

**CIRCULAR DATED 15 APRIL 2008**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the contents of this Circular or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of InnoTek Limited, you should immediately forward this Circular, the enclosed Notice of Extraordinary General Meeting and the Proxy Form to the purchaser or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser.

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



**INNOTEK LIMITED**

(Company Registration No.: 199508431Z)  
(Incorporated in the Republic of Singapore)

**CIRCULAR TO SHAREHOLDERS**

in relation to

- (1) THE PROPOSED ADOPTION OF THE EMPLOYEE SHARE OPTION SCHEME TO BE KNOWN AS THE "INNOTEK EMPLOYEES' SHARE OPTION SCHEME II"**
- (2) THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTIONS UNDER THE SCHEME AT A DISCOUNT**
- (3) THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form : 28 April 2008 at 9.15 a.m.

Date and time of Extraordinary General Meeting : 30 April 2008 at 9.15 a.m. or immediately following the conclusion or adjournment of the Annual General Meeting to be held at 9.00 a.m. on the same day and at the same place.

Place of Extraordinary General Meeting : The Casuarina Suite A Level 3  
Raffles Hotel  
1 Beach Road  
Singapore 189673

## CONTENTS

	Page
<b>DEFINITIONS .....</b>	<b>3</b>
<b>1. INTRODUCTION .....</b>	<b>6</b>
<b>2. THE INNOTEK EMPLOYEES' SHARE OPTION SCHEME II .....</b>	<b>7</b>
<b>3. DISCLOSURE OF OPTIONS GRANTED UNDER PREVIOUS EMPLOYEE SHARE SCHEME .....</b>	<b>10</b>
<b>4. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE .....</b>	<b>10</b>
<b>5. DIRECTORS' RECOMMENDATIONS .....</b>	<b>20</b>
<b>6. EXTRAORDINARY GENERAL MEETING .....</b>	<b>20</b>
<b>7. ACTION TO BE TAKEN BY SHAREHOLDERS .....</b>	<b>20</b>
<b>8. DIRECTORS' RESPONSIBILITY STATEMENT .....</b>	<b>20</b>
<b>9. ADDITIONAL INFORMATION .....</b>	<b>21</b>
<b>SCHEDULE 1 - ADDITIONAL INFORMATION .....</b>	<b>22</b>
<b>APPENDIX 1 - RULES OF THE INNOTEK EMPLOYEES' SHARE OPTION SCHEME II .....</b>	<b>24</b>
<b>APPENDIX A - INNOTEK EMPLOYEES' SHARE OPTION SCHEME II LETTER OF OFFER .....</b>	<b>36</b>
<b>APPENDIX B - INNOTEK EMPLOYEES' SHARE OPTION SCHEME II ACCEPTANCE FORM .....</b>	<b>37</b>
<b>APPENDIX C - INNOTEK EMPLOYEES' SHARE OPTION SCHEME II EXERCISE NOTICE .....</b>	<b>39</b>
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING .....</b>	<b>41</b>
<b>PROXY FORM</b>	

## DEFINITIONS

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

“Articles”	:	the Articles of Association of the Company
“Associate”	:	shall have the meaning ascribed to it in the Listing Manual as amended from time to time
“Board”	:	The board of directors of the Company for the time being
“CDP”	:	The Central Depository (Pte) Limited
“Committee”	:	A committee comprising Directors duly authorized and appointed by the Board to administer the Scheme
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
“Companies (Amendment) Act”	:	The Companies (Amendment) Act 2005 of Singapore
“Company”	:	InnoTek Limited
“Control”	:	The capacity to dominate decision making, directly or indirectly in relation to the financial and operating policies of the Company
“Controlling Shareholder”	:	A person who holds directly or indirectly fifteen per cent. (15%) or more the aggregate number of issued Shares, or in fact exercises control over the Company
“Date of Grant”	:	The date on which an Option is granted to a Participant pursuant to the Rules of the Scheme
“Director”	:	A person holding the office of a director for the time being of the Company
“EGM”	:	The Extraordinary General Meeting of the Company, notice of which is set out on page 41 of this Circular, to be held on 30 April 2008 at 9.15 a.m. or immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 9.00 a.m. on the same day and at the same place
“EPS”	:	Earnings per Share
“ESOP 2000”	:	The InnoTek Employees’ Share Option Plan (formerly known as the Magnecomp Employees’ Share Option Plan) which was adopted by the Company on 18 September 2000 and which terminated in February 2006
“Exercise Price”	:	The price at which a Participant shall subscribe for each Share upon the exercise of an Option, as determined in accordance with the Rules of the Scheme, or such adjusted price as may be applicable pursuant to the Rules of the Scheme
“Group”	:	The Company together with its Subsidiaries

“Independent Director”	:	An independent director of the Company
“Latest Practicable Date”	:	31 March 2008, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The Listing Manual of the SGX-ST
“Listing Rules”	:	The listing rules of the SGX-ST as set out in the Listing Manual
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Market Price”	:	A price equal to the average of the last dealt prices for the Shares on the SGX-ST over the five (5) consecutive Market Days immediately preceding the relevant Offer Date, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST, rounded to the nearest whole cent in the event of fractional prices
“Non-Executive Director”	:	A director of the Company and/or any of its Subsidiaries, as the case may be, other than one who performs an executive function
“NTA”	:	Net tangible assets
“NTA per Share”	:	Net tangible assets of the Company divided by the number of issued Shares
“Offer Date”	:	The date on which an offer to grant an Option is made pursuant to the Scheme
“Option”	:	An option granted under the Scheme
“Participant”	:	Any confirmed employee of the Group or Non-Executive Director selected by the Committee to participate in the Scheme in accordance with the Rules of the Scheme
“Scheme”	:	The InnoTek Employees’ Share Option Scheme II, as modified or altered from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holder of the Shares or in the case of Depositors who have Shares entered against their names in the Depository Register
“Shares”	:	Ordinary shares in the capital of the Company
“Subsidiaries”	:	shall have the meaning ascribed to it by the Companies Act
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers
“Treasury Shares”	:	Shares purchased by the Company pursuant to its share purchase mandate which are held by the Company as Treasury Shares.
“%”	:	percentage or per centum
“\$” and “cents”	:	Singapore dollars and cents respectively

The words “Depositor” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

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

Words importing persons include corporations.

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

Any word defined under the Companies Act or the Listing Manual or any statutory modification thereof, and used in this Circular, shall have the meaning assigned to it under the Companies Act or the Listing Manual or any modification thereof, as the case may be.

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

# INNOTEK LIMITED

(Company Registration No.: 199508431Z)  
(Incorporated in the Republic of Singapore)

## Directors:

Robert Sebastiaan Lette (Chairman)  
Steven Glenn Campbell  
Yong Kok Hoon  
Dr. Ong Chit Chung  
Prof. Low Teck Seng

## Registered Office:

1 Finlayson Green #15-02  
Singapore 049246

## LETTER TO SHAREHOLDERS

15 April 2008

To: The Shareholders of InnoTek Limited

Dear Sir / Madam

- (1) **THE PROPOSED ADOPTION OF THE EMPLOYEE SHARE OPTION SCHEME TO BE KNOWN AS THE “INNOTEK EMPLOYEES’ SHARE OPTION SCHEME II”**
- (2) **THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTIONS UNDER THE SCHEME AT A DISCOUNT**
- (3) **THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

### 1. INTRODUCTION

In September 2000, the Company (which was formerly known as Magnecomp International Ltd) adopted the ESOP 2000 pursuant to which options could be granted to employees eligible under the rules of the ESOP 2000 provided that the maximum number of Shares issued or issuable in respect of such options should not exceed ten per cent. (10%) of the total issued Shares from time to time. The ESOP 2000 was for a period of 5 years and ended in February 2006.

The Directors are proposing a new employees’ share option scheme to be known as the “InnoTek Employees’ Share Option Scheme II” and are convening the EGM to be held on 30 April 2008 to seek the approval of Shareholders in respect of the adoption of the Scheme.

In addition, at the extraordinary general meeting held on 1 November 2007 (“**2007 EGM**”), Shareholders approved a mandate for the Company to purchase or otherwise acquire its issued Shares (the “**Share Purchase Mandate**”). The authority and limitations on, and the financial effects of, the Share Purchase Mandate were set out in the Company’s Circular to Shareholders dated 10 October 2007.

The Share Purchase Mandate will expire on the date when the next annual general meeting of the Company is held, or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier. Accordingly, the Directors propose to seek the approval of Shareholders for the renewal of the Share Purchase Mandate.

The purpose of this Circular is to provide Shareholders with information relating to, and to seek the approval of the Shareholders at the EGM for the proposals as set out in the Notice of EGM on page 41 of this Circular.

The SGX-ST has on 8 April 2008 granted in-principle approval for the listing and quotation of the Shares to be issued pursuant to the Scheme. The in-principle approval of the SGX-ST is not to be taken as an indication of the merits of the Company, the Scheme, the grant of Options or the allotment and issuance of Shares thereunder.

