

CIRCULAR DATED 10 OCTOBER 2007

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold or transferred all your shares in the capital of Magnecomp International Limited (the “**Company**”), you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the enclosed Proxy Form to the purchaser or the transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee.

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



CIRCULAR TO SHAREHOLDERS

in relation to

- (1) THE PROPOSED MAGNECOMP PERFORMANCE SHARE PLAN; AND**
- (2) THE PROPOSED SHARE PURCHASE MANDATE.**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	30 October 2007 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	1 November 2007 at 10.00 a.m. or immediately following the conclusion or adjournment of the Extraordinary General Meeting to be held at 9.30 a.m. on the same date and at the same place.
Place of Extraordinary General Meeting	:	Enterprise Room, Raffles City Convention Centre, 2 Stamford Road, Singapore 178882

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated :

“Approval Date”	:	The date of the EGM at which the proposed Share Purchase Mandate is approved.
“Articles”	:	The Articles of Association of the Company.
“Associated Company”	:	A company in which at least twenty per cent. (20%) but not more than fifty per cent. (50%) of its shares are held by the Company and/or its subsidiaries, or a subsidiary of such company, and over whose management the Company has control.
“Associated Company Employee”	:	Any employee of an Associated Company (including any Associated Company Executive Director) selected by the Committee to participate in the Plan in accordance with the provisions thereof.
“Associated Company Executive Director”	:	A director of an Associated Company who performs an executive function.
“Auditors”	:	The auditors of the Company for the time being.
“Award”	:	A contingent award of Shares granted under the Plan.
“Board”	:	The board of Directors of the Company from time to time.
“CDP”	:	The Central Depository (Pte) Limited.
“Circular”	:	This circular dated 10 October 2007.
“Committee”	:	A committee comprising Directors duly authorised and appointed by the Board to administer the Plan. The Remuneration Committee of the Company currently performs this role.
“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” or “Magnecomp”	:	Magnecomp International Limited.
“Council”	:	The Securities Industry Council of Singapore.
“Directors”	:	The directors of the Company from time to time.
“EGM”	:	The extraordinary general meeting of the Company, notice of which is given on pages 32 to 34 of this Circular.
“ESOP”	:	The Magnecomp Employees’ Share Option Plan which was adopted on 18 September 2000.

“EPS”	:	Earnings per Share.
“FY”	:	Financial year ended or ending, as the case may be, 31 December.
“Group”	:	The Company and its subsidiaries.
“Group Employee”	:	Any employee of the Group selected by the Committee to participate in the Plan, in accordance with the provisions thereof.
“Group Executive Director”	:	A director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function.
“Income Tax Act”	:	The Income Tax Act (Chapter 134) of Singapore, as amended or modified from time to time.
“Latest Practicable Date”	:	4 October 2007, 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.
“New Shares”	:	The new Shares which may be allotted and issued from time to time pursuant to the vesting of Awards granted under the Plan.
“Non-Executive Director”	:	<p>A director of :</p> <p>(a) the Company and/or its subsidiaries, other than a Group Executive Director; or</p> <p>(b) an Associated Company, other than an Associated Company Executive Director.</p>
“NTA”	:	Net tangible assets of the Company.
“NTA per Share”	:	Net tangible assets of the Company divided by the number of issued Shares.
“Options”	:	The right to subscribe for Shares granted or to be granted pursuant to the ESOP.
“Parent Company”	:	A company being the holding company of the Company
“Parent Group”	:	The Parent Company and such of the Parent Company’s subsidiaries
“Participant”	:	A person who has been granted an Award.
“Plan”	:	The Magnecomp Performance Share Plan, as modified or altered from time to time.

“Required Price”	:	In relation to the offer required to be made under the provisions of Rule 14.1 of the Take-over Code, the offer shall be in cash or be accompanied by a cash alternative at a price in accordance with Rule 14.3 which is the highest of the highest price paid by the offerors and/or person(s) acting in concert with them for the Company’s Shares (i) during the offer period and within the preceding 6 months, (ii) acquired through the exercise of instruments convertible into securities which carry voting rights within 6 months of the offer and during the offer period, or (iii) acquired through the exercise of rights to subscribe for, and options in respect of, securities which carry voting rights within 6 months of the offer or during the offer period; or at such price as determined by the Council under Rule 14.3 of the Take-over Code.
“Securities Accounts”	:	Securities accounts maintained by Depositors with CDP but not including securities sub-accounts maintained with a Depository Agent.
“SGX-ST”	:	Singapore Exchange Securities Trading Limited.
“Shares”	:	Ordinary shares in the share capital of the Company.
“Share Purchase Mandate”	:	The share purchase mandate which is set out in the notice of EGM on pages 32 to 34 of this Circular.
“Treasury Shares”	:	Shares purchased by the Company pursuant to the Share Purchase Mandate which are held by the Company as treasury shares.

