equal to or less than S\$500,000	CFO of the Group and CHOSM MD (alternatively, where either the CFO of the Group or CHOSM MD has an interest in the Mandated Transaction, the majority of the Audit Committee)
2. Exceeding S\$500,000	Majority of the Audit Committee

The Approving Authorities may at their own discretion obtain independent advice or valuations from external or professional sources to facilitate their review and approval.

LETTER TO SHAREHOLDERS

In the event that any of the Approving Authorities has an interest in the Mandated Transaction under consideration for approval, he shall abstain from reviewing and approving the transaction. Such transaction will be reviewed and approved by the alternate Approving Authority or the other members of the Approving Authority, as the case may be, in accordance with the approval matrix above (each having no interest, direct or indirect, in the Mandated Transaction).

In the event that any member of the Audit Committee has an interest in the Mandated Transaction, he shall abstain from reviewing and approving the transaction. Such transaction will be reviewed and approved by the remaining members of the Audit Committee (each having no interest, direct or indirect, in the Mandated Transaction).

Any variation of the terms of a Mandated Transaction shall also be subject to the approval of the Approving Authorities as set out above. In the event of any such variation to the agreement for any Mandated Transaction with the Mandated Interested Persons, the Group shall also provide the basis and justification for such approval. The Audit Committee shall review any such variation to ensure that the Mandated Transaction continues to be made on the Group's normal commercial terms.

2.5.4. Additional Guidelines and Review Procedures

In addition to the guidelines and review procedures set out in sections 2.5.1 to 2.5.3 of this Letter, the Company will implement the following additional guidelines and procedures to ensure that the Mandated Transactions carried out under the proposed IPT General Mandate are undertaken on an arm's length basis and on normal commercial terms:

(i) *Maintaining a register of IPTs*

The Company will maintain an IPT register which details all the IPTs entered into by the Group (including those below S\$100,000 in value) as well as information pertinent to the evaluation of the IPTs, which includes but are not limited to, the identity of the Interested Persons involved in the IPTs, the value of the IPTs, the basis of determining the transaction prices of the IPTs and supporting evidence (where available) as to whether such IPTs are conducted in accordance with the stated guidelines and review procedures set out in sections 2.5.1 to 2.5.3 of this Letter.

(ii) *Review by Audit Committee*

Members of the Audit Committee (each having no interest, direct or indirect, in any IPTs) will review all approved IPTs (excluding those below S\$100,000 in value) on a quarterly basis to ensure that the established guidelines and review procedures for the IPTs have been complied with and the relevant approvals have been obtained. The Audit Committee will report the findings of the reviews to the Board.

LETTER TO SHAREHOLDERS

The Audit Committee will also review, on a quarterly basis, the established guidelines and review procedures of the IPTs and determine if such guidelines and review procedures continue to be adequate and/or are commercially practicable in ensuring that the IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. If the Audit Committee is of the view that the guidelines and review procedures have become inappropriate and/or insufficient to meet such objectives, the Company will seek a fresh mandate from Shareholders based on new guidelines and review procedures proposed for the IPTs. During the period prior to obtaining a fresh mandate from the Shareholders, all IPTs will be subject to prior review and approval by the Audit Committee, subject to the requirements under Chapter 9 of the Listing Manual.

(iii) *Review by internal auditors*

The Group will incorporate a review of IPTs in its internal audit plan. The internal auditors will review the IPTs to check that, amongst other things, the relevant approvals have been obtained and the guidelines and review procedures for the IPTs have been adhered to. The internal auditors will forward their review reports to the Audit Committee.

(iv) *Review by external auditors and/or other professional advisers*

The Group's external auditors will review the IPTs on a sampling basis as part of the Group's annual audit. The external auditors will report any non-compliance issues noted from the audit samples to the Audit Committee. In addition, the Audit Committee shall, when it deems fit, have the right to require the appointment of independent advisers to advise on the transactions under review or approved or to advise on the guidelines and review procedures. The outcome of such review shall be documented and minuted.

2.5.5. Validity Period of the IPT General Mandate

If approved at the forthcoming AGM, the IPT General Mandate will take effect from the date of the passing of the relevant ordinary resolution to be proposed at the AGM and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the next AGM of the Company is held or is required by law to be held, whichever is the earlier. The Company will seek the approval of Shareholders for the renewal of the IPT General Mandate at each subsequent AGM. The renewal of the IPT General Mandate shall be made in accordance with the Listing Manual and such other laws and regulations as may be applicable at the time. It shall also be subject to the satisfactory review by the Audit Committee of the continued need for each of the IPT General Mandate and the adequacy of the review procedures for the transactions.

LETTER TO SHAREHOLDERS

2.5.6. Disclosure of IPTs to Shareholders in the Annual Report and Financial Statements

In accordance with the requirements of Chapter 9 of the Listing Manual:

- (i) disclosure will be made in the annual report of the Company, giving details of the aggregate value of all transactions conducted with the Mandated Interested Persons pursuant to the IPT General Mandate during the financial year under review and in the annual reports for the subsequent financial years during which the IPT General Mandate are in force;
- (ii) announcements will be made with regard to the aggregate value of transactions conducted with the Mandated Interested Persons pursuant to the IPT General Mandate for the financial periods which the Company is required to report on pursuant to Rule 705 of the Listing Manual within the time required for the announcement of such report; and
- (iii) the names of the Interested Persons and the corresponding aggregate value of the IPTs will be presented in the form set out in Rule 907 of the Listing Manual as follows:

Name of Interested Person(s)	Aggregate value of all interested person transactions during the financial period/ year under review (excluding transactions less than S\$100,000 and transactions conducted under the IPT General Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the IPT General Mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
-------------------------------------	---	---

2.6. **Opinion of the Independent Financial Adviser**

Provenance Capital Pte. Ltd., has been appointed as the IFA to the Directors who are deemed independent in respect of the IPT General Mandate, being Mr. Thia Peng Heok, George, Mr. Tan Pong Tyea, Mr. Tan Kian Huay and Mr. Wan Hin Weng (collectively, the “**Non-conflicted Directors**”) to opine on whether the guidelines and review procedures for the Mandated Transactions as set out in section 2.5 of this Letter are sufficient to ensure that the Mandated Transactions under the IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

The IFA is of the opinion that the guidelines and review procedures for determining the terms of the Mandated Transactions as set out in section 3.4 of the IFA Letter and in section 2.5 of this Letter to Shareholders, if adhered to, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

LETTER TO SHAREHOLDERS

The IFA Letter dated 12 March 2019 is reproduced and appended as **Appendix I** to this Letter. Shareholders are advised to read the IFA Letter carefully.

2.7. Statement of the Audit Committee

The Audit Committee has reviewed the terms of the IPT General Mandate and the opinion of the IFA, and is satisfied that the review procedures set up by the Company in relation to the Mandated Transactions under the IPT General Mandate are, if adhered to, sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

3. PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

3.1. General

Under the 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 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 2018 AGM, 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 2019 AGM.

In this regard, approval is now being sought from Shareholders at the 2019 AGM for the Proposed Renewal of the Share Buyback Mandate.

3.2. Rationale for the Proposed Renewal of the Share Buyback Mandate

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 10% limit described in section 3.3.1 of this Letter below during the period referred to in section 3.3.2 of this Letter below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full 10% 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. Please refer to sections 3.3.1 and 3.3.2 of this Letter for further details.

LETTER TO SHAREHOLDERS

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.

3.3. 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 2018 AGM, save in relation to the maximum limit on the Shares which may be purchased or acquired by the Company, which is proposed to be increased up to a maximum limit of 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the 2019 AGM at which the Proposed Renewal of the Share Buyback Mandate is approved. Further details of the authority and limits of the Share Buyback Mandate are summarised below.