The SGX-ST assumes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.

## **2. THE INNOTEK EMPLOYEES' SHARE OPTION SCHEME II**

### **2.1 Rules of the Scheme**

The Rules of the Scheme are set out in **Appendix 1** of this Circular.

### **2.2 Rationale for the Scheme**

As mentioned, the ESOP 2000 ended in February 2006 and the Company is proposing to adopt the Scheme to replace the ESOP 2000.

The Scheme will provide eligible participants with an opportunity to participate in the equity of our Company as well as to motivate them towards better performance through increased loyalty and dedication to our Company. The Scheme, which forms an integral and important component of a remuneration and compensation plan, is designed to primarily reward and retain executive directors, non-executive directors and employees whose services are crucial to the Group's well-being, development and success.

By implementing the Scheme, the Company hopes to attract, retain and provide incentive to Participants to encourage greater dedication and loyalty by enabling the Company to give recognition for past contributions and services as well as motivating Participants generally to contribute towards the Group's long-term prosperity. The Scheme will further strengthen the Company's competitiveness in attracting and retaining employees, especially employees who have the requisite knowledge, technical skills and experience whom the Company believes could contribute to the development and growth of the Group.

### **2.3 Size of the Scheme**

The total number of Shares in respect of which Options may be granted under the Scheme, when added to :-

- (i) the number of new Shares issued and issuable in respect of all options granted under the ESOP 2000; and
- (ii) the number of Treasury Shares delivered in respect of Options and options granted under the ESOP 2000,

shall not exceed fifteen per cent. (15%) of the issued share capital of the Company (excluding Shares held by the Company as Treasury Shares) from time to time.

The size of the Scheme is intended to accommodate the potential pool of Participants arising from a broad base of eligible Participants, and to support the use of Options in our overall long-term compensation strategy. The Company is of the view that the size of the Scheme is reasonable, after taking into account the issued share capital of the Company, the contributions by our Directors and employees, the number and potential increase in number of employees and the grant of the Options over the duration of the Scheme. In order for the Scheme to achieve its objective, the Scheme must be of a sufficient size to allow an adequate number of Options to be issued to existing and future Directors and employees.

The number of Options offered must also be significant enough to constitute a meaningful reward for contribution to our Group. However, this does not mean that the Committee will issue Options up to the prescribed limit. The Committee will exercise its discretion in deciding the number of Options to be granted to each employee, which will depend on, *inter alia*, the employee's performance and value to our Group.

### **2.4 Participants**

Under the Rules of the Scheme, Executive Directors, Non-Executive Directors (including our Independent Directors) and employees of the Group are eligible to participate in the Scheme. Controlling Shareholders and their Associates will not be eligible to participate in the Scheme.

## **2.5 Scheme Administration**

The Scheme shall be administered by a committee comprising directors of the Company, duly authorised, appointed and nominated by the Board to administer the Scheme. It is envisaged that the Remuneration Committee of the Company shall perform the function of the Committee for purposes of the Scheme. As at the Latest Practicable Date, the Remuneration Committee comprises Mr Robert S. Lette, Dr. Ong Chit Chung and Prof. Low Teck Seng. The Remuneration Committee will consist of Directors (including Directors or persons who may be participants of the Scheme). A member of the Remuneration Committee who is also a Participant of the Scheme must not be involved in its deliberation in respect of Options granted or to be granted to him.

## **2.6 Grant of Options at Discounted Exercise Price**

Under the Scheme, the Exercise Price of Options granted will be determined by the Committee. The Committee may grant Options with or without a discounted Exercise Price. In the event that Options are granted at a discount, the discount shall not exceed twenty per cent. (20%) of the Market Price.

The ability to offer Options at a discount to the Market Price of the Shares will give the Company flexibility in structuring the Options granted, and ensures that the Company maintains the competitiveness of its compensation strategy. The Company may utilise the Options as a means to reward Participants for their outstanding performance as well as to motivate them to continue to excel and attract new talent into the Company. Being able to grant Options at a discount allows the Company to acknowledge a Participant's contributions where such means is more meaningful than paying a cash bonus, as these Options operate as a form of cashless reward from the Company with a greater potential for capital appreciation than Options granted at Market Price. This serves as an additional method available to the Company for compensating employees rather than through salaries, salary increments and cash bonuses as it enables the Company to introduce an effective manner of motivating Participants to maximise their performance, which will in turn create better value for the Shareholders.

Further, because Options granted with a discount under the Scheme are subject to a longer investing period (two years) than those granted at the Market Price (one year), holders of such Options are encouraged to have a long term view of the Company, thereby promoting staff and employee retention and reinforcing their commitment to the Company.

The Company believes that the maximum twenty per cent. (20%) discount to the Market Price of the Shares is sufficient to allow for flexibility in the Scheme, while minimising the potential dilutive effect to the Shareholders arising from the Scheme.

## **2.7 Rationale for participation of Non-Executive Directors (including our Independent Directors)**

The extension of the Scheme to Non-Executive Directors (including our Independent Directors) allows the Company to have a fair and equitable system to reward Non-Executive Directors who have made and who continue to make significant contributions to the long-term growth of the Group.

Although the Non-Executive Directors are not involved in the day-to-day running of the Group's business, they nonetheless play an invaluable role in furthering the business interests of the Group by contributing their experience and expertise. The participation of the Non-Executive Directors in the Scheme will provide the Company with a further avenue to acknowledge and recognise their services and contributions to the Group as it may not always be possible to compensate them fully or appropriately by increasing their directors' fees or other forms of cash payment.

The Company is of the view that including the Non-Executive Directors in the Scheme will show the Company's appreciation for, and further motivate them in their contribution towards the Group's success. However, the Company recognises that the services and contributions of the Non-Executive Directors cannot be measured in the same way as those of full-time employees and it is envisaged that the bulk of the Options will be given to employees. The Non-Executive Directors will be granted Options at the discretion of the Committee.



The Committee, when deciding on the selection of the Non-Executive Directors to participate in the Scheme and the number of Options to be offered, will take into consideration the nature and extent of their contributions, the assistance and expertise rendered by them and the impact thereof on the growth, success and development of the Group. The Committee may, where it considers relevant, take into account other factors such as the economic conditions and the Group's performance.

Although Non-Executive Directors may be appointed as members of the Committee, the Rules of the Scheme provide that a member is not to be involved in its deliberations in respect of the grant of Options to him. The Company will ensure that the number of Options granted to the Non-Executive Directors will be such that any conflict of interests that may potentially arise is kept minimal and that the independence of the Non-Executive Directors is not compromised.

## **2.8 Financial Effects**

### **2.8.1 Share capital**

The share capital of the Company will increase to the extent of the new Shares that will be issued and allotted pursuant to the exercise of the Options granted under the Scheme.

### **2.8.2 Net tangible assets**

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

### **2.8.3 EPS**

The proposed Scheme will have a dilutive impact on the Company's and the Group's consolidated EPS, following the increase in the Company's number of issued Shares to the extent that new Shares are allotted and issued pursuant thereto.

### **2.8.4 Costs of issuing the Options**

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

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

### 3. DISCLOSURE OF OPTIONS GRANTED UNDER PREVIOUS EMPLOYEE SHARE SCHEME

As at the Latest Practicable Date, an aggregate of 12,040,500 Shares were issued and allotted pursuant to the exercise of options under the ESOP 2000 and options in respect of a further 5,941,000 Shares are still outstanding. Options were granted to an aggregate of approximately 275 participants under the ESOP 2000. Details of the outstanding options as at the Latest Practicable Date are as follows :-

<u>No. of Shares Comprised in options</u>	<u>Expiry Date</u>	<u>Exercise Price S\$</u>
20,000	8 Feb 2010	0.75
6,000	6 Mar 2012	0.39
61,000	7 Mar 2012	0.16
110,000	31 Mar 2012	0.17
176,000	27 Aug 2012	0.71
1,109,000	8 Mar 2014	0.69
215,000	18 Aug 2013	0.49
1,920,000	18 Aug 2014	0.97
2,324,000	18 Jan 2015	1.23

Of the options granted under the ESOP 2000, options in respect of 3,256,000 Shares were granted to the Directors as follows :-

<u>Date on which options granted</u>	<u>No. of Shares comprised in options</u>	<u>Director to whom options were granted</u>
7 Mar 2003	500,000	Steven Glenn Campbell
31 Mar 2003	500,000	Steven Glenn Campbell
8 Mar 2004	500,000	Steven Glenn Campbell
18 Aug 2004	500,000	Steven Glenn Campbell
7 Mar 2003	200,000	Yong Kok Hoon
31 Mar 2003	400,000	Yong Kok Hoon
8 Mar 2004	200,000	Yong Kok Hoon
18 Aug 2005	200,000	Yong Kok Hoon
18 Jan 2006	256,000	Yong Kok Hoon

An aggregate of 2,375,000 Shares were issued and allotted to the Directors pursuant to the exercise of options granted under the ESOP 2000.