The terms “Depositor”, “Depository Agent” 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. References to persons shall, where applicable, 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 in the Companies Act, the Listing Manual or any modification thereof and used in this Circular shall have the meaning assigned to it under the Companies Act, the Listing Manual or such modification, as the case may be, unless the context otherwise requires.

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

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

MAGNECOMP INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 199508431Z)

LETTER TO SHAREHOLDERS

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

10 October 2007

To: The Shareholders

Dear Sir/Madam

- (1) THE PROPOSED MAGNECOMP PERFORMANCE SHARE PLAN; AND**
- (2) THE PROPOSED SHARE PURCHASE MANDATE**

1. INTRODUCTION

- 1.1 The Directors of the Company are proposing an incentive plan, namely the Magnecomp Performance Share Plan, as well as the adoption of a share purchase mandate to allow the Company to purchase its issued Shares and are convening the EGM to be held on 1 November 2007 to seek Shareholders' approval for such proposals.
- 1.2 The purpose of this Circular is to provide Shareholders with information relating to, and to seek the approval of shareholders at the EGM, for the proposals as set out in the notice of EGM on pages 32 to 34 of this Circular.
- 1.3 The SGX-ST has on 26 September 2007 granted in-principle approval for the listing and quotation of the New Shares to be issued pursuant to the Plan. The in-principle approval of the SGX-ST for the admission of the New Shares and quotation of such New Shares on the Main Board of the SGX-ST are in no way reflective of the merits of the Company, the Group or the Plan.
- 1.4 The SGX-ST assumes no responsibility for the accuracy of any of the statements made or opinions expressed in this Circular.

2. THE PLAN

2.1 Background and Rationale

In September 2000, the Company adopted the Magnecomp Employees' Share Option Plan pursuant to which Options could be granted to employees eligible under the rules of the ESOP provided that the maximum number of Shares issued or issuable in respect of such Options should not exceed 10% of the total issued Shares from time to time.

The ESOP was for a period of 5 years and terminated in February 2006. Accordingly the Directors are proposing to adopt the Plan to replace the ESOP.

The purpose of the Plan is to enhance the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance. In addition, the Plan will also strengthen the Company's competitiveness in attracting and retaining local and foreign talent.

The Plan will incentivise Participants to excel in their performance and encourage greater dedication and loyalty to the Company. Through the Plan, the Company will be able to recognise and reward past contributions and services and motivate Participants to continue to strive for the Group's long-term prosperity. In addition, the Plan aims to foster an ownership culture within the Group which aligns the interests of Group Employees with the interests of Shareholders.

The Plan uses methods fairly common among successful multinational companies to incentivise and motivate employees to achieve pre-determined targets and/or to put in their best efforts which create and enhance economic value for Shareholders. By giving the Participants the opportunity to participate in the equity of the Company as opposed to providing cash rewards for their performance, the Plan aims to cultivate a greater sense of involvement in the Company amongst the Participants. The Plan will also allow the Company to offer incentives and remuneration packages compatible with other multinational companies.

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

As the New Shares will be issued free under the Plan, Participants would receive the same economic benefit from an Award of fewer Shares as compared to an Option granted under the ESOP in respect of a larger number of Shares. The Plan would therefore allow the Company to incentivise employees while reducing the dilutive effect on Shareholders.

2.2 Objectives

The objectives of the Plan are as follows :-

- (i) to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance as well as strengthen the Group's competitiveness in attracting superior talent;
- (ii) to incentivise Participants to excel in their performance and encourage greater dedication and loyalty to the Company; and
- (iii) to supplement and enhance the remuneration packages of employees.