3.3.1. Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. Subject to the Act, the total number of Shares that may be purchased or acquired by the Company shall not exceed 10% 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 2019 AGM at which the Proposed 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 Act, or 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, 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 2019 AGM and the Company does not reduce its share capital, not more than 70,489,251 Shares (representing approximately 10% 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 3.3.2 of this Letter below.

However, as stated in sections 3.2 and 3.9.3 of this Letter, purchases or acquisitions pursuant to the Share Buyback Mandate need not be carried out to the full extent mandated, and, in any case, would not be carried out to such an extent that would result in the Company being delisted from the SGX-ST. Thus, notwithstanding that the Share Buyback Mandate may enable purchases or acquisitions of up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings) to be carried out, it should be noted that in order to maintain the listing status of the Shares on the SGX-ST, the Company must ensure

LETTER TO SHAREHOLDERS

(pursuant to Rule 723 of the Listing Manual) that there is at all times a public float of not less than 10% of the issued Shares (excluding treasury shares). Accordingly, assuming solely for illustrative purposes that 77,608,665 Shares (or approximately 11.01% of the issued Shares (excluding treasury shares)) are held in public hands as at the Latest Practicable Date, in order to preserve the listing status of the Shares on the SGX-ST by maintaining a public float of not less than 10% in the issued Shares (excluding treasury shares), the Company would not purchase or acquire more than 7,119,414 Shares (or 1.01% of the issued Shares (excluding treasury shares)) pursuant to the Share Buyback Mandate as at the Latest Practicable Date. The public float in the issued Shares as at the Latest Practicable Date is disclosed in section 3.9.3 of this Letter below.

Notwithstanding the above, the Company anticipates that the public float percentage of the issued Shares will change from time to time consequent upon the dynamic changing profile of public shareholders of the Company. For this reason, the Company is therefore seeking Shareholders' approval to enable the Company to purchase or acquire Shares up to a maximum of 10% of the issued Shares (excluding treasury shares and subsidiary holdings) for flexibility to prospectively cater to any future increase in the number of issued Shares held in public hands.

3.3.2. 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 2019 AGM at which the Proposed Renewal of the Share Buyback Mandate is approved, up to:

- (i) the date on which the next AGM is held or required by law to be held; or
- (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated,

whichever is the earliest.

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 2019 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 Proposed 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.

LETTER TO SHAREHOLDERS

3.3.3. Manner of Purchase of Acquisitions of Shares

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

- (i) 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
- (ii) off-market purchases (if effected otherwise than on the SGX-ST) pursuant to an equal access scheme in accordance with Section 76C of the Act ("**Off-Market Purchases**").

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

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed purchase or acquisition of Shares;
- (d) 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;

LETTER TO SHAREHOLDERS

- (e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST; and
- (f) 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.

3.3.4. 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:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price; and
- (ii) 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 (5) 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 (5) 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.

LETTER TO SHAREHOLDERS

3.4. Status of the Purchased or Acquired Shares

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

3.4.1. 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.

3.4.2. Treasury Shares

Under the 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 Act are summarised below:

(i) *Maximum Holdings*

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

(ii) *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 (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.

LETTER TO SHAREHOLDERS

(iii) Disposal and Cancellation

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

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

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.

3.5. 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:

- 3.5.1. the date of the purchase or acquisition;
- 3.5.2. the number of Shares purchased or acquired by the Company;
- 3.5.3. the number of Shares cancelled;
- 3.5.4. the number of Shares held as treasury shares;
- 3.5.5. the Company’s issued share capital (excluding treasury shares and subsidiary holdings) before and after the purchase or acquisition;
- 3.5.6. the amount of consideration paid by the Company for the purchase or acquisition;
- 3.5.7. whether the Shares were purchased or acquired out of profits or capital of the Company; and
- 3.5.8. such other particulars as may be required in the prescribed form.

LETTER TO SHAREHOLDERS

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.

3.6. Source of Funds for the Share Buyback

The 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 Act, the Company is solvent if at the date of payment for the purchase or acquisition of its Shares:

- (i) there is no ground on which the Company could be found to be unable to pay its debts;
- (ii) if:
 - (A) 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
 - (B) 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
- (iii) 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 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.

LETTER TO SHAREHOLDERS

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.

3.7. 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 Act.

3.7.1. 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.

3.7.2. Number of Shares Purchased or Acquired

As at the Latest Practicable Date, the Company has 704,892,514 Shares in issue (excluding treasury shares and subsidiary holdings).

(i) *Scenario I: Purchase or acquisition of 1.01% of the issued Shares by the Company*

Purely for illustrative purposes, on the basis of 704,892,514 Shares in issue and a public float of approximately 11.01% as at the Latest Practicable Date, disregarding 198,000 Shares held in treasury as at the Latest Practicable Date, and assuming that on or prior to the 2019 AGM:

- (a) no further Shares are issued;
- (b) no further Shares are purchased or acquired by the Company;
- (c) no further Shares are held by the Company as treasury shares; and
- (d) no Shares are held as subsidiary holdings,

LETTER TO SHAREHOLDERS

the exercise of the proposed Share Buyback Mandate, on the Latest Practicable Date, up to an extent that would not affect adversely the listing status of the Shares on the SGX-ST, may result in the purchase or acquisition of 7,119,414 Shares, representing approximately 1.01% of the total Shares in issue (excluding treasury shares and subsidiary holdings) (instead of a purchase or acquisition of 70,489,251 Shares representing 10% of such issued Shares (excluding treasury shares and subsidiary holdings)).

(ii) *Scenario II: Purchase or acquisition of 10% of the issued Shares by the Company*

The illustrative financial effects below are prepared assuming a prospective hypothetical scenario after the Latest Practicable Date whereby future circumstances permit up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings) to be purchased or acquired by the Company without resulting in the listing status of the Shares on the SGX-ST being adversely affected.

Purely for illustrative purposes, on the basis of 704,892,514 Shares in issue and a public float of approximately 20% as at the Latest Practicable Date, disregarding 198,000 Shares held in treasury as at the Latest Practicable Date, and assuming that on or prior to the 2019 AGM:

- (a) no further Shares are issued;
- (b) no further Shares are purchased or acquired by the Company;
- (c) no further Shares are held by the Company as treasury shares; and
- (d) no Shares are held as subsidiary holdings,

the exercise of the proposed Share Buyback Mandate, on the Latest Practicable Date, up to an extent that would not affect adversely the listing status of the Shares on the SGX-ST, may result in the purchase or acquisition of 70,489,251 Shares representing 10% of such issued Shares (excluding treasury shares and subsidiary holdings).

3.7.3. Maximum Price to be paid for the Share Buybacks

For illustrative purposes only:

(i) *Scenario I: Purchase or acquisition of 1.01% of the issued Shares by the Company*

- (a) in the case of a Market Purchase by the Company and assuming that the Company purchases or acquires the 7,119,414 Shares at the Maximum Price of S\$0.0851 for one (1) Share (being 105% of the average of the closing market prices of a Share over the last five (5) 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 7,119,414 Shares is approximately

LETTER TO SHAREHOLDERS

S\$605,862 (excluding Related Expenses) (equivalent to approximately US\$448,787 based on the exchange rate of US\$1.00 : S\$1.35).

- (b) in the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires the 7,119,414 Shares at the Maximum Price of S\$0.0984 for one (1) 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 7,119,414 Shares is approximately S\$700,550 (excluding Related Expenses) (equivalent to approximately US\$518,926 based on the exchange rate of US\$1.00 : S\$1.35).