### 4. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

#### 4.1 Background

The Directors are proposing to seek Shareholders' approval for the renewal of the Share Purchase Mandate which was originally approved on 1 November 2007 and which will expire on the date when the next annual general meeting of the Company is held, or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

#### 4.2 Rationale for the Share Purchase Mandate

The Directors and management are constantly seeking to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Group. A share purchase at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced. Share purchases or acquisitions provide the Company with an easy mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. Share purchases or acquisitions also allow the Directors to exercise control over the Company's share structure and may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the EPS and/or NTA per Share of the Company.

The Share Purchase Mandate will give the Directors the flexibility to purchase or acquire Shares when and if the circumstances permit. The Share Purchase Mandate will also give the Company the opportunity to purchase or acquire Shares when such Shares are under valued, to help mitigate short-term market volatility and to offset the effects of short term speculation.

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

#### **4.3 Authority and Limits of the Share Purchase Mandate**

The authority and limitations placed on the Share Purchase Mandate, if renewed at the EGM, are substantially the same as previously approved by Shareholders at the 2007 EGM. The authority and limits on the Share Purchase Mandate are as follows:

##### **4.3.1 Maximum number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased by the Company is limited to that number of Shares representing not more than ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of the general meeting at which the renewal of the Share Purchase Mandate is approved.

Purely for illustrative purposes, on the basis of 243,220,428 Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the EGM, not more than 24,322,043 (representing ten per cent. (10%) of the Shares in issue as at the date of EGM) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

##### **4.3.2 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 EGM, at which the renewal of the Share Purchase Mandate is approved, up to the earliest of the date on which:

- (i) the next annual general meeting of the Company is held or required by law to be held;
- (ii) share purchases have been carried out to the full extent mandated; or
- (iii) the authority contained in the Share Purchase Mandate is varied or revoked.

##### **4.3.3 Manner of purchases or acquisitions of Shares**

Purchases of Shares may be made on the SGX-ST ("**Market Purchases**") and/or otherwise than on the SGX-ST, in accordance with an equal access scheme ("**Off-Market Purchases**").

Market Purchases refer to purchases of Shares by the Company transacted through the SGX-ST's Central Limit Order Book (CLOB) trading system through one or more duly licensed stockbrokers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases of Shares by the Company made under an equal access scheme or schemes for the purchase of Shares from Shareholders. The Directors may impose such terms and conditions, which are consistent with the Share Purchase Mandate,

the Listing Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions :-

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

In addition, pursuant to the Listing Rules, in making an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders which must contain at least the following information:

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

#### 4.3.4 Maximum Purchase Price

The purchase price (excluding related brokerage, commission, applicable goods and services tax, and other related expenses) to be paid for the Shares will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined hereinafter) of the Shares; and
- (b) in the case of an Off-Market Purchase, one hundred and ten per cent. (110%) of the Average Closing Price of the Shares,

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

For the above purposes:

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

**“date of the making of the offer”** means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein 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.

#### **4.4 Status of Purchased Shares**

Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as Treasury Shares. 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.

#### **4.5 Treasury Shares**

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

##### **4.5.1 Maximum Holdings**

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

##### **4.5.2 Voting and Other Rights**

The Company will not have the right to attend or vote at meetings and to receive any dividends in respect of the Treasury Shares.

However, the allotment of shares as fully paid bonus shares in respect of Treasury Shares is allowed. A subdivision or consolidation of any Treasury Share into Treasury Shares of a smaller amount is also allowed so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before.

##### **4.5.3 Disposal and Cancellation**

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

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

#### 4.6 Source of Funds and Financial Effects

Under the Companies Act, as amended by the Companies (Amendment) Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or distributable profits provided that:

- (a) the Company is able to pay its debts in full at the time it purchases the Shares and will be able to pay its debts as they fall due in the normal course of business in the 12 months immediately following the purchase; and
- (b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase of Shares become less than the value of its liabilities (including contingent liabilities).

The Company will use its internal resources and/or external borrowings to finance its purchase or acquisition of the Shares. It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Purchase Mandate on the NTA and EPS as the resultant effect would depend on factors such as the aggregate number of Shares purchased, the purchase prices paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases.

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

Where the purchase of Shares is financed through internal resources, it will reduce the cash reserves of the Group and of the Company, and thus the current assets and shareholders' funds of the Group and the Company. This will result in an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would be an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

However, the Directors do not propose to exercise the Share Purchase Mandate to such an extent as would have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

Based on the audited accounts of the Company and Group for the financial year ended 31 December 2007, the Company has distributable reserves of approximately S\$77,222,000 to effect purchases of its Shares from the market. However, for illustrative purposes only, assuming that:

- (i) the Company purchases 24,322,043 Shares representing ten per cent. (10%) of its issued share capital as at the Latest Practicable Date;
- (ii) the aforesaid 24,322,043 Shares are purchased at S\$0.7938 per Share, being a price representing one hundred and five per cent. (105%) of the Average Closing Price as at the Latest Practicable Date; and
- (iii) the Company has sufficient funds to purchase the Shares as at 1 January 2007,

the impact of the purchase of Shares by the Company pursuant to the Share Purchase Mandate on the Group's and the Company's audited financial statements for the financial year ended 31 December 2007 would be as set out below.

For purposes of this illustration, it is assumed that the Company is using only internal sources to finance purchases of its Shares.

	<b>Group</b>		<b>Company</b>	
	<b>Before Share Purchase S\$'000</b>	<b>After Share Purchase S\$'000</b>	<b>Before Share Purchase S\$'000</b>	<b>After Share Purchase S\$'000</b>
<b><u>As at 31 December 2007</u></b>				
Shareholders' Funds	231,760	212,453	170,538	151,231
NTA	231,620	212,313	170,538	151,231
Current Assets	345,965	326,658	167,234	147,927
Current Liabilities	168,456	168,456	13,859	13,859
Working Capital	177,509	158,202	153,375	134,068
Total Borrowings	72,779	72,779	nil	nil
<b>Number of Shares ('000)</b>				
Issued and paid-up share capital (net of Treasury Shares)	235,246	210,924	235,246	210,924
Weighted average number of issued and paid-up shares	240,102	215,780	240,102	215,780
<b>Financial Ratios</b>				
NTA per Share (cents)	98.5 <sup>(1)</sup>	100.7 <sup>(2)</sup>	72.5 <sup>(1)</sup>	71.7 <sup>(2)</sup>
Gearing Ratio <sup>(3)</sup>	(0.37)	(0.31)	(0.73)	(0.70)
Current Ratio (times)	2.05	1.94	12.07	10.67
Earnings per Share (cents)	30.7 <sup>(1)</sup>	34.2 <sup>(2)</sup>	13.7 <sup>(1)</sup>	15.2 <sup>(2)</sup>

**Notes:-**

- (1) The NTA per Share and basic earnings per Share was calculated based on the number of Shares in issue of 235,246,428 at the end of FY 2007 and weighted average number of Shares in issue of 240,102,340 for FY 2007 respectively before adjusting for the share purchase.
- (2) The NTA per Share and basic earnings per Share was calculated based on the number of Shares in issue of 210,924,385 at the end of FY 2007 and weighted average number of Shares in issue of 215,780,297 for FY 2007 respectively after adjusting for the share purchase.
- (3) Gearing ratio is based on Net Cash which was Total Borrowings less cash and cash equivalent at the end of FY 2007.

As at 31 December 2007, the Group and the Company had cash and cash equivalent balances of S\$158,452,000 and S\$125,194,000 respectively. As illustrated above, the purchase of Shares will have the effect of reducing the working capital of the Group and the Company as at 31 December 2007 from S\$177,509,000 to S\$158,202,000 and S\$153,375,000 to S\$134,068,000 respectively. The purchase of shares will increase the NTA of the Group as at 31 December 2008 from 98.5 cents to 100.7 cents but reduce the NTA of the Company as at 31 December 2008 from 72.5 cents to 71.7 cents. It is assumed that the share purchase is funded through internal funds.



Assuming that the purchase of Shares had taken place on 1 January 2007, the basic earnings per Share of the Group for FY 2007 would be increased from 30.7 cents per Share to 34.2 cents per Share while the basic earnings per Share of the Company for FY 2007 would be increased from 13.7 cents per Share to 15.2 cents per Share as a result of the reduction in the number of issued Shares.

**Shareholders should note that the financial effects set out in this section are purely for illustrative purposes only and are in no way indicative of the Group's and the Company's real financial position or a forecast of the Group's and the Company's financial figures.**

The Directors will take into account the relevant financial and non-financial factors in assessing the impact on the Company and the Group before exercising the Share Purchase Mandate.

## **4.7 Tax Implications**

### **4.7.1 Where the Company uses its Distributable Profits for the Share Purchase**

Under Section 10J of the Income Tax Act, a company which buys back its own shares using its distributable profits is regarded as having paid a dividend to the shareholders from whom the shares are acquired. As the Company has already moved into the one-tier corporate tax system, the provisions under Section 44 of the Income Tax Act do not apply to the Company. That is, the Company does not need to provide for the franking of the Share Purchase in the same way as if paying a taxed dividend under the Section 44 imputation system. As such, there will not be any tax implications to the Company. The tax treatment of the receipt from a Share Purchase in the hands of the Shareholders will depend on whether the disposal arises from a Market Purchase or an Off-Market Purchase.