2.3 Participation by, and the grant of Awards to, directors and employees of the Parent Company and its subsidiaries

The Company does not currently have a Parent Company and has not currently assigned any single largest corporate shareholder as the Parent Company for the purposes of the Plan. No provisions have been included in the Plan allowing for employees and directors of the Parent Company to participate in the Plan.

2.4 Participation by Non-Executive Directors

Whilst the Non-Executive Directors did not participate in the ESOP, it is the intention that Non-Executive Directors will be eligible to participate in the Plan. While the Plan caters principally to Group Employees, it is also recognised that the Non-Executive Directors can make significant contributions to the Group through their close working relationship with the Group, even though they are not employed within the Group, by providing valuable support and guidance and contributing their experience, knowledge and expertise. Including Non-Executive Directors in the Plan will increase flexibility for the Company in determining the most appropriate form of reward for their services and align the interests of the Non-Executive Directors with those of Shareholders. It is not anticipated that the number of Shares to be comprised in an Award to Non-Executive Directors will be large. As such, the Company believes that the grant of such Awards will not affect an independent Director's independence.

2.5 Participation by Associated Company Employees

Associated Company Employees will also be eligible to participate in the Plan. The extension of the Plan to Associated Company Employees allows the Group to have a fair and equitable system to reward Associated Company Employees who have made and who continue to make significant contributions to the long-term growth of the Group.

2.6 The ESOP

As at the Latest Practicable Date, an aggregate of 10,746,500 Shares were issued and allotted pursuant to the exercise of Options under the ESOP and Options in respect of a further 8,257,000 Shares are still outstanding. Options were granted to an aggregate of approximately 275 participants under the ESOP. 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
122,000	7 Mar 2012	0.16
183,000	31 Mar 2012	0.17
226,000	27 Aug 2012	0.71
2,820,000	8 Mar 2014	0.69
636,000	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, 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 1,700,000 Shares were issued and allotted to the Directors pursuant to the exercise of Options.

3. RULES OF THE PLAN

The following is a summary of the principal rules of the Plan.

3.1 Eligibility

The following persons, unless they are also controlling shareholders (as defined in the Listing Manual) of the Company or associates (as defined in the Listing Manual) of such controlling shareholders, shall be eligible to participate in the Plan (provided that such persons are not undischarged bankrupts at the relevant time) :-

- (a) Group Employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time;

- (b) Non-Executive Directors; and
- (c) Associated Company Employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented or to be implemented by the Company, another company within the Group or any Associated Company.

Directors and employees of the Parent Group (if any), controlling shareholders of the Company and their associates will not be eligible to participate in the Plan.

3.2 Awards

Awards represent the right of a Participant to receive fully paid Shares, their equivalent cash value or combinations thereof, free of charge, upon the Participant achieving prescribed performance targets and/or service conditions or otherwise having performed well and/or made a significant contribution to the Company. Shares comprised in the Awards are issued at the end of the performance and/or service period once the Committee is, at its sole discretion, satisfied that the prescribed performance targets and/or service conditions have been achieved. The Committee may also grant an Award where in its opinion a Participant's performance and/or contribution to the Company warrants it.

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

Awards granted under the Plan may be performance-based or time-based :-

(a) Performance-based Awards

Such Awards granted will entitle Participants to be allotted fully paid Shares upon satisfactory achievement of pre-determined performance targets. The performance targets are shorter term targets aimed at encouraging continued service and based on medium-term corporate objectives relating to market competitiveness, business growth and productivity of the Group. Examples of performance targets to be set include targets based on criteria such as successful completion of a project, market share, market ranking, profitability and return on sales as well as total shareholders' return and economic value added. In addition to the achievement of any pre-determined performance targets and/or service conditions, Awards may also be granted upon the Committee's post-event determination that any Participant has performed well and/or made a significant contribution to the Company.

(b) Time-based Awards

Such Awards granted will entitle Participants to be allotted fully paid Shares after the satisfactory completion of time-based service conditions, that is, after the Participant has served the Group or, as the case may be, the relevant Associated Company, for a specified number of years, as may be determined or pre-determined by the Committee. Such Awards may also be granted as a sign-on bonus or upon successful completion of a project.

The Company has the flexibility under the Plan to grant both time-based Awards and performance-based Awards to the same Participant simultaneously. Participants may also be granted Awards under the Plan with different targets and/or service conditions, or on other different bases. It is unlikely that performance targets, service conditions and/or the basis of grant of Awards for any individual Participant will be identical. No minimum vesting periods are prescribed under the Plan and the length of vesting periods in respect of each Award will be determined on a case-by-case basis.