(ii) *Scenario II: Purchase or acquisition of 10% of the issued Shares by the Company*

The illustrative financial effects below are prepared assuming a prospective hypothetical scenario after the Latest Practicable Date whereby future circumstances permit up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings) to be purchased or acquired by the Company without resulting in the listing status of the Shares on the SGX-ST being adversely affected.

- (a) in the case of a Market Purchase by the Company and assuming that the Company purchases or acquires the 70,489,251 Shares at the Maximum Price of S\$0.0851 for one (1) Share (being 105% of the average of the closing market prices of a Share over the last five (5) 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 70,489,251 Shares is approximately S\$5,998,635 (excluding Related Expenses) (equivalent to approximately US\$4,443,433 based on the exchange rate of US\$1.00 : S\$1.35).
- (b) in the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires the 70,489,251 Shares at the Maximum Price of S\$0.0984 for one (1) 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 70,489,251 Shares is approximately S\$6,936,142 (excluding Related Expenses) (equivalent to approximately US\$5,137,883 based on the exchange rate of US\$1.00 : S\$1.35).

LETTER TO SHAREHOLDERS

3.7.4. 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 set out in sub-sections 3.7.4(A) and 3.7.4(B) of this Letter below are calculated based on the audited financial statements of the Company and the Group for the financial period ended 31 December 2018, and are based on the following assumptions:

- (i) in order to preserve the listing status of the Shares on the SGX-ST, the Company would not purchase or acquire more than 7,119,414 Shares (or 1.01% of the issued Shares (excluding treasury shares)) pursuant to the Share Buyback Mandate as at the Latest Practicable Date;
- (ii) the purchase or acquisition of Shares took place at the beginning of the financial year on 1 July 2018;
- (iii) the purchase or acquisition of Shares was paid in cash by the Company;
- (iv) the Related Expenses were insignificant and have been ignored for the purpose of computing the financial effects; and
- (v) the number of Shares which may be held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

Letter to Shareholders continues on the following page

LETTER TO SHAREHOLDERS

(A) Purchases made out of capital

The Group

	← 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
As at 31 December 2018					
Profit/(Loss) after tax and minority interests	(6,346)	(6,346)	(6,346)	(6,346)	(6,346)
Share capital	55,379	54,930	55,379	54,860	55,379
Treasury shares	(46)	(46)	(495)	(46)	(565)
Revenue reserves	34,961	34,961	34,961	34,961	34,961
Totally equity/NAV	90,294	89,845	89,845	89,775	89,775
Non-controlling interests	14	14	14	14	14
Total equity/NAV	90,308	89,859	89,859	89,789	89,789
Current assets	16,151	15,702	15,702	15,632	15,632
Current liabilities	10,178	10,178	10,178	10,178	10,178
Total borrowings	9,176	9,176	9,176	9,176	9,176
Cash and bank balances	5,700	5,251	5,251	5,181	5,181
Number of issued Shares (excluding Shares held as treasury shares and subsidiary holdings) ('000)	704,893	697,774	697,774	697,774	697,774
Financial Ratios					
Earnings/(Loss) per Share (US cents) ⁽¹⁾	(0.90)	(0.91)	(0.91)	(0.91)	(0.91)
NAV per Share (US cents) ⁽²⁾	12.81	12.88	12.88	12.87	12.87
Gearing ratio (times) ⁽³⁾	0.04	0.04	0.04	0.04	0.04
Current ratio (times) ⁽⁴⁾	1.59	1.54	1.54	1.54	1.54

Notes:

- (1) Earnings per Share represents profit attributable to Shareholders divided by the number of Shares issued as at 31 December 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.

LETTER TO SHAREHOLDERS

The Company

	← COMPANY →				
	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
<u>As at 31 December 2018</u>					
Profit/(Loss) after tax and minority interests	(1,901)	(1,901)	(1,901)	(1,901)	(1,901)
Share capital	55,379	54,930	55,379	54,860	55,379
Treasury shares	(46)	(46)	(495)	(46)	(565)
Revenue reserves	(5,205)	(5,205)	(5,205)	(5,205)	(5,205)
Total equity/NAV	50,128	49,679	49,679	49,609	49,609
Current assets	44,429	43,980	43,980	43,910	43,910
Current liabilities	46,642	46,642	46,642	46,642	46,642
Total borrowings	9,176	9,176	9,176	9,176	9,176
Cash and bank balances	4,490	4,041	4,041	3,971	3,971
Number of issued Shares (excluding Shares held as treasury shares and subsidiary holdings) ('000)	704,893	697,774	697,774	697,774	697,774
<u>Financial Ratios</u>					
Earnings/(Loss) per Share (US cents) ⁽¹⁾	(0.27)	(0.27)	(0.27)	(0.27)	(0.27)
NAV per Share (US cents) ⁽²⁾	7.11	7.12	7.12	7.11	7.11
Gearing ratio (times) ⁽³⁾	0.09	0.10	0.10	0.10	0.10
Current ratio (times) ⁽⁴⁾	0.95	0.94	0.94	0.94	0.94

Notes:

- (1) Earnings per Share represents profit attributable to Shareholders divided by the number of Shares issued as at 31 December 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.

LETTER TO SHAREHOLDERS

(B) Purchases made out of profits

The Group

	← 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
As at 31 December 2018					
Profit/(Loss) after tax and minority interests	(6,346)	(6,346)	(6,346)	(6,346)	(6,346)
Share capital	55,379	55,379	55,379	55,379	55,379
Treasury shares	(46)	(46)	(495)	(46)	(565)
Revenue reserves	34,961	34,512	34,961	34,442	34,961
Total equity/NAV	90,294	89,845	89,845	89,775	89,775
Non-controlling interests	14	14	14	14	14
Total equity/NAV	90,308	89,859	89,859	89,789	89,789
Current assets	16,151	15,702	15,702	15,632	15,632
Current liabilities	10,178	10,178	10,178	10,178	10,178
Total borrowings	9,176	9,176	9,176	9,176	9,176
Cash and bank balances	5,700	5,251	5,251	5,181	5,181
Number of issued Shares (excluding Shares held as treasury shares and subsidiary holdings) ('000)	704,893	697,774	697,774	697,774	697,774
Financial Ratios					
Earnings/(Loss) per Share (US cents) ⁽¹⁾	(0.90)	(0.91)	(0.91)	(0.91)	(0.91)
NAV per Share (US cents) ⁽²⁾	12.81	12.88	12.88	12.87	12.87
Gearing ratio (times) ⁽³⁾	0.04	0.04	0.04	0.04	0.04
Current ratio (times) ⁽⁴⁾	1.59	1.54	1.54	1.54	1.54

Notes:

- (1) Earnings per Share represents profit attributable to Shareholders divided by the number of Shares issued as at 31 December 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.

LETTER TO SHAREHOLDERS

The Company

	← COMPANY →				
	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
<u>As at 31 December 2018</u>					
Profit/(Loss) after tax and minority interests	(1,901)	(1,901)	(1,901)	(1,901)	(1,901)
Share capital	55,379	55,379	55,379	55,379	55,379
Treasury shares	(46)	(46)	(495)	(46)	(565)
Revenue reserves	(5,205)	(5,654)	(5,205)	(5,724)	(5,205)
Total equity/NAV	50,128	49,679	49,679	49,609	49,609
Current assets	44,429	43,980	43,980	43,910	43,910
Current liabilities	46,642	46,642	46,642	46,642	46,642
Total borrowings	9,176	9,176	9,176	9,176	9,176
Cash and bank balances	4,490	4,041	4,041	3,971	3,971
Number of issued Shares (excluding Shares held as treasury shares and subsidiary holdings) ('000)	704,893	697,774	697,774	697,774	697,774
<u>Financial Ratios</u>					
Earnings/(Loss) per Share (US cents) ⁽¹⁾	(0.27)	(0.27)	(0.27)	(0.27)	(0.27)
NAV per Share (US cents) ⁽²⁾	7.11	7.12	7.12	7.11	7.11
Gearing ratio (times) ⁽³⁾	0.09	0.10	0.10	0.10	0.10
Current ratio (times) ⁽⁴⁾	0.95	0.94	0.94	0.94	0.94

Notes:

- (1) Earnings per Share represents profit attributable to Shareholders divided by the number of Shares issued as at 31 December 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.