In relation to a Market Purchase, as the Company is listed on the SGX-ST, the Company may apply to the SGX-ST for a special trading counter for the purposes of effecting the Market Purchase, subject to approval being obtained from Shareholders for the Share Purchase Mandate at the EGM.

Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the special trading counter set up on the SGX-ST will, subject to the fulfilment of certain conditions by the Shareholders, be treated for income tax purposes as the receipt of a dividend.

Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the normal ready counters will be treated for income tax purposes like any other disposal of shares and not as a dividend. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipt of an income or capital nature.

Proceeds received by Shareholders who sell their Shares to the Company in an Off-Market Purchase, where the Share Purchase is made otherwise than on the SGX-ST, made pursuant to an equal access scheme will be treated for income tax purposes as the receipt of a dividend.

### **4.7.2 Where the Company uses its Contributed Capital for the Share Purchase**

There will be no tax implications to the Company when it uses its contributed capital to buy back its Shares.

For its Shareholders, the tax implications will depend on the tax payer's position as owners of the Shares and whether the Shares are sold in a Market Purchase, or an Off-Market Purchase.

**Shareholders should note that the foregoing is not to be regarded as advice on the tax position of any Shareholder. Shareholders who are in doubt as to their respective tax positions or the tax implications of share purchases by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.**



## 4.8 Listing Rules and Listing Status

Under the Listing Rules, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than five per cent. (5%) above the average of the closing market prices of the shares over the last five (5) Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made (the “**average closing market price**”).

The Maximum Price for a Share in relation to Market Purchases by the Company conforms to this restriction.

Additionally, the Listing Rules also specify that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement currently requires the inclusion of details of the total number of shares purchased, the purchase price per share, the highest and lowest prices paid for such shares and the number of issued shares after purchase, in the form prescribed under the Listing Rules.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company would not purchase or acquire any Shares through Market Purchases during the period of two weeks immediately preceding the announcement of the Company’s interim results and the period of one month immediately preceding the announcement of the Company’s annual (full-year) results.

The Listing Manual requires a listed company to ensure that at least ten per cent. (10%) of its Shares are in the hands of the public. The “public”, as defined under the Listing Rules, are persons other than the Directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates (as defined in the Listing Rules) of such persons.

As at the Latest Practicable Date, approximately 95,449,128 of the issued Shares are in the hands of the public (as defined above), representing 39.24% of the issued share capital of the Company. Assuming that the Company purchases its Shares through Market Purchases up to the full ten per cent. (10%) limit pursuant to the Share Purchase Mandate and all such Shares purchased are held by the public, the number of Shares in the hands of the public would be reduced to 71,127,085 Shares, representing 32.49% of the reduced share capital of the Company.

In undertaking any purchases of its Shares through Market Purchases, the Directors will use their best efforts to ensure that a sufficient number of Shares remain in public hands so that the share purchase(s) will not:

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

## 4.9 Take-over Implications

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

Under the Take-over Code, a person will be required to make a general offer for a public company if:

- (i) he acquires thirty per cent. (30%) or more of the voting rights of the company; or

- (ii) he holds between thirty per cent. (30%) and fifty per cent. (50%) of the voting rights of the company and he increases his voting rights in the company by more than one per cent. (1%) in any six-month period.

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

#### 4.9.2 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 Take-over Code presumes, inter alia, the following individuals and companies to be persons acting in concert with each other:

- (a) the following companies:
  - (i) a company;
  - (ii) the parent company of (i);
  - (iii) the subsidiaries of (i);
  - (iv) the fellow subsidiaries of (i);
  - (v) the associated companies of any of (i), (ii), (iii) or (iv);
  - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
  - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

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

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively will incur an obligation to make a 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 of the Take-over Code.

#### 4.9.3 Effect of Rule 14 and Appendix 2

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights in the Company of such Directors and their concert parties:

- (i) increase to thirty per cent. (30%) or more; or

- (ii) in the event that such Directors and their concert parties hold between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six months.

Under Appendix 2 of 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 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent. (30%) or more, or, if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Purely for illustrative purposes, on the basis of 243,220,428 Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the EGM, not more than 24,322,043 Shares (representing ten per cent. (10%) of the Shares in issue as at the date of EGM) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate, if so approved by Shareholders at the EGM.

Further assuming that such granted Share Purchase Mandate is validly and fully exercised prior to the next Annual General Meeting of the Company for it to re-purchase the maximum allowed number of Shares being 24,322,043 Shares (on the basis that there would have been no change to the number of Shares in issue at the time of such exercise) and that such re-purchased Shares are not acquired from the substantial Shareholders and are deemed cancelled immediately upon purchase, the shareholdings of the substantial Shareholders would be changed as follows:

Substantial Shareholders	Before Share Purchase		After Share Purchase	
	No. of Shares	%	No. of Shares	%
Advantec Holding SA	83,382,300	34.28	83,382,300	38.09
Trustee of Chandaria Trust I	83,832,300	34.47	83,832,300	38.30
Thai Focused Equity Fund Ltd	45,687,000	18.78	45,687,000	20.87
To Wai Hung	16,037,000	6.59	16,037,000	7.33

\* Please refer to Schedule 1 for additional details on the substantial shareholders shareholdings in the Company.

As illustrated above, Advantec Holding SA and Trustee of Chandaria Trust I may incur an obligation to make a general offer to other Shareholders under the Take-over Code due to the Share Purchase Mandate. However, the Securities Industry Council had on 28 November 2007 confirmed that neither Advantec Holding SA nor Trustee of Chandaria Trust I will incur such a general offer obligation arising from the exercise by the Company of the Share Purchase Mandate.

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

#### 4.10 Information on Prior Share Purchases in the last 12 months

In the last 12 months immediately preceding the Latest Practicable Date, the Company purchased or acquired 15,787,000 Shares by way of Market Purchases pursuant to the Share Purchase Mandate approved by Shareholders at the 2007 EGM. The highest and lowest price paid was 0.93 cents and 0.68 cents per Share respectively and the total consideration for all purchases was \$12,977,843.

## **5. DIRECTORS' RECOMMENDATIONS**

### **5.1 The Scheme**

As the Directors of the Company would be eligible to participate, and are therefore interested, in the proposed Scheme, they have refrained from making any recommendation to Shareholders in respect of the Scheme.

### **5.2 The Proposed Renewal of the Share Purchase Mandate**

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. The Directors recommend that Shareholders vote in favour of Ordinary Resolution 3 relating to the proposed renewal of the Share Purchase Mandate as set out in the Notice of EGM on page 41 of this Circular.

## **6. EXTRAORDINARY GENERAL MEETING**

The EGM, notice of which is set out on page 41 of this Circular, will be held on 30 April 2008 at 9.15 a.m. at The Casuarina Suite A Level 3, Raffles Hotel, 1 Beach Road, Singapore 189673 (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 9.00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without any modifications, the resolutions set out in the Notice of EGM (the "**Resolutions**").

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

- 7.1 Appointment of Proxies.** If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached 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 1 Finlayson Green #15-02 Singapore 049246, not less than 48 hours before the time fixed for the EGM. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes.
- 7.2 Abstention from Voting.** Any Shareholder who is eligible to participate in the Scheme (such as employees of the Company and its Subsidiaries) must abstain from voting at the EGM in respect of the Resolutions relating to the adoption of the InnoTek Employees' Share Option Scheme II. Such Shareholder should also not accept nominations to act as proxy, nominee of Depositor or otherwise in respect of the Resolutions unless that Shareholder appointing him indicates clearly how votes are to be cast in respect of the Resolutions.
- 7.3 When Depositor regarded as Shareholder.** A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 1 Finlayson Green #15-02 Singapore 049246, not less than 48 hours before the time fixed for the EGM. The completion and lodgment of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes.

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

This Circular has been seen and approved by all Directors who collectively and individually accept responsibility for this Circular and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Circular misleading.

**9. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the Schedule 1 to this Circular.

Yours faithfully  
for and on behalf of the Board of Directors

Steven Glenn Campbell  
Chief Executive Officer  
InnoTek Limited

## ADDITIONAL INFORMATION

### 1. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

#### (a) Directors

The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:

Directors	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Steven Glenn Campbell	1,625,000	0.67	—	—
Yong Kok Hoon	550,000	0.23	—	—
Prof. Low Teck Seng	40,000	0.02	—	—

#### (b) Substantial Shareholders

The interests of the substantial Shareholders in the Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Advantec Holding SA	83,382,300	34.28	—	—
Trustee of Chandaria Trust I <sup>1</sup>	—	—	83,832,300	34.47
Thai Focused Equity Fund Ltd <sup>2</sup>	—	—	45,687,000	18.78
To Wai Hung	16,037,000	6.59	—	—

Notes :

- Trustee of Chandaria Trust I is deemed to be interested in the 83,382,300 Shares held by Advantec Holding SA as well as a further 450,000 Shares held by Metchem Engineering SA, both of which are wholly-owned by the Chandaria Trust I.
- Thai Focused Equity Fund Ltd is deemed to be interested in 45,687,000 shares held by Raffles Nominees (Pte) Ltd.