As mentioned, the Committee may also make an Award at any time where in its opinion a Participant's performance and/or contribution justifies such Award.

3.3 Participants

The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Participant shall be determined at the absolute sole discretion of the Committee, which shall take into account criteria such as rank, job performance, potential for future development, contribution to the success of the Group and the extent of effort and resourcefulness required to achieve the service conditions and/or performance targets within the performance and/or service periods. Subject to the Companies Act and requirements of the SGX-ST, the terms of eligibility of any Participant in the Plan may be amended from time to time at the absolute sole discretion of the Committee.

The terms of employment or appointment of a Participant shall not be affected by his participation in the Plan, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment or appointment for any reason.

3.4 Details of Awards

The Committee shall decide, in relation to each Award to be granted to a Participant under the Plan :

- (a) the date on which the Award is granted;
- (b) the number of Shares comprised in the Award;
- (c) the prescribed service conditions and/or performance targets (including the performance periods during which the prescribed performance targets are to be satisfied) and/or any other basis on which the Award is to be granted;
- (d) the prescribed vesting period, if any;
- (e) the extent to which Shares which are the subject of that Award shall be vested at the end of each prescribed vesting period or on the prescribed performance targets and/or service conditions, if any, being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be; and
- (f) any other condition which the Committee may determine in relation to that Award.

3.5 Timing of Awards

While Awards may be granted at any time in the year, it is currently anticipated that Awards under the Plan would be made twice a year. An Award letter confirming the Award and specifying (*inter alia*) the matters in paragraph 3.4 above will be sent to each Participant as soon as is reasonably practicable after the making of an Award.

3.6 Events Prior to Vesting

Special provisions for the vesting and lapsing of Awards apply in certain circumstances, including the following :-

- (a) the Participant ceasing to be in the employment of the Group or the relevant Associated Company for any reason whatsoever (other than specified in sub-paragraph 3.6(e) below);
- (b) the misconduct on the part of a Participant as determined by the Committee in its sole discretion;
- (c) an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency;
- (d) the bankruptcy of a Participant, his entering into any composition with his creditors prior to the issue of the New Shares comprised in the Award or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Award;
- (e) the Participant ceasing to be in the employment of the Group or the relevant Associated Company by reason of:
 - (i) ill health, injury, accident or disability (in each case, evidenced to the satisfaction of the Committee);
 - (ii) redundancy;
 - (iii) retirement at or after the legal retirement age;
 - (iv) retirement before the legal retirement age with the consent of the Committee;
 - (v) the company by which he is employed ceasing to be a company within the Group or an Associated Company or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group or an Associated Company; or
 - (vi) any other event approved by the Committee;
- (f) the death of the Participant;
- (g) the Participant, being a Non-Executive Director, ceasing to be a director of the Company, the relevant subsidiary of the Company, the relevant Associated Company or, as the case may be, the relevant subsidiary of an Associated Company for any reason whatsoever;
- (h) a take-over, winding-up, reconstruction or amalgamation of the Company or an order being made or a resolution passed for the winding-up of the Company (other than as provided in sub-paragraph 3.6(c) above or for a reconstruction or amalgamation); and
- (i) any other event approved by the Committee.

Upon the occurrence of any of the events specified in sub-paragraphs 3.6(a), (b), (c) and (d) above, an Award then held by a Participant shall, subject as provided in the rules of the Plan and to the extent not yet released, immediately lapse without any claim whatsoever against the Company.

Upon the occurrence of the event specified in sub-paragraph 3.6(i) above, the Committee will consider, at its sole discretion, whether or not to release any Award and vest some or all of the Shares which are the subject of such Award. In exercising its discretion, the Committee will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and the extent to which the applicable service conditions and/or performance targets, if any, have been satisfied.

Upon the occurrence of any of the events specified in sub-paragraphs 3.6(e), (f), (g) and (h) above, the Committee may, in its absolute sole discretion, preserve all or any part of any Award and decide either to vest some or all of the Shares which are the subject of the Award or to preserve all or part of any Award until the end of the relevant prescribed service or performance period, if any. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and the extent to which the applicable service conditions and/or performance targets, if any, have been satisfied.