LETTER TO SHAREHOLDERS

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 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as determined in accordance with the applicable provisions of the Act, based on a public float of approximately 11.01% as at the Latest Practicable Date, the Company is at present, only permitted to purchase or acquire up to 1.01% of the issued Shares (excluding treasury shares and subsidiary holdings) being an extent that would not affect adversely the listing status of the Shares on the SGX-ST as at the Latest Practicable Date. Even so, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 1.01% or, as the case may be, (if and when future circumstances permit) the entire 10% of the 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 period ended 31 December 2018 and are not necessarily representative or indicative of the Company's or the Group's future financial performance.

3.8. 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.

3.8.1. 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.

3.8.2. 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:

- (i) 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;

LETTER TO SHAREHOLDERS

- (ii) 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);
- (iii) a company with any of its pension funds and employee share schemes;
- (iv) 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;
- (v) 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;
- (vi) 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;
- (vii) partners; and
- (viii) 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.

3.8.3. 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 (6) months.

LETTER TO SHAREHOLDERS

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 (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

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 (6) months.

3.8.4. 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' Shareholdings and the Register of Substantial Shareholders as set out in section 4 of this Letter below:

- (i) Mr. Tan Pong Tyea, a Non-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 "**FEG Concert Party Group**"); and
- (ii) Dr. Benety Chang, the Chief Executive Officer of the Group and an Executive Director, Baker Technology, and Dr. Doris Heng Chin Ngor are each deemed to have an interest in the 387,535,300 Shares directly held by BTI, representing approximately 54.98% of the entire issued and paid-up capital of the Company (collectively, the "**BT Concert Party Group**").

For illustrative purposes only, based on the assumptions that:

- (I) in order to preserve the listing status of the Shares on the SGX-ST, the Company would not purchase or acquire more than 7,119,414 Shares (or 1.01% of the issued Shares (excluding treasury shares)) pursuant to the Share Buyback Mandate as at the Latest Practicable Date;
- (II) the purchase or acquisition of 7,119,414 Shares by the Company pursuant to the Share Buyback Mandate by way of Market Purchase is made entirely out of capital and cancelled;
- (III) there is no change in the FEG Concert Party Group's and the BT Concert Party Group's shareholdings in the Company between the Latest Practicable Date and the 2019 AGM;
- (IV) no new Shares are issued following Shareholders' approval of the Share Buyback Mandate; and
- (V) the FEG Concert Party Group and the BT Concert Party Group do not sell or otherwise dispose of their shareholdings in the Company,

LETTER TO SHAREHOLDERS

the shareholdings of the FEG Concert Party Group and the BT Concert Party Group as at the Latest Practicable Date and after the purchase or acquisition by the Company of 1.01% 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 (%)
FEG Concert Party Group						
Tan Pong Tyea	–	239,760,131	34.01	–	239,760,131	34.36
Falcon Energy Group Limited	–	239,760,131	34.01	–	239,760,131	34.36
Energian Pte. Ltd.	45,379,956	194,380,175	34.01	45,379,956	194,380,175	34.36
BT Concert Party Group						
Dr. Benety Chang	–	387,535,300	54.98	–	387,535,300	55.54
BT Investment Pte. Ltd.	387,535,300	–	54.98	387,535,300	–	55.54
Baker Technology	–	387,535,300	54.98	–	387,535,300	55.54
Dr. Doris Heng Chin Ngor	–	387,535,300	54.98	–	387,535,300	55.54

Based on the illustrative example above, in the event that the Company purchases or acquires 1.01% 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 FEG Concert Party Group will increase from 34.01 to 34.36%, which would not result in the FEG 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 Concert Party Group will increase from 54.98% to 55.54%, which would not result in the BT Concert Party 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.

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 that 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.

LETTER TO SHAREHOLDERS

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.

3.9. Obligations Under the Listing Manual

3.9.1. Notifications and Announcements

(i) 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.:

- (A) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; 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 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.

(ii) 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:

- (A) date of the sale, transfer, cancellation and/or use;
- (B) purpose of such sale, transfer, cancellation and/or use;
- (C) number of treasury shares sold, transferred, cancelled and/or used;
- (D) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (E) percentage of the number of treasury shares against the total number of Shares outstanding before and after such sale, transfer, cancellation and/or use; and
- (F) value of the treasury shares if they are used for a sale or transfer, or cancelled.

LETTER TO SHAREHOLDERS

3.9.2. Dealings in Securities

While the Listing Manual does 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:

- (i) commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three (3) quarters of its financial year; and
- (ii) one (1) month before the announcement of the Company's full year financial statements.

3.9.3. 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 the public (as defined in the Listing Manual). 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 11.01% 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 7,119,414 Shares (representing approximately 1.01% 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.

3.10. **Previous Share Buybacks**

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

LETTER TO SHAREHOLDERS

3.11. 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.

4. INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

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

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁴⁾
<u>Directors</u>						
Thia Peng Heok, George	–	–	–	–	–	–
Dr. Benety Chang	–	–	387,535,300 ⁽³⁾	54.98	387,535,300 ⁽³⁾	54.98
Heath McIntyre	–	–	–	–	–	–
Jeanette Chang	–	–	–	–	–	–
Tan Kiang Kherng	–	–	–	–	–	–
Tan Pong Tyea	–	–	239,760,131 ⁽¹⁾	34.01	239,760,131 ⁽¹⁾	34.01
Tan Kian Huay	–	–	–	–	–	–
Wan Hin Weng	–	–	–	–	–	–
<u>Substantial Shareholders (other than Directors)</u>						
BT Investment Pte. Ltd.	387,535,300 ⁽³⁾	54.98	–	–	387,535,300 ⁽³⁾	54.98
Baker Technology	–	–	–	–	387,535,300 ⁽³⁾	54.98
Dr. Doris Heng Chin Ngor	–	–	–	–	387,535,300 ⁽³⁾	54.98
Energian Pte. Ltd.	45,379,956	6.44	194,380,175 ⁽²⁾	27.57	239,760,131	34.01
Falcon Energy Group Limited	–	–	239,760,131 ⁽¹⁾	34.01	239,760,131 ⁽¹⁾	34.01

Notes:

- (1) Mr. Tan Pong Tyea and Falcon Energy Group are each deemed to have an interest in the 239,760,131 Shares held by Energian Pte. Ltd., pursuant to Section 4 of the SFA.
- (2) 194,380,175 Shares are held in the name of CGS-CIMB Securities (Singapore) Pte. Ltd.
- (3) Baker Technology, Dr. Benety Chang and Dr. Doris Heng Chin Ngor are each deemed to have an interest in the 387,535,300 Shares held by BTI, pursuant to Section 4 of the SFA.
- (4) The percentages of issued share capital are calculated based on 704,892,514 issued Shares as at the Latest Practicable Date.