### 2. MATERIAL LITIGATION

The Group is not presently engaged in any material litigation, claims or arbitration (either as plaintiff or defendant or otherwise in any legal action, proceeding or arbitration or is being prosecuted for any criminal offence) and the Directors do not have any knowledge of any proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Group.

### 3. MATERIAL CONTRACTS

Save for the following, there are no material contracts (not being contracts entered into the ordinary course of business carried on by the Group or intended to be carried on by the Group) entered into by the Group, within the two years preceding the date of this Circular :-

- (i) Share Purchase Agreement dated 14 March 2008 between the Company and Mr To Wai Hung in relation to the purchase of the remaining 16.67% stake in Mansfield Manufacturing Company Limited;
- (ii) Put and Call Option Agreement dated 29 August 2007 entered into between the Company and TDK Corporation in relation to the sale by the Company of 208,486,179 shares representing approximately 10.0% of the paid-up share capital of Magnecomp Precision Technology Public Co. Ltd ("**MPT**");
- (iii) Conditional Sale and Purchase Agreement dated 29 August 2007 entered into between the Company and TDK Corporation for the sale by the Company of 1,341,064,623 shares representing approximately 64.3% of the paid-up capital of MPT;
- (iv) Undertaking Agreement dated 29 August 2007 entered into between the Company and TDK Corporation in relation to undertakings by the Company to assist TDK Corporation with taking ownership of MPT and its subsidiaries;
- (v) Equity Subscription Agreement dated 29 November 2006 between Mansfield Manufacturing Company Limited ("**MSF**"), Stekelhof II B.V., Retnok Holding B.V. and Exerion Precision Technology Holding B.V. ("**Exerion**") in relation to the subscription by MSF of a 75% interest in Exerion;
- (vi) Shareholders' Agreement dated 29 November 2006 between MSF, Stekelhof II B.V., Retnok Holding B.V. and Exerion in relation to the shareholding interests in Exerion; and
- (vii) Sale and Purchase Agreement dated 13 December 2006 between MPT, Microlead Precision Technology Sdn Bhd and MQ Technology Berhad in relation to the sale of custom tooling equipment by MPT in exchange for shares in MQ Technology Berhad.

### 4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 1 Finlayson Green #15-02, Singapore 049246 during normal business hours from the date of this Circular up to and including the date of the EGM:-

- (a) the Memorandum and Articles of Association of the Company;
- (b) the proposed Rules of the Scheme; and
- (c) the material contracts referred to in paragraph 3 above.

## RULES OF THE INNOTEK EMPLOYEES' SHARE OPTION SCHEME II

### 1. Name of the Scheme

The Scheme shall be known as the **"InnoTek Employees' Share Option Scheme II"**.

### 2. Definitions

#### 2.1 In the Scheme, unless the context otherwise requires, the following words and expressions shall have the following meanings:-

"Associate"	Shall have the meaning ascribed to it in the Listing Manual as amended from time to time
"Auditors"	The auditors for the time being of the Company
"Board"	The board of directors of the Company for the time being
"CDP"	The Central Depository (Pte) Limited
"Committee"	A committee comprising directors of the Company, duly authorised, appointed and nominated by the Board to administer the Scheme
"Companies Act"	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
"Company"	InnoTek Limited, a company incorporated in the Republic of Singapore
"Control"	The capacity to dominate decision making, directly or indirectly in relation to the financial and operating policies of the Company
"Controlling Shareholder"	A person who holds directly or indirectly fifteen per cent. (15%) or more the aggregate number of issued Shares, or in fact exercises control over the Company
"CPF"	The Central Provident Fund
"Director"	A person holding the office of director for the time being, of the Company
"Date of Grant"	The date on which an Option is granted to a Participant
"ESOP 2000"	The InnoTek Employees' Share Option Plan which was adopted by the Company on 18 September 2000 and which terminated in February 2006
"Grantee"	A person to whom an offer of an Option is made
"Group"	The Company together with its Subsidiaries
"Listing Manual"	The Listing Manual of the SGX-ST
"Market Day"	A day on which the SGX-ST is open for trading of securities



“Market Price”	A price equal to the average of the last dealt prices for the Shares on the SGX-ST over the five (5) consecutive Market Days immediately preceding the Date of Grant of an Option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST, rounded to the nearest whole cent in the event of fractional prices
“Non-Executive Director”	A director of the Company and/or its Subsidiaries, as the case may be, other than one who performs an executive function
“Offer Date”	The date on which an offer to grant an Option is made pursuant to the Scheme
“Option”	The right to subscribe for Shares granted or to be granted to a Participant pursuant to the Scheme
“Option Holder”	The holder of an Option
“Option Shares”	Shares obtained pursuant to an exercise of the Options
“Participant”	A person who is selected by the Committee to participate in the Scheme in accordance with these provisions
“Record Date”	The date as at the close of business on which the Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions
“Rules”	The rules of the Scheme, as the same may be amended from time to time
“Scheme”	The InnoTek Employees’ Share Option Scheme II, as modified or altered from time to time
“SGX-ST”	The Singapore Exchange Securities Trading Limited
“Shareholders”	The registered holders of the Shares or in the case of Depositors, Depositors who have Shares entered against their names in the Depository Register
“Shares”	Ordinary shares in the capital of the Company
“Subsidiary”	A company which is for the time being a subsidiary of the Company as defined by Section 5 of the Companies Act
“%”	Percentage or per centum
“\$” or “S\$”	Singapore dollars

- 2.2 The terms “Depositor” and “Depository Agent” shall have the meanings ascribed to them respectively by Section 130A of the Companies Act.
- 2.3 Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the Listing Manual or any statutory modification thereof, and used in this Circular, shall have the meaning assigned to it under the Companies Act or the Listing Manual or any modification thereof, as the case may be.
- 2.4 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.

- 2.5 Words importing persons include corporations.
- 2.6 Any reference to a time of day and dates in this Circular shall be a reference to Singapore time and dates unless otherwise stated.

### **3. Objectives of the Scheme**

The purpose of the Scheme is to provide an opportunity for Participants who have contributed significantly to the growth and performance of the Group and who satisfy the eligibility criteria as set out in Rule 4 of the Scheme, to participate in the equity of the Company.

The Company believes that the retention of outstanding employees within the Group is paramount to the Group's long-term objective of pursuing continuous growth and expansion in its business and operations. The Group also acknowledges that it is important to preserve financial resources for future business developments and to withstand difficult times.

The Scheme is formulated with those objectives in mind. It is hoped that through the Scheme, the Company would be able to remain an attractive and competitive employer and better able to manage its fixed overhead costs without compromising on performance standards and efficiency.

### **4. Eligibility**

- 4.1 Employees of the Group (including Directors) who have attained the age of twenty-one (21) years on or prior to the relevant Offer Date, are not undischarged bankrupts at the relevant time, shall be eligible to participate in the Scheme at the absolute discretion of the Committee.
- 4.2 Subject to Rule 24, Non-Executive Directors shall be eligible to participate in the Scheme.
- 4.3 Controlling Shareholders and Associates of Controlling Shareholders are not entitled to participate in the Scheme.
- 4.4 There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by the Company or any other company within the Group.
- 4.5 Subject to the Companies Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Scheme may be amended from time to time at the absolute discretion of the Committee.

### **5. Maximum Entitlement**

- 5.1 Subject to Rules 4, 6, and 10, the aggregate number of Shares in respect of which Options may be offered to a Grantee for subscription in accordance with the Scheme shall be determined at the absolute discretion of the Committee.
- 5.2 In reaching its decisions, the Committee shall take into account, where applicable, criteria such as rank, past performance, years of service and potential contribution of the Grantee.

### **6. Limitations on Size of the Scheme**

- 6.1 The total number of Shares in respect of which Options may be granted under the Scheme, when added to :-
- (i) the number of new Shares issued and issuable in respect of all options granted under the ESOP 2000; and
  - (ii) the number of Treasury Shares delivered in respect of Options and options granted under the ESOP 2000,

shall not exceed fifteen per cent. (15%) of the issued share capital of the Company (excluding Shares held by the Company as Treasury Shares) from time to time.

## **7. Offer Date**

- 7.1 The Committee may, save as provided in Rules 4, 5 and 6, offer to grant Options to Grantees at any time during the period when the Scheme is in force, except that no Options shall be granted during the period of thirty (30) days immediately preceding the date of announcement of the Company's interim or final results (whichever the case may be). In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers to grant Options may only be made on or after the second Market Day from the date on which such announcement is made.
- 7.2 An offer to grant an Option shall be made by way of a letter (the "**Letter of Offer**") in the form or substantially in the form set out in Appendix A, subject to such amendments as the Committee may determine from time to time.