3.7 Size and Duration of the Plan

The total number of New Shares which may be issued or Treasury Shares which may be delivered pursuant to Awards granted under the Plan, when added to :-

- (1) the number of new Shares issued and issuable in respect of (a) all Awards granted thereunder and (b) all Options granted under the ESOP; and
- (2) the number of Treasury Shares delivered in respect of Awards,

shall not exceed fifteen per cent. (15%) of the issued share capital of the Company (excluding Shares held by the Company as Treasury Shares) on the day preceding the relevant date of Award.

The amount of cash which may be paid upon the release of such Awards in lieu of Shares will not be subject to any limit.

The Plan shall continue in force at the discretion of the Committee, subject to a maximum period of 5 years commencing on the date on which the first Award is granted under the Plan, provided always that the Plan may continue beyond the above stipulated period with the approval of Shareholders in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the Plan, any Awards made to Participants prior to such expiry or termination will continue to remain valid.

3.8 Operation of the Plan

Subject to the prevailing legislation and the rules of the Listing Manual, the Company will have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of :-

- (a) an issue of New Shares; and/or
- (b) subject to applicable laws, the purchase of existing Shares.

In determining whether to issue New Shares or to utilise Treasury Shares for delivery to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing New Shares or purchasing existing Shares.

The financial effects of the above methods are discussed in paragraph 4 of this Circular. The Company has the flexibility, and if circumstances require, to approve the release of an Award, wholly or partly, in the form of cash rather than Shares.

The Committee shall have the sole discretion to determine whether service conditions and/or performance targets have been satisfied (whether fully or partially) or exceeded and/or whether the Participant's performance and/or contribution to the Company justifies the vesting of an Award. In making any such determination, the Committee shall have the right to take into account such factors as the Committee may in its sole discretion determine to be relevant, and further, the right to amend the service conditions and/or performance targets, if any, if the Committee decides that it would be more equitable to do so.

New Shares allotted and issued, and existing Shares procured by the Company for transfer, on the release of an Award shall be eligible for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares the record date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to compliance with the terms of the Plan and the Articles, the Company shall within ten (10) Market Days after the vesting of an Award, allot the relevant Shares and dispatch to CDP the relevant share certificates. Shares which are the subject of an Award shall be issued in the name of CDP to the credit of the securities account of the Participant maintained with CDP or his securities sub-account maintained with a Depository Agent.

Where applicable, the Company shall, as soon as practicable after such allotment, apply to the SGX-ST for permission to deal in and for quotation of such Shares if such permission has not been obtained prior to the allotment.

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

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

3.9 Adjustments

If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation or distribution, or otherwise) shall take place or if the Company shall make a declaration of a special dividend (whether in cash or in specie), then:

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested and the rights attached thereto;
- (b) the class and/or number of Shares in respect of which future Awards may be granted under the Plan; and/or

- (c) the maximum number of New Shares which may be issued pursuant to Awards granted under the Plan,

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

Adjustments are subject to the proviso that any such adjustment shall be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive, and provided further that no adjustments shall be made unless the Committee, after considering all relevant circumstances, considers it equitable to do so.

The following (whether singly or in combination) shall not be regarded as events requiring adjustment:-

- (i) any issue of securities (aa) as consideration for an acquisition or (bb) as a private placement of securities;
- (ii) any increase in the number of issued Shares as a consequence of the exercise of any options or conversion of any loan stock or any other securities convertible into Shares or subscription rights of any warrants issued from time to time by the Company entitling holders thereof to acquire new Shares in the capital of the Company (including the exercise of any Options granted pursuant to the ESOP);
- (iii) any issue of Shares pursuant to any scrip dividend scheme for the time being of the Company; and
- (iv) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased 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 (including any renewal of such mandate) is in force.

3.10 Modifications or Alterations to the Plan

The Plan may be modified and/or altered from time to time by a resolution of the Committee, subject to the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

However, no modification or alteration shall adversely affect the rights attached to Awards granted prior to such modification or alteration except with the written consent of such number of Participants under the Plan who, if their Awards were vested to them, would thereby become entitled to not less than three-quarters in number of all the Shares which would be issued in full of all outstanding Awards under the Plan, as the case may be.

No alteration shall be made to the rules of the Plan to the advantage of the holders of the Awards except with the prior approval of Shareholders in general meeting.