LETTER TO SHAREHOLDERS

5. ABSTENTION FROM VOTING

The following persons and entities are deemed as Interested Persons, or associates or nominees of Interested Persons:

- 5.1.1. BTI is a controlling shareholder of the Company;
- 5.1.2. Dr. Benety Chang, the Chief Executive Officer and Executive Director of the Company, is also an executive director and controlling shareholder of Baker Technology;
- 5.1.3. Ms. Jeanette Chang, the Non-Executive Director of the Company, is Dr. Benety Chang's daughter, and the chief executive officer and an executive director of Baker Technology; and
- 5.1.4. Mr. Heath McIntyre and Mr Tan Kiang Kherng, the Executive Director and Non-Executive Director of the Company respectively, are nominated to the Board by BTI.

Rule 914 of the Listing Manual requires that interested persons and their associates must not vote on any Shareholders' resolutions relating to the Proposed Adoption of the IPT General Mandate. In view of the foregoing, each of (i) Dr. Benety Chang, (ii) Ms. Jeanette Chang, (iii) Mr. Heath McIntyre, (iv) Mr. Tan Kiang Kherng, and (v) BTI have undertaken to abstain and will procure that their respective associates and nominees abstain from voting in respect of each of their direct or indirect shareholdings in the Company on the resolutions for the Proposed Adoption of the IPT General Mandate at the 2019 AGM.

Furthermore, each of (i) Dr. Benety Chang, (ii) Ms. Jeanette Chang, (iii) Mr. Heath McIntyre, (iv) Mr. Tan Kiang Kherng, and (v) BTI shall decline any appointment to act as proxies to vote at the 2019 AGM in respect of the resolutions relating to the Proposed Adoption of the IPT General Mandate for other Shareholders unless the Shareholders concerned have given specific voting instructions as to the manner in which his/her votes are to be cast at the 2019 AGM.

6. RECOMMENDATION BY THE DIRECTORS

6.1. The Proposed Adoption of the IPT General Mandate

Dr. Benety Chang, Ms. Jeanette Chang, Mr. Heath McIntyre and Mr. Tan Kiang Kherng have abstained from making any recommendations to Shareholders on the resolution relating to the IPT General Mandate.

The Non-conflicted Directors, having considered, among other things, the terms, rationale and benefits of the IPT General Mandate, the opinion of the IFA, and the statement of the Audit Committee, are of the view that it would be beneficial to and in the interests of the Company to adopt the IPT General Mandate. Accordingly, the Non-conflicted Directors recommend that Shareholders vote in favour of ordinary resolution 10 set out in the Notice of AGM.

LETTER TO SHAREHOLDERS

6.2. The Proposed Renewal of the Share Buyback Mandate

The Directors are of the opinion that the Proposed Renewal of the Share Buyback Mandate are in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of ordinary resolution 11 set out in the Notice of AGM.

7. CONSENT

The IFA has given and has not withdrawn its written consent to the issue of this Letter with the inclusion of its name and the IFA Letter dated 12 March 2019 set out in **Appendix 1** of this Letter and all references thereto in the form and context in which they appear in this Letter.

8. 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 Transactions, 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 this 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 this Letter in its proper form and context.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the 2019 AGM and wish to appoint a proxy to attend and vote at the 2019 AGM on their behalf, should complete, sign and return the Proxy Form 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 at 12A Jalan Samulun, Singapore 629131, not less than 48 hours before the time fixed for the 2019 AGM. The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the 2019 AGM, if he wishes to do so, in place of his proxy.

A Depositor shall not be regarded as a member of the Company entitled to attend the 2019 AGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by the CDP, as at 72 hours before the 2019 AGM.

LETTER TO SHAREHOLDERS

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at Block 12A Jalan Samulun, Singapore 629131, during normal business hours from the date hereof up to and including the date of the 2019 AGM:

- (a) the constitution of the Company;
- (b) the IFA Letter; and
- (c) the letter of consent from the IFA.

Yours faithfully

For and on behalf of the Board of Directors of
CH Offshore Ltd.

THIA PENG HEOK GEORGE

(Independent and Non-Executive Chairman)

12 March 2019

APPENDIX I: LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE NON-CONFLICTED DIRECTORS OF CH OFFSHORE LTD.

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

12 March 2019

To: The Non-conflicted Directors of CH Offshore Ltd.
(deemed to be independent in respect of the IPT General Mandate)

Mr Thia Peng Heok, George	(Independent and Non-Executive Chairman)
Mr Tan Pong Tyea	(Non-Executive Director)
Mr Tan Kian Huay	(Independent Director)
Mr Wan Hin Weng	(Independent Director)

Dear Sirs,

THE PROPOSED ADOPTION OF THE IPT GENERAL MANDATE

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the letter to shareholders of the Company ("**Shareholders**") dated 12 March 2019 ("**Letter to Shareholders**") to be issued together with the Annual Report of CH Offshore Ltd. for the financial period ended 31 December 2018. For the purpose of this IFA letter ("**Letter**"), where applicable, we have used the foreign exchange rate of US\$1.00:S\$1.3473 as at 26 February 2019, being the Latest Practicable Date referred to in the Letter to Shareholders, unless otherwise stated. The above foreign exchange rate is extracted from published information by Bloomberg L.P. and is provided solely for information only.*

1. INTRODUCTION

1.1 CH Offshore Ltd. ("**Company**", and together with its subsidiaries, the "**Group**") is principally engaged in the ownership and chartering of vessels and the provision of marine support services for the offshore oil and gas industry. It is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") with a market capitalisation of approximately S\$61.3 million as at the Latest Practicable Date.

Since 26 July 2018, the Company had become an indirect subsidiary of Baker Technology Limited ("**Baker Technology**", and together with its subsidiaries, the "**Baker Tech Group**"), through Baker Technology's wholly-owned subsidiary, BT Investment Pte. Ltd. ("**BTI**"). As at the Latest Practicable Date, BTI holds approximately 54.98% shareholding interest in the Company. Baker Technology is listed on the Mainboard of the SGX-ST with a market capitalisation of approximately S\$85.2 million as at the Latest Practicable Date. The Baker Tech Group is a leading manufacturer and provider of specialised marine offshore equipment and services, mainly focused on the offshore oil and gas industry.

As there are complementary synergies between the Group and the Baker Tech Group, the Group intends to leverage on Baker Tech Group's strengths and resources in order to further enhance the Group's businesses. The proposed transactions with the Baker Tech Group are expected to be recurrent transactions of a revenue or trading nature in the ordinary course of business of the Group. The Baker Tech Group is deemed as an interested person ("**Interested Person**") under Chapter 9 of the listing manual ("**Listing Manual**") of the SGX-ST, being a controlling shareholder of the Company. In addition, Dr Benety Chang, the Chief Executive Officer ("**CEO**") and Executive Director of the Company, is the controlling shareholder and Executive Director of Baker Technology. Accordingly, such transactions between the Group and the Baker Tech Group are deemed as interested person transactions ("**IPTs**").

1.2 For the current financial year commencing 1 January 2019 and up to the Latest Practicable Date, there were no IPTs between the Group and the Baker Tech Group. However, going forward, the Company envisages that the Group will transact with the Baker Tech Group in the

APPENDIX I: LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE NON-CONFLICTED DIRECTORS OF CH OFFSHORE LTD.

ordinary course of its business and the aggregate value of these IPTs between the Group and the Baker Tech Group in the current financial year ending 31 December 2019 may exceed 5% of the Group's latest audited net tangible assets ("**NTA**") as at 31 December 2018 ("**5% Threshold**"), which would require Shareholders' prior approval pursuant to Rule 906 of the Listing Manual, unless a general mandate is obtained from Shareholders for such IPTs pursuant to Rule 920 of the Listing Manual ("**IPT General Mandate**"). For the purpose of aggregation under Rule 906 of the Listing Manual, IPTs below S\$100,000 each are to be excluded.