## **8. Acceptance of Offer**

- 8.1 An Option offered to a Grantee pursuant to Rule 7 may only be accepted by the Grantee within thirty (30) days after the relevant Offer Date and not later than 5.00 p.m. on the thirtieth (30<sup>th</sup>) day from such Offer Date by:
- (a) completing, signing and returning to the Company the Acceptance Form in or substantially in the form set out in Appendix B, subject to such amendments as the Committee may determine from time to time, accompanied by payment of S\$1.00 as consideration or such other amount (the "**Consideration**") and such other documentation as the Committee may require, and
  - (b) if, at the date on which the Company receives from the Grantee the Acceptance Form in respect of the Option as aforesaid, he remains eligible to participate in the Scheme in accordance with these Rules.
- 8.2 If a grant of an Option is not accepted in the manner as provided in Rule 8.1, such offer shall, upon the expiry of the thirty (30) day period, automatically lapse and shall forthwith be deemed to be null and void and be of no effect.
- 8.3 The Company shall be entitled to reject any purported acceptance of a grant of an Option made pursuant to this Rule 8 which does not strictly comply with the Rules of the Scheme.
- 8.4 Options are personal to Grantees and Option Holders to whom they are offered or granted as the case may be, and shall not be sold, mortgaged, transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part or in any way whatsoever without the Committee's prior written approval, but may be exercised by the Option Holder's duly appointed personal representative as provided in Rule 11.8 in the event of the death of such Option Holder.
- 8.5 The Grantee may accept or refuse the whole or part of the offer. If only part of the offer is accepted, the Grantee shall accept the offer in multiples of 1,000 Shares. The Committee shall, within fifteen (15) Market Days of receipt of the Acceptance Form and Consideration, acknowledge receipt of the same.
- 8.6 In the event that a grant of an Option results in a contravention of any applicable law or regulation, such grant shall be null, void and of no effect and the relevant Option Holder shall have no claim whatsoever against the Company.
- 8.7 Unless the Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:-
- (a) it is not accepted in the manner as provided in Rule 8.1 within the thirty (30) day period;
  - (b) the Grantee dies prior to his acceptance of the Option;
  - (c) the Grantee is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option;

- (d) the Grantee being a Participant ceases to be in the employment of the Group or (being a Director) ceases to be a Director of the Company, in each case, for any reason whatsoever prior to his acceptance of the Option; or
- (e) the Company is liquidated or wound-up prior to the Grantee's acceptance of the Option.

## **9. Exercise Price**

9.1 Subject to any adjustment pursuant to Rule 10, the Exercise Price for each Share shall be determined by the Committee, in its absolute discretion, at:-

- (a) a price equal to the Market Price; or
- (b) a price which is set at a discount to the Market Price, provided that:-
  - (i) the maximum discount for each Share shall not exceed twenty per cent. (20%) of the Market Price (or such other percentage or amount as may be determined by the Committee and permitted by the SGX-ST); and
  - (ii) the Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grant of Shares under the Scheme at a discount not exceeding the maximum discount as aforesaid.

9.2 In making any determination under Rule 9.1 on whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration such criteria as the Committee may, at its absolute discretion, deem appropriate, including but not limited to:-

- (a) the performance of the Company and/or its Subsidiaries, as the case may be;
- (b) the years of service and individual performance of the eligible Participant or Director;
- (c) the contribution of the eligible Participant to the success and development of the Company and/or the Group; and
- (d) the prevailing market conditions.

## **10. Variation of Capital**

10.1 Subject to Rule 10.3, if a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place, the Exercise Price in respect of Shares comprised in the Option shall be adjusted by the Committee at its sole and absolute discretion.

10.2 Unless the Committee considers an adjustment to be appropriate:-

- (a) the issue of securities as consideration for an acquisition or a private placement of securities; or
- (b) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by shareholders of the Company (including any renewal of such mandate) is in force,

shall not normally be regarded as a circumstance requiring adjustment.

10.3 Notwithstanding the provisions of Rule 10.1:-

- (a) no such adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive; and

- (b) any determination by the Committee as to whether to make any adjustment and if so, the manner in which such adjustment should be made, must (except in relation to a capitalisation issue) be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

10.4 Upon any adjustment required to be made pursuant to this Rule 10, the Company shall notify each Option Holder (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the new Exercise Price thereafter in effect and the nominal value, class and/or number of Shares thereafter comprised in the Option so far as unexercised and the maximum entitlement in any one Financial Year. Any adjustment shall take effect upon such written notification being given.

## **11. Option Period**

11.1 Options granted with the Exercise Price set at the Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), at any time, by an Option Holder after the first anniversary of the date of grant of such Option but prior to the expiry of such Option, or such earlier date as may be determined in accordance with these Rules, failing which all unexercised Options shall immediately lapse and become null and void and the Option Holder shall have no claim against the Company.

11.2 Options granted with the Exercise Price set at a discount to the Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), at any time, by an Option Holder after the second anniversary of the date of grant of such Option but prior to the expiry of such Option, or such earlier date as may be determined in accordance with these Rules, failing which all unexercised Options shall immediately lapse and become null and void and the Option Holder shall have no claim against the Company.

11.3 Subject to these Rules, Options granted under the Scheme will have a life span of five (5) years from the respective Date of Grant.

11.4 An Option shall, to the extent unexercised, immediately lapse and become null and void and the Option Holder shall have no claim against the Company:-

- (a) upon the bankruptcy of the Option Holder or the happening of any other event which result in his being deprived of the legal or beneficial ownership of such Option; or
- (b) in the event of misconduct on the part of the Option Holder, as determined by the Committee in its absolute discretion.

11.5 If an Option Holder ceases to be employed by the Group or ceases to be a Non-Executive Director, as the case may be, by reason of his:-

- (a) ill health, injury or disability, in each case, as certified by a medical practitioner approved by the Committee;
- (b) redundancy;
- (c) retirement at or after a normal retirement age; or
- (d) retirement before that age with the consent of the Committee, or for any other reason approved in writing by the Committee, he may, at the absolute discretion of the Committee exercise any unexercised Option within the relevant exercise period for such Option and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.6 If an Option Holder ceases to be employed by a Subsidiary:-

- (a) by reason of the Subsidiary, by which he is principally employed, ceasing to be a company within the Group or the undertaking or part of the undertaking of such Subsidiary, being transferred otherwise than to another company within the Group; or
  - (b) for any other reason, provided the Committee gives its consent in writing, he may, at the absolute discretion of the Committee, exercise any unexercised Options within the relevant Exercise Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.
- 11.7 For the purposes of Rule 11.5(d), Rule 11.6 and Rule 11.10, an Option Holder shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date. For the purposes of Rule 11.5, Rule 11.6 and Rule 11.10, a Non-Executive Director shall be deemed to have ceased to be a Non-Executive Director on the date on which the notice of resignation as a Non-Executive Director is tendered to the Company by such Non-Executive Director or the date on which such Non-Executive Director is removed as a Non-Executive Director, as the case may be.
- 11.8 If an Option Holder dies and at the date of his death holds any unexercised Options, such Options may, at the absolute discretion of the Committee, be exercised by the duly appointed legal personal representatives of the Option Holder within the relevant Exercise Period and upon the expiry of such period, the Options shall immediately lapse and become null and void.
- 11.9 If an Option Holder, who is also a Director, or a director of a Subsidiary, ceases to be a Director or a director of a Subsidiary, as the case may be, for any reason whatsoever, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Exercise Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.
- 11.10 Save as provided in Rules 11.5, 11.6 and 11.9, if an Option Holder ceases for any reason whatsoever to be employed by the Group or in the case of a Non-Executive Director, to be a Non-Executive Director, any unexercised Options shall lapse and become null and void on the earlier of :-
- (a) the date falling six (6) months from the date on which the Option Holder is deemed in accordance with Rule 11.7, to have ceased to be employed by the Group or to be a Non-Executive Director, as the case may be; and
  - (b) the relevant date of expiry of the Option Period relating to such Options.

Any Options which are not exercisable in accordance with Rules 11.1 and 11.2 on the date on which an Option Holder is deemed in accordance with Rule 11.7, to have ceased to be employed by the Group or to be a Non-Executive Director, as the case may be, shall immediately lapse and become null and void on such date.

## **12. Exercise of Options, Allotment, and Listing of Shares**

- 12.1 An Option may be exercised, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), by an Option Holder giving notice in writing to the Company in or substantially in the form set out in Appendix C (the “**Exercise Notice**”), subject to such amendments as the Committee may from time to time determine. Every Exercise Notice must be accompanied by a remittance for the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option, the relevant CDP charges (if any) and any other documentation the Committee may require. All payments shall be made by cheque, cashier's order, bank draft or postal order made out in favour of the Company. An Option shall be deemed to be exercised upon the receipt by the Company of the said notice duly completed and the receipt by the Company of the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option. The Option Holder shall fully exercise his or her Options before the expiry of such Options. Options not exercised prior to the expiry of the Option shall be null and void.