Written notice of any modification or alteration made shall be given to all Participants.

3.11 Take-over or Winding-up of the Company

In the event of a take-over being made for the Shares, a Participant shall be entitled to Awards if he has met the performance targets and/or service conditions, if any, which fall within the period commencing on the date on which such offer for a take-over of the Shares is made or if, such offer is conditional, the date on which such 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-month period, at the recommendation of the offeror and with the approval of the Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the last date in which the performance targets and/or service conditions, if any, are to be fulfilled); or
- (b) the date of expiry of the period for which the performance targets and/or service conditions, if any, are to be fulfilled.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition 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, the Participant shall be obliged to fulfill such performance targets and/or service conditions, if any, until the expiry of such specified date or the expiry of the performance targets and/or service conditions relating thereto, whichever is earlier, before an Award can be vested.

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 company or companies, each Participant shall be entitled to any Awards so determined by the Committee to be vested in him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.

If any order is made or an effective resolution is passed for the winding up of the Company on the basis of its insolvency, all Awards, notwithstanding that they may have been so vested shall be deemed or become null and void.

In the event of a members' voluntary winding up (other than for amalgamation or reconstruction), the Awards shall so vest in the Participant for so long as, in the absolute sole determination by the Committee, the Participant has met the performance targets and/or service conditions, delivered a good work performance and/or made a significant contribution to the Company prior to the date that the members' voluntary winding up shall be deemed to have been commenced or effective in law.

Notwithstanding the above, if in connection with the making of a general offer or a scheme or a members' voluntary winding up, 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 payment of cash or by any other form of benefit, no Award shall be made in such circumstances.

3.12 Administration of the Plan

The Plan shall be administered by the Committee in its absolute discretion with such powers and duties as conferred by the Board of Directors. A member of the Committee shall not be involved in its deliberations in respect of an Award to be granted to such member of the Committee.

The Committee shall have the power from time to time, to make and vary such regulations (not being inconsistent with the Plan) for the implementation and administration of the Plan as it deems fit, provided that no modification or alteration shall adversely affect the rights attached to Awards granted prior to such modification or alteration except with the written consent of such number of Participants under the Plan who, if their Awards were vested to them, would thereby become entitled to not less than three-quarters in number of all the Shares which would be issued in full of all outstanding Awards under the Plan, as the case may be.

Any decision of the Committee made pursuant to any provision of the Plan (other than a matter to be certified by the Auditors), shall be final and binding (including any decision pertaining to disputes as to interpretation of the Plan) or any Rule, regulations, procedure thereunder or as to any rights under the Plan.

3.13 Notifications and Disclosures in Annual Reports

The following disclosures (as applicable) will be made by the Company in its annual report for so long as the Plan continues in operation :-

- (a) the names of the members of the Committee administering the Plan; and
- (b) in respect of the following Participants of the Plan :-
 - (i) Directors of the Company; and
 - (ii) Participants (other than those in paragraph (i) above) who have received Shares pursuant to the release of Awards granted under the Plan which, in aggregate, represent five per cent. (5%) or more of the aggregate of:
 - (aa) the total number of New Shares available under the Plan and the ESOP collectively; and
 - (bb) the total number of existing Shares purchased for delivery of Awards vested under the Plan,

the following information :-

1. the name of the Participant;
2. the number of New Shares issued to such Participant during the financial year under review; and
3. the number of existing Shares transferred to such Participant during the financial year under review;

(c) in respect of the Plan :-

- (i) the aggregate number of Shares comprised in Awards granted since the commencement of the Plan to the end of the financial year under review;
- (ii) the aggregate number of Shares comprised in Awards which have vested during the financial year under review and in respect of such Awards, the proportion of :
 - (aa) New Shares issued; and
 - (bb) existing Shares purchased, including the range of prices at which such Shares have been purchased,upon the release of Awards which have been vested; and
- (iii) the aggregate number of Shares comprised in Awards which have not been vested as at the end of the financial year under review.

3.14 Taxes, Costs and Expenses

All taxes (including income tax) arising from the grant and/or disposal of Shares pursuant to the Awards granted to any Participant under the Plan shall be borne by that Participant. Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares pursuant to the vesting of Awards in CDP's name, the deposit of share certificates with CDP, the Participants' securities account or the Participants' securities sub-account.