The Company had, on 8 November 2018, announced the change of its financial year end from 30 June to 31 December to align with the financial year end of the Baker Tech Group. In this regard, the Company had prepared the audited financial statements of the Group for the six months ended 31 December 2018 to be adopted at the Company's annual general meeting ("**AGM**") to be held on 28 March 2019. Based on the above audited financial statements, the latest audited NTA of the Group as at 31 December 2018 is US\$90.29 million (S\$121.65 million). Accordingly, the 5% Threshold for the time being is US\$4.51 million (S\$6.08 million).

- 1.3** In view of the time-sensitive nature of the commercial transactions and to allow the Group to undertake such transactions in a more expeditious manner, and for administrative efficiency and cost reasons, the Company is seeking Shareholders' approval at the AGM to adopt the IPT General Mandate for such recurring IPTs pursuant to Rule 920 of the Listing Manual.

The Baker Tech Group, as an Interested Person, has undertaken to abstain and will procure that its associates and nominees abstain from voting on the ordinary resolution relating to the IPT General Mandate at the AGM.

- 1.4** The IPT General Mandate is subject to the opinion of the Independent Financial Adviser ("**IFA**") pursuant to Rule 920(1)(b) of the Listing Manual. In this regard, Provenance Capital Pte. Ltd. ("**Provenance Capital**") has been appointed as the IFA to render an opinion to the Directors of the Company ("**Directors**") who are deemed independent in respect of the IPT General Mandate ("**Non-conflicted Directors**"), on whether the guidelines and review procedures for determining the terms of the IPTs, if adhered to, are sufficient to ensure that the IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders ("**Minority Shareholders**").

Among the 8 Directors, 4 of them are deemed Non-conflicted Directors, namely Mr Tan Pong Tyea, Mr Thia Peng Heok, George, Mr Tan Kian Huay and Mr Wan Hin Weng.

Mr Tan Pong Tyea, a Non-Executive Director of the Company, is the Chairman, CEO and the controlling shareholder of Falcon Energy Group Limited ("**FEG**"). FEG is a controlling shareholder of the Company and has an aggregate shareholding interest of 34.01% in the Company as at the Latest Practicable Date. Mr Thia Peng Heok, George, Mr Tan Kian Huay and Mr Wan Hin Weng are Independent Directors and members of the Audit Committee of the Company.

The remaining Directors, namely Dr Benety Chang (CEO and Executive Director), Ms Jeanette Chang (Non-Executive Director), Mr Heath McIntyre (Executive Director) and Mr Tan Kiang Kherng (Non-Executive Director) are nominated to the board of the Company by the Baker Tech Group.

Ms Jeanette Chang is the daughter of Dr Benety Chang. She is presently the CEO and Executive Director of Baker Technology. Mr Heath McIntyre is the Managing Director of BTI, and Mr Tan Kiang Kherng is the Chief Financial Officer ("**CFO**") of the Baker Tech Group.

Accordingly, the Directors who are deemed as Interested Persons or associates of the Interested Persons will abstain from making any recommendation to the Shareholders in relation to the IPT General Mandate. In addition, they have undertaken to abstain and will procure that their respective associates and nominees abstain from voting on the ordinary resolution relating to the IPT General Mandate at the AGM.

APPENDIX I: LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE NON-CONFLICTED DIRECTORS OF CH OFFSHORE LTD.

This Letter is required by Rule 920(1)(b) of the Listing Manual and is addressed to the Non-conflicted Directors. This Letter sets out, *inter alia*, our evaluation and opinion on the IPT General Mandate and forms part of the Letter to Shareholders which provides, *inter alia*, the details of the IPT General Mandate and the recommendation of the Non-conflicted Directors.

2. TERMS OF REFERENCE

We have been appointed as the IFA as required by Rule 920(1)(b) of the Listing Manual as well as to advise the Non-conflicted Directors in respect of the IPT General Mandate. We are not and were not involved in or responsible for, in any aspect, the discussions in relation to the IPT General Mandate, nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the IPT General Mandate or to obtain the approval of the Shareholders for, *inter alia*, the IPT General Mandate. We also do not, by this Letter, warrant the merits of the IPT General Mandate, other than to express an opinion on whether the guidelines and review procedures set out in the IPT General Mandate are sufficient to ensure that the IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the IPT General Mandate or to compare their relative merits vis-à-vis alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comments. Such evaluation or comments, if any, remains the responsibility of the Directors and/or the management of the Company ("**Management**") although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

In rendering our opinion, we have held discussions with the Directors, the Management and/or their professional advisers (if applicable) and have examined and relied to a considerable extent on the information set out in the Letter to Shareholders, other publicly available information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Directors, the Management and/or the professional advisers (if applicable). Whilst care has been exercised in reviewing the information which we have relied upon, we have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. We have nevertheless made such reasonable enquiries and judgment on the reasonable use of such information, as were deemed necessary, and have found no reason to doubt the accuracy or reliability of the information and representations.

The Directors (including those who may have delegated detailed supervision of the Letter to Shareholders) have confirmed that, to the best of their respective knowledge and belief, and having made all reasonable enquiries, information and representations provided by the Directors and Management are accurate. They have also confirmed to us that, upon making all reasonable enquiries and to their best knowledge and belief, all material information available to them in connection with the IPT General Mandate, the Company and the Group, have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group stated in the Letter to Shareholders to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Letter to Shareholders in relation to the IPT General Mandate have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information which we have relied on, we have not independently verified the information but nevertheless have made reasonable enquiries and exercised

APPENDIX I: LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE NON-CONFLICTED DIRECTORS OF CH OFFSHORE LTD.

judgment on the reasonable use of such information, as were deemed necessary, and have found no reason to doubt the accuracy or reliability of the information and representations.

Save as disclosed, we would like to highlight that all information relating to the Company and the Group which we have relied upon in arriving at our recommendation or advice has been obtained from publicly available information and/or from the Directors and the Management and the professional advisers (if applicable). We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company or the Group at any time or as at the Latest Practicable Date.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group, or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Company and/or the Group. Such review or comments, if any, remain the responsibility of the Directors and the Management, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our advice as set out in this Letter. We were also not required or authorised to obtain, and we have not obtained, any quotation or transaction price from third parties for the sale, purchase, provision or supply (where applicable) of services and/or products similar to those which are to be covered by the IPT General Mandate, and therefore are not able to, and will not compare the transactions with similar transactions with third parties.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, property, plant and equipment). As such, we will be relying on the disclosures and representations made by the Company on the value of the assets and liabilities, and profitability of the Company and/or the Group. We have not been furnished with any such evaluation or appraisal.

Our opinion as set out in this Letter is based on market, economic, industry, monetary and other conditions (if applicable) prevailing as at the Latest Practicable Date and the information and representations provided to us as at the Latest Practicable Date. In arriving at our opinion, with the consent of the Directors and the Company, we have taken into account certain other factors and have made certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcement, relevant to the IPT General Mandate, which may be released by the Company after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder or any specific group of Shareholders. As each Shareholder may have different investment objectives and profiles, we recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Letter to Shareholders (other than this Letter). We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Letter to Shareholders (other than this Letter). Accordingly, we take no responsibility for and express no views, whether expressed or implied, on the contents of the Letter to Shareholders (other than this Letter).

Whilst a copy of this Letter may be reproduced in the Letter to Shareholders, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes, other than at the forthcoming AGM for the purpose of the IPT General Mandate, at any time and in any manner, without the prior written consent of Provenance Capital in each specific case.