12.2 Subject to:-

(a) such consent or other actions required by any competent authority under any regulations or enactments for the time being in force as may be necessary (including any approvals required from the SGX-ST); and

(b) compliance with the Rules, the Memorandum and Articles of Association of the Company,

the Company shall, as soon as practicable after the exercise of an Option by an Option Holder but in any event within ten (10) Market Days after the date of the exercise of the Option in accordance with Rule 12.1, allot the Shares in respect of which such Option has been exercised by the Option Holder and within five (5) Market Days from the date of such allotment, despatch the relevant share certificates to CDP for the credit of the securities account of that Option Holder by ordinary post or such other mode of delivery as the Committee may deem fit.

12.3 The Company shall as soon as practicable after the exercise of an Option, apply to the SGX-ST for permission to deal in and for quotation of the Shares which may be issued upon exercise of the Option and the Shares (if any) which may be issued to the Option Holder pursuant to any adjustment made in accordance with Rule 10.

12.4 The Company will arrange for the Option Shares, which are allotted upon the exercise of an Option by an Option Holder, to be registered through intermediaries.

12.5 Shares allotted and issued upon the exercise of an Option shall be subject to all provisions of the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with the then existing issued Shares in the capital of the Company except for any dividends, rights (including voting rights), allotments or other distributions, the Record Date for which is prior to the date such Option is exercised.

12.6 Except as set out in Rule 12.2 and subject to Rule 10, an Option does not confer on an Option Holder any right to participate in any new issue of Shares.

12.7 The Company shall keep available sufficient unissued Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

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

**13. Modifications to the Scheme**

13.1 Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:-

(a) any modification or alteration which would be to the advantage of Participants under the Scheme shall be subject to the prior approval of Shareholders in general meeting; and

(b) no modification or alteration shall be made without due compliance with the Listing Manual and such other regulatory authorities as may be necessary.

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

13.3 Written notice of any modification or alteration made in accordance with this Rule 13 shall be given to all Participants.

#### **14. Duration of the Scheme**

- 14.1 The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of five (5) years commencing on the first Date of Grant provided always that the Scheme may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- 14.2 The Scheme may be terminated at any time by the Committee or by resolution of the Company in general meeting subject to all relevant approvals which may be required and if the Scheme is so terminated, no further Options shall be granted by the Company hereunder.
- 14.3 The termination, discontinuance or expiry of the Scheme shall be without prejudice to the rights accrued to Options which have been granted and accepted in accordance with these Rules, whether such Options have been exercised (whether fully or partially) or not.

#### **15. Take-over and Liquidation of the Company**

- 15.1 In the event of a take-over offer being made for the Company, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rules 11.1 and 11.2) holding Options as yet unexercised shall, notwithstanding Rules 11 and 12, but subject to Rule 15.5, be entitled to exercise such Options in full or in part during the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which the offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:-

- (a) the expiry of six (6) months thereafter, unless prior to the expiry of such six (6) month period, at the recommendation of the offeror and with the approvals of the Committee and (if so required) the SGX-ST, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the Option Period relating thereto); and
- (b) the relevant date of the expiry of the Option Period relating thereto,

whereupon any Option then remaining unexercised shall immediately lapse and become null and void.

Provided Always that if during such period the offeror becomes entitled or bound to exercise the rights of compulsory acquisition of the Shares under the provisions of the Companies Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, all Options shall remain exercisable by the Participants until such specified date or the expiry of the respective Option Periods relating thereto, whichever is earlier. Any Option not so exercised by the said specified date shall lapse and become null and void Provided That the rights of acquisition or obligation to acquire stated in the notice shall have been exercised or performed, as the case may be. If such rights of acquisition or obligations have not been exercised or performed, all Options shall, subject to Rule 11.3, remain exercisable until the expiry of the Option.

- 15.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another corporation or corporations, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rules 11.1 and 11.2) shall notwithstanding Rules 11 and 12, but subject to Rule 15.5, be entitled to exercise any Option then held by them during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon any unexercised Option shall lapse and become null and void, Provided Always that the date of exercise of any Option shall be before the expiry of the relevant Option.
- 15.3 If an order or an effective resolution is passed for the winding up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.



- 15.4 In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Participants (together with a notice of the existence of the provisions of this Clause) and thereupon, each Participant (or his legal personal representative(s)) shall be entitled to exercise all or any of his Options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Participant credited as fully paid.
- 15.5 If in connection with the making of a general offer referred to in Rule 15.1 above or the scheme referred to in Rule 15.2 above or the winding up referred to Rule 15.4 above, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, which is not then exercisable, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 15.
- 15.6 If the events stipulated in this Rule 15 should occur, to the extent that an Option is not exercised within the respective periods referred to herein in this Rule 15, it shall lapse and become null and void.

## **16. Administration of the Scheme**

- 16.1 The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options granted or to be granted to him.
- 16.2 The Committee shall have the power, from time to time, to make and vary such rules (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as they think fit including, but not limited to:-
- (a) imposing restrictions on the number of Options that may be granted within each financial year;
  - (b) amending performance targets if by so doing, it would be a fairer measure of performance for a Participant or for the Scheme as a whole.
- 16.3 Any decision of the Committee made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors) shall be final and binding in all cases including any disputes as to the interpretation of the Scheme or any rule, regulation, procedure thereunder or as to any rights under the Scheme.

## **17. Notices**

- 17.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses as may be notified by the Company to him in writing.
- 17.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address according to the records of the Company or at the last known address of the Participant and if sent by post, shall be deemed to have been given on the day following the date of posting.

## **18. Terms of employment unaffected**

- 18.1 The terms of employment of a Participant shall not be affected by his participation in the Scheme, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.
- 18.2 The Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company and/or any Subsidiary directly or indirectly or give rise to any cause of action at law or in equity against the Company, or any Subsidiary.

## **19. Taxes**

All taxes (including income tax) arising from the exercise of any Option granted to any Option Holder under the Scheme shall be borne by that Option Holder.

## **20. Costs and expenses**

- 20.1 Each Option Holder shall be responsible for all fees of CDP relating to or in connection with the transfer of any Shares in CDP's name, the deposit of share certificate(s) with CDP, the Option Holder's securities account with CDP, or the Option Holder's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank (collectively, the "**CDP Charges**").
- 20.2 Save for the taxes referred to in Rule 19 and such other costs and expenses expressly provided in the Scheme to be payable by the Option Holder, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment of the Shares pursuant to the exercise of any Option shall be borne by the Company.

## **21. Disclaimer of liability**

Notwithstanding any provisions herein contained, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing and allotting the Option Shares or in applying for or procuring the listing and quotation for the Option Shares on the SGX-ST.

## **22. Governing law**

The Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Option Holders, by accepting Options in accordance with the Scheme, and the Company irrevocably submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

## **23. Disclosure in Annual Report**

The Company shall disclose the following in its annual report:-

- (a) the names of the members of the Committee; and
- (b) the information required in the table below for the following Participants:-
  - (i) Directors of the Company;
  - (ii) Participants who are Controlling Shareholders and their Associates;
  - (iii) Participants (other than those in paragraphs (i) and (ii) above) who receive five per cent. (5%) or more of the total number of Options available under the Scheme;

Name of Participant	Options granted during financial year under review (including terms)	Aggregate options granted since commencement of Scheme to end of financial year under review	Aggregate options exercised since commencement of Scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
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- (c) the names of and number and terms of Options granted to each Director or Participant who receives five per cent. (5%) or more of the total number of Options available to all Directors and Participants, during the Financial Year under review;
- (d) the aggregate number of Options granted to the Directors and Participants for the Financial Year under review, and since the commencement of the scheme to the end of the Financial Year under review; and
- (e) the number and proportion of Options granted at the following discounts to average market value of the Shares in the Financial Year under review:-
  - (1) Options granted at up to ten per cent. (10%) discount; and
  - (2) Options granted at between ten per cent. (10%) but not more than twenty per cent. (20%) discount.

#### **24. Shareholder Approval**

Any grant of Options to a Director or Participant that, together with Options already granted to the person under the Scheme, represents five per cent. (5%) or more of the total number of Options available to such Directors and Participants, must be approved by independent Shareholders. A separate resolution must be passed for each such person and to approve the aggregate number of Options to be made available for grant to all Directors and Participants.

#### **25. Abstention from Voting**

Participants who are Shareholders are to abstain from voting on any Shareholders' resolution relating to the Scheme.

## INNOTEK EMPLOYEES' SHARE OPTION SCHEME II

### LETTER OF OFFER

Serial No: \_\_\_\_\_

Date:

To: [Name]  
[Designation]  
[Address]

**Private and Confidential**

Dear Sir/Madam,

1. We have the pleasure of informing you that, pursuant to the InnoTek Employees' Share Option Scheme II ("**Scheme**"), you have been nominated to participate in the Scheme by the Committee ("**Committee**") appointed by the Board of Directors of InnoTek Limited ("**Company**") to administer the Scheme. Terms as defined in the Rules of the Scheme shall have the same meaning when used in this letter.
2. Accordingly, in consideration of the payment of a sum of S\$1.00, an offer is hereby made to grant you an option ("**Option**"), to subscribe for and be allotted \_\_\_\_\_ Shares at a price of S\$\_\_\_\_\_ per Share.
3. The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee.
4. The Option shall be subject to the Rules of the Scheme, a copy of which is available for inspection at the business address of the Company.
5. If you wish to accept the offer of the Option on the terms of this letter, please sign and return the enclosed Acceptance Form with a sum of S\$1.00 not later than 5.00 p.m. on \_\_\_\_\_, failing which this offer will lapse.