Save for the above, all other fees, costs and expenses incurred by the Company in relation to the Plan shall be borne by the Company.

4. FINANCIAL EFFECTS OF THE PLAN

4.1 Financial Treatment

Participants may receive Shares or their equivalent cash value, or combinations thereof in settlement of the Awards. In the event that the Participants receive Shares, the Awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards would be recognised as a charge to the income statement over the vesting period of an Award. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the Award Date and where there are non-market conditions attached (see the following paragraph), the number of Shares vested at the vesting date, with a corresponding credit to reserve account. Before the end of the vesting period, at each accounting year end, the estimate of the number of Awards that are expected to vest by the vesting date is revised, and the impact of the revised estimate is recognised in the income statement with a corresponding adjustment to the reserve account. After the vesting date, no adjustment to the charge to the income statement is made. This accounting treatment has been referred to as the "modified grant date method", because the number of Shares included in the determination of the expense relating to employee services is adjusted to reflect the actual number of Shares that eventually vest but no adjustment is made to changes in the fair value of the Shares since the grant date.

The amount charged to the income statement would be the same whether the Company settles the Awards using New Shares or existing Shares (“equity settlement”). The amount of the charge to the income statement also depends on whether or not the performance target attached to an Award is “market condition”, that is a condition which is related to the market price of the Shares. If the performance target is not a market condition, the fair value of the Shares granted at the grant date is used to compute the amount to be charged to the income statement at each accounting date, based on an assessment at that date of whether the non-market conditions would be met to enable the Awards to vest. Thus, if the Awards do not ultimately vest, the amount charged to the income statement would be reversed at the end of the vesting period.

In the event that the Participants receive cash (“cash settlement”), the Company shall measure the fair value of the liability at grant date. Until the liability is settled, the Company shall re-measure the fair value of the liability at each accounting date and at the date of settlement, with changes in the fair value recognised in the income statement.

For a share-based payment transaction in which the terms of the arrangement provide a company with the choice of whether to settle in cash or by issuing equity instruments, the company shall determine whether it has a present obligation to settle in cash and account for the share-based payment transaction accordingly. The company has a present obligation to settle in cash if the choice of settlement in equity instruments has no commercial substance (e.g. because the company is legally prohibited from issuing shares), or the company has a past practice or a stated policy of settling in cash, or generally settles in cash whenever the counterparty asks for cash settlement.

If the Company has a present obligation to settle in cash, it shall account for the transaction in accordance with the requirements applying to cash settlement. If no such obligation exists, the Company shall account for the transaction in accordance with the requirements applying to equity-settled share-based transaction.

Under the Plan, the choice of settlement lies with the Company. It does not have an obligation to settle in cash. Therefore the Company shall account for Awards in accordance with the requirements of an equity-settled share-based payment transaction referred to in the foregoing paragraph.

4.2 Share Capital

The Plan will result in an increase in the Company’s issued Shares where New Shares are issued to Participants. The number of New Shares issued will depend on, *inter alia*, the size of the Awards granted under the Plan. If, instead of issuing New Shares to Participants, existing Shares are purchased for delivery to Participants, the Plan will have no impact on the Company’s issued share capital. On the basis that New Shares are issued under the Plan by way of capitalization of the Company’s reserves, the amount of reserves will then be reduced by an amount equal to the total number of Shares issued. In any case, the number of New Shares to be issued under the Plan and the ESOP is subject to the maximum limit of fifteen per cent (15%) of the Company’s total issued Shares.

4.3 NTA

As described in paragraph 4.1 above, the Plan will result in a charge to the Company’s income statement over the period from the grant date to the vesting date of the Awards. The amount of the charge will be computed in accordance with the modified grant date method under FRS 102. If New Shares are issued under the Plan, there would be no effect on the NTA. However, if instead of issuing New Shares to Participants, existing Shares are purchased for delivery to Participants or the Company pays the equivalent cash value, the NTA would be impacted by the cost of the Shares purchased or the cash payment, respectively.

Nonetheless, it should be noted that the delivery of Shares to Participants of the Plan is contingent upon the Participants meeting prescribed performance targets and conditions or having delivered a good work performance or made any significant contribution to the Company, as determined by the Committee in its sole discretion.

4.4 EPS

The Plan is likely to result in a charge to earnings over the period from the date the Award is granted to the vesting date, computed in accordance with the modified grant