APPENDIX I: LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE NON-CONFLICTED DIRECTORS OF CH OFFSHORE LTD.

We have prepared this Letter in compliance with Rule 920(1)(b) of the Listing Manual as well as for the use of the Non-conflicted Directors in connection with their consideration of the IPT General Mandate and their advice to the Shareholders. The recommendation made to the Shareholders in relation to the IPT General Mandate remains the responsibility of the Non-conflicted Directors.

Our opinion in relation to the IPT General Mandate should be considered in the context of the entirety of this Letter and the Letter to Shareholders.

3. THE IPT GENERAL MANDATE

3.1 Classes of Mandated Interested Persons

The IPT General Mandate will apply to Mandated Transactions to be carried out between members of the Group and Baker Technology, its subsidiaries and associated companies (collectively the “**Mandated Interested Persons**”).

For the avoidance of doubt, the Mandated Interested Persons would include such subsidiaries and associated companies of Baker Technology which may, during such period while the IPT General Mandate is in effect, become Mandated Interested Persons where previously they were not so.

Information on the Mandated Interested Persons is set out in Section 2.2 of the Letter to Shareholders.

3.2 Rationale for and benefits of the IPT General Mandate

The full text of the rationale for and benefits of the IPT General Mandate is set out in Section 2.3 of the Letter to Shareholders.

In view of the time-sensitive and recurrent nature of commercial transactions, the adoption of the IPT General Mandate is intended to facilitate the Mandated Transactions in the day-to-day operations of the Group that may be transacted from time to time with the Mandated Interested Persons, provided that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its Minority Shareholders.

3.3 Categories and nature of the Mandated Transactions

The full text of the categories and nature of the Mandated Transactions under the IPT General Mandate is set out in Section 2.4 of the Letter to Shareholders.

The IPT General Mandate will apply to 2 categories of transactions with the Mandated Interested Persons for the purpose of the Group’s ordinary business operations. These categories and the corresponding transactions are:

Category 1 – IPTs relating to vessel charters, repairs and related operations of the Group

These transactions include:

- a) provision or obtaining of charter (as charterer or shipowner) of vessels to and from the Mandated Interested Persons;
- b) provision of ship management services, including without limitation, technical services, provision of crew, crew insurance and commercial management of vessels, to the Mandated Interested Persons; and

APPENDIX I: LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE NON-CONFLICTED DIRECTORS OF CH OFFSHORE LTD.

- c) obtaining of vessel engineering, vessel repair and maintenance services, fabrication services and goods, and shipyard and wharfage services from the Mandated Interested Persons;

Category 2 – IPTs relating to other services

These transactions include:

- a) obtaining of warehousing services from the Mandated Interested Persons. Warehousing services may be provided by Baker Engineering Pte. Ltd. and Sea Deep Shipyard Pte. Ltd., which are the wholly-owned subsidiaries of Baker Technology. Such warehousing space is mainly used by the Group to store equipment and spare parts;
- b) provision or obtaining of referral services to and from the Mandated Interested Persons. There may be instances where certain clients or contacts of the Group require certain services not provided by the Group but can be provided by Baker Tech Group, or *vice versa*. The Group and the Mandated Interested Persons may refer such clients or contacts to the Mandated Interested Persons or the Group, as the case may be, in return for a referral fee; and
- c) obtaining of project and technical management services, including without limitation technical design services and advisory services, from the Mandated Interested Persons,

(collectively, the “**Mandated Transactions**” and each, a “**Mandated Transaction**”).

The IPT General Mandate will not cover any transaction with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions.

For the avoidance of doubt, any sale or purchase of assets, undertakings or businesses with the Interested Persons will not fall within the ambit of the IPT General Mandate. Transactions with the Interested Persons that do not fall within the ambit of the IPT General Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

3.4 Guidelines and review procedures for the Mandated Transactions

To ensure that the Mandated Transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its Minority Shareholders, the Group will implement guidelines and review procedures for the Mandated Transactions under the IPT General Mandate as set out in Section 2.5 of the Letter to Shareholders.

In general, all contracts entered into or transactions with Interested Persons shall be carried out at prevailing market rates on pricing and terms which are no more favourable to the Interested Persons than the usual commercial terms and prevailing market rates extended to or received from unrelated third parties.

The guidelines and review procedures pertaining to the 2 categories of Mandated Transactions are as follows:

3.4.1 For IPTs under Category 1

The relevant member of the Group carrying out the Mandated Transaction shall review and compare the pricing and terms of the Mandated Transaction with the pricing and terms of two other transactions of a similar nature with unrelated third parties. During the review and comparison, the relevant member of the Group shall also take into account factors such as, but not limited to, quality of goods or services, suitability of time schedules, duration of contracts, preferential rates, rebates or discounts accorded for bulk sales or purchases, other relevant specifications of the contract and/or strategic purposes of the transaction, where applicable.

APPENDIX I: LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE NON-CONFLICTED DIRECTORS OF CH OFFSHORE LTD.

Where the prevailing market rates are not available for comparison, the pricing and terms of the Mandated Transaction will be reviewed and determined as to whether they are consistent with the Group's usual business practices and pricing policies for the same or substantially similar type of transactions with unrelated third parties, and whether they are arm's length deals on market terms that are beneficial for and in the best interests of the Group. The Mandated Transaction shall be beneficial to the interests of the Group after taking into account factors such as, but not limited to, quality of goods and services, suitability of time schedules, duration of contracts, preferential rates, rebates or discounts accorded for bulk sales or purchases, other relevant specifications of the contract and/or strategic purposes of the transaction, where applicable.

3.4.2 For IPTs under Category 2

In respect of leasing of warehousing space from the Mandated Interested Persons, the relevant member of the Group carrying out the Mandated Transaction shall review and compare the rental rates and terms of the Mandated Transaction with the rental rates and terms offered or charged by the Mandated Interested Persons to unrelated third parties. During the review and comparison, the relevant member of the Group shall take into account other factors such as, but not limited to, the size and location of the unit, duration of the lease, specifications of the unit and any other relevant factors that may affect rental rates or terms of the lease.

In respect of the referral services provided to or obtained from the Mandated Interested Persons, and the project and technical management services obtained from the Mandated Interested Persons, such services shall be transacted at arm's length, on a commercial basis, and in accordance with usual business practices and policies for the same or substantially similar type of transactions with unrelated third parties (where relevant) to ensure that the terms are not prejudicial to the interests of either party.

3.4.3 Approval threshold limits

In addition to the review procedures, before entering into any Mandated Transaction under Category 1 or Category 2, all such transactions will be subject to review and the pre-approval by the relevant approving authorities ("**Approving Authorities**") according to the value of the Mandated Transaction as set out in the approval matrix below:

Mandated Transaction approval matrix	
Value of each Mandated Transaction	Approving Authorities (each having no interest, direct or indirect, in the Mandated Transaction)
1. Equal to or less than S\$500,000	CFO of the Group and managing director of CHO Ship Management Pte. Ltd., a wholly-owned subsidiary of the Company (" CHOSM MD ") (alternatively, where either the CFO of the Group or CHOSM MD has an interest in the Mandated Transaction, the majority of the Audit Committee)
2. Exceeding S\$500,000	Majority of the Audit Committee

We note that the approval threshold that requires the Audit Committee's approval of S\$0.5 million represents less than 0.5% of the latest audited NTA of the Group as at 31 December 2018.

The Approving Authorities may, at their own discretion, obtain independent advice or valuations from external or professional sources to facilitate their review and approval.