Yours faithfully,  
For and on behalf of  
InnoTek Limited

\_\_\_\_\_  
Name:

Designation:

## INNOTEK EMPLOYEES' SHARE OPTION SCHEME II

### ACCEPTANCE FORM

Serial No: \_\_\_\_\_

Date:

To: The Committee  
 InnoTek Employees' Share Option Scheme II  
 InnoTek Limited  
 1 Finlayson Green #15-02  
 Singapore 049246

Closing Date for Acceptance of Offer	:	<hr/>
Number of Shares Offered	:	<hr/>
Exercise Price for each Share	:	<hr/>
Total Amount Payable	:	<hr/>

I have read your Letter of Offer dated \_\_\_\_\_ and agree to be bound by the terms of the Letter of Offer and the Rules of the Scheme referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Option to subscribe for \_\_\_\_\_ Shares at S\$ \_\_\_\_\_ per Share. I enclose cash for S\$1.00 in payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of shares in the Company or options to subscribe for such shares.

I further acknowledge and confirm that you have not made any representation to induce me to accept the offer in respect of the said Option and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

**Please Print in Block Letters**

Name in Full : \_\_\_\_\_

Designation : \_\_\_\_\_

Address: \_\_\_\_\_

Nationality: \_\_\_\_\_

\*NRIC/Passport No.: \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

*\*Delete where inapplicable*

**Note: Option Shares must be accepted in full or in multiples of 1,000.**

.

## INNOTEK EMPLOYEES' SHARE OPTION SCHEME II

### EXERCISE NOTICE

Total number of ordinary shares (" <b>Shares</b> ") offered at S\$ _____ per Share (" <b>Exercise Price</b> ") under the Scheme on _____ (Date of Grant)	:	_____
Number of Shares previously allotted thereunder	:	_____
Outstanding balance of Shares to be allotted thereunder	:	_____
Number of Shares now to be subscribed	:	_____

To: The Committee  
 InnoTek Employees' Share Option Scheme II  
 InnoTek Limited  
 1 Finlayson Green #15-02  
 Singapore 049246

1. Pursuant to your Letter of Offer dated \_\_\_\_\_ and my acceptance thereof, I hereby exercise the Option to subscribe for Shares in InnoTek Limited ("**Company**") at S\$ \_\_\_\_\_ per Share.
2. I enclose a \*cheque/ cashier's order / banker's draft / postal order no. \_\_\_\_\_ for S\$ \_\_\_\_\_ by way of subscription for the total number of the said Shares.
3. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the Rules of the InnoTek Employees' Share Option Scheme II and the Memorandum and Articles of Association of the Company.
4. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.
5. I request the Company to allot and issue the said Shares in the name of The Central Depository (Pte) Ltd ("**CDP**") for credit of my \*Securities Account with CDP/ Sub-Account with the Depository Agent / CPF Investment Account with my Agent Bank specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP in respect thereof.

**Please Print in Block Letters**

Name in Full	:	_____
Designation	:	_____
Address	:	_____
Nationality	:	_____
NRIC/Passport No.	:	_____
*Direct Securities Account No.	:	_____

OR

*Sub-Account No.	:	_____
*Name of Depository Agent	:	_____

OR

*CPF Investment Account No.	:	_____
*Name of Agent Bank	:	_____

Signature	:	_____
Date	:	_____

*\*Delete where inapplicable.*



# INNOTEK LIMITED

(Company Registration No. 199508431Z)  
(Incorporated in the Republic of Singapore)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at The Casuarina Suite A Level 3, Raffles Hotel, 1 Beach Road, Singapore 189673, on 30 April 2008 at 9.15 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 9.00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without any modifications, the following Resolutions:-

### Ordinary Resolution 1: The InnoTek Employees' Share Option Scheme II

**That** a new employee share option scheme to be known as the "InnoTek Employees' Share Option Scheme II" (the "**Scheme**"), the details and rules whereof are set out in the Circular to Shareholders dated 15 April 2008 (the "**Circular**"), be and is hereby approved and adopted substantially in the form set out in the rules of the Scheme, and the Directors of the Company be and are hereby authorised:

- (a) to establish and administer the Scheme;
- (b) to modify and/or amend the Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Scheme and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Scheme; and
- (c) to offer and grant Options in accordance with the rules of the Scheme and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the Options under the Scheme, provided that the aggregate number of Shares to be issued pursuant to the Scheme when added to :-
  - (i) the number of new Shares issued and issuable in respect of all options granted under the InnoTek Employees' Share Option Plan (formerly known as the Magnecomp Employees' Share Option Plan) which was adopted by the Company on 18 September 2000 ("**ESOP 2000**"); and
  - (ii) the number of Treasury Shares delivered in respect of Options and options granted under the ESOP 2000,

shall not exceed fifteen per cent. (15%) of the issued Shares of the Company (excluding Shares held by the Company as Treasury Shares) from time to time.

### Ordinary Resolution 2: Offer of Options at a Discount

**That** subject to and contingent upon the passing of Ordinary Resolution 1, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the rules of the Scheme with exercise prices set at a discount to the Market Price (as defined in the Circular), provided that such discount does not exceed the relevant limits set by the Singapore Exchange Securities Trading Limited.

### Ordinary Resolution 3: Proposed Renewal of the Share Purchase Mandate

**That:**

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (i) market purchase(s) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) transacted through the Central Limit Order Book trading system and/or any other securities exchange on which the Shares may for the time being be listed and quoted (“**Other Exchange**”); and/or
- (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

- (i) the date on which the next Annual General Meeting of the Company is held;
- (ii) the date by which the next Annual General Meeting is required by law to be held;
- (iii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or
- (iv) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by ordinary resolution of the Company in general meeting;

- (c) in this Resolution:

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

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

“**Maximum Percentage**” means that number of issued Shares representing ten per cent. (10%) of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as Treasury Shares as at that date); and

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a market purchase of a Share, one hundred and five per cent. (105%) of the Average Closing Price of the Shares; and
- (ii) in the case of an off-market purchase of a Share, one hundred and ten per cent. (110%) of the Average Closing Price of the Shares; and

- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

BY ORDER OF THE BOARD

Linda Sim Hwee Ai  
Company Secretary

Singapore, 15 April 2008

Notes:-

1. A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy (or in the case of a corporation, appoint its authorised representative or proxy) to attend and vote in his stead.
2. A proxy need not be a member of the Company.
3. The Proxy Form must be lodged at the Company's registered office at 1 Finlayson Green, #15-02 Singapore 049246, not less than 48 hours before the time fixed for holding the Extraordinary General Meeting.

**INNOTEK LIMITED**  
(Company Registration No. 199508431Z)  
(Incorporated in the Republic of Singapore)

**PROXY FORM**  
**FOR EXTRAORDINARY GENERAL MEETING**

I/We \_\_\_\_\_ NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_ being

member/members of **INNOTEK LIMITED** hereby appoint:-

Name	Address	NRIC/Passport No	No, of Shares Represented (%)

and/or

Name	Address	NRIC/Passport No	No, of Shares Represented (%)

or failing \*him/her, the Chairman of the meeting as \*my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at The Casuarina Suite A Level 3, Raffles Hotel, 1 Beach Road, Singapore 189673. on 30 April 2008 at 9.15 a.m (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 9.00 a.m on the same day and at the same place) and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for or against the resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the \*proxy/proxies will vote or abstain from voting at \*his/their discretion, as \*he/they will on any other matter arising at the Meeting.

	Resolutions	To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	Number of Votes for**	Number of Votes against**
1.	Ordinary Resolution 1: To approve the InnoTek Employees' Share Option Scheme II				
2.	Ordinary Resolution 2: To approve the Offer of Shares at a Discount under the InnoTek Employees' Share Option Scheme II				
3.	Ordinary Resolution 3: To approve the Proposed Renewal of the Share Purchase Mandate				

\* Please indicate with a tick "✓" in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.

\*\* If you wish to exercise all your votes "For" or "Against", please tick "✓" within the box provided. Alternatively please indicate the number of votes as appropriate.

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

\_\_\_\_\_  
Signature of Shareholder(s)/Common Seal of  
Corporate Shareholder

**IMPORTANT: Please read notes overleaf.**

\* Delete as appropriate

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



## **IMPORTANT: PLEASE READ NOTES BELOW**

### **NOTES:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 1 Finlayson Green, #15-02 Singapore 049246, not less than 48 hours before the time set for the meeting.
4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised.
6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Ltd to the Company.