In the event that any of the Approving Authorities has an interest in the Mandated Transaction under consideration for approval, he shall abstain from reviewing and approving the transaction. Such transaction will be reviewed and approved by the alternate Approving Authority or the other members of the Approving Authority, as the case may be, in accordance with the approval matrix above (each having no interest, direct or indirect, in the Mandated Transaction).

APPENDIX I: LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE NON-CONFLICTED DIRECTORS OF CH OFFSHORE LTD.

In the event that any member of the Audit Committee has an interest in the Mandated Transaction, he shall abstain from reviewing and approving the transaction. Such transaction will be reviewed and approved by the remaining members of the Audit Committee (each having no interest, direct or indirect, in the Mandated Transaction).

Any variation of the terms of a Mandated Transaction shall also be subject to the approval of the Approving Authorities as set out above. In the event of any such variation to the agreement for any Mandated Transaction with the Mandated Interested Persons, the Group shall also provide the basis and justification for such approval. The Audit Committee shall review any such variation to ensure that the Mandated Transaction continues to be made on the Group's normal commercial terms.

3.4.4 Additional guidelines and review procedures

In addition to the guidelines and review procedures set out in Sections 3.4.1 to 3.4.3 above, the Company will implement the following additional guidelines and procedures:

(i) Maintain a register of IPTs

The Company will maintain an IPT register which details all IPTs entered into by the Group (including those below S\$100,000 in value) as well as information pertinent to the evaluation of the IPTs, which includes but are not limited to, the identity of the Interested Persons involved in the IPTs, the value of the IPTs, the basis of determining the transaction prices of the IPTs and supporting evidence (where available) as to whether such IPTs are conducted in accordance with the stated guidelines and review procedures set out in Sections 3.4.1 to 3.4.3 above.

(ii) Review by Audit Committee

Members of the Audit Committee (each having no interest, direct or indirect, in any IPTs) will review all approved IPTs (excluding those below S\$100,000 in value) on a quarterly basis to ensure that the established guidelines and review procedures for the IPTs have been complied with and the relevant approvals have been obtained. The Audit Committee will report the findings of the reviews to the Board.

The Audit Committee will also review, on a quarterly basis, the established guidelines and review procedures of the IPTs and determine if such guidelines and review procedures continue to be adequate and/or are commercially practicable in ensuring that the IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its Minority Shareholders. If the Audit Committee is of the view that the guidelines and review procedures have become inappropriate and/or insufficient to meet such objectives, the Company will seek a fresh mandate from Shareholders based on new guidelines and review procedures proposed for the IPTs. During the period prior to obtaining such fresh mandate from Shareholders, all IPTs will be subject to prior review and approval by the Audit Committee, subject to the requirements under Chapter 9 of the Listing Manual.

(iii) Review by internal auditors

The Group will incorporate a review of IPTs in its internal audit plan. The internal auditors will review the IPTs to check that, amongst other things, the relevant approvals have been obtained and the guidelines and review procedures for the IPTs have been adhered to. The internal auditors will forward their review reports to the Audit Committee.

(iv) Review by external auditors and/or other professional advisers

The Group's external auditors will review the IPTs on a sampling basis as part of the Group's annual audit. The external auditors will report any non-compliance issues noted from the audit samples to the Audit Committee. In addition, the Audit Committee, shall, when it deems fit, have the right to require the appointment of independent advisers to

APPENDIX I: LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE NON-CONFLICTED DIRECTORS OF CH OFFSHORE LTD.

advise on the transactions under review or approved or to advise on the guidelines and review procedures. The outcome of such review shall be documented and minuted.

3.5 Validity period of the IPT General Mandate

The proposed adoption of the IPT General Mandate is subject to Shareholders' approval at the forthcoming AGM. If approved by Shareholders at the AGM, the IPT General Mandate will take effect from the date of passing of the relevant ordinary resolution to be proposed at the AGM, and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the next AGM of the Company is held or is required by law to be held, whichever is earlier.

The Company will seek the approval of Shareholders for the renewal of the IPT General Mandate at each subsequent AGM. The renewal of the IPT General Mandate shall be made in accordance with the Listing Manual and such laws and regulations as may be applicable at the time. It shall also be subject to the satisfactory review by the Audit Committee of the continued need for each of the IPT General Mandate and the adequacy of the review procedures for the transactions.

3.6 Disclosures

Pursuant to Chapter 9 of the Listing Manual, the Company will disclose in its annual report the aggregate value of the IPTs conducted under the IPT General Mandate during the financial year, and in the annual reports for the subsequent financial years during which the IPT General Mandate is in force.

In addition, the Company will announce the aggregate value of the IPTs conducted pursuant to the IPT General Mandate for the financial periods which it is required to report on within the time required for the announcement of such report. These disclosures will be in the form set out in the Listing Manual.

4. OPINION

In arriving at our opinion in respect of the IPT General Mandate, we have considered, *inter alia*, the following:

- (a) classes of the Mandated Interested Persons;
- (b) rationale for and benefits of the IPT General Mandate;
- (c) categories and nature of the Mandated Transactions; and
- (d) guidelines and review procedures for the Mandated Transactions, including the additional guidelines and review procedures.

Based on the above, we are of the opinion that the guidelines and review procedures for determining the terms of the Mandated Transactions as set out in Section 3.4 of this Letter and in Section 2.5 of the Letter to Shareholders, if adhered to, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

Our opinion is required by Rule 920(1)(b) of the Listing Manual as well as addressed to the Non-conflicted Directors for the purpose of their consideration of the IPT General Mandate. The recommendation to be made by them to the Shareholders shall remain their responsibility. Whilst a copy of this Letter may be reproduced in the Letter to Shareholders, neither the Company, the Directors nor any other person may reproduce, disseminate or quote this Letter (or any part thereof) for the purpose of any matter which does not relate to the IPT General Mandate at any time and in any manner without our prior written consent in each specific case.

**APPENDIX I: LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO
THE NON-CONFLICTED DIRECTORS OF CH OFFSHORE LTD.**

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

APPENDIX II: GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

1. Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual governs transactions between a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be “at risk”, with the listed company’s interested persons.

2. General Requirements

Except for any transaction which is below S\$100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9 of the Listing Manual, when this Chapter applies to a transaction with an interested person and the value of the transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the latest audited consolidated net tangible assets (“**NTA**”)), the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for the transaction. In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding:

- (a) 5.0% of the listed company’s latest audited NTA; or
- (b) 5.0% of the listed company’s latest audited NTA, when aggregated with the values of all other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.

3. Mandate from Shareholders

Rule 920 of the Listing Manual, however, allows a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not for the purchase or sale of assets, undertakings or businesses) which may be carried out with the listed company’s interested persons. A general mandate is subject to annual renewal.

4. Terminology

For the purposes of Chapter 9 of the Listing Manual:

- (a) an “**entity at risk**” means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has control over the associated company;

APPENDIX II: GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

- (b) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;
- (c) an “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder, includes an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or the controlling shareholder/his immediate family is a beneficiary, or in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or the controlling shareholder/his immediate family has or have an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;
- (d) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles as Chapter 9 of the Listing Manual;
- (e) an “**interested person transaction**” means a transaction between an entity at risk and an interested person;
- (f) a “**transaction**” includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not entered into in the ordinary course of business, and whether entered into directly or indirectly; and
- (g) in interpreting the term “**same interested person**” for the purpose of aggregation of the values of all transactions entered into with the same interested person during the same financial year under Rules 905 and 906 of the Listing Manual, the following applies:
 - (i) transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person; and
 - (ii) if an interested person (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and their associates and have audit committees whose members are completely different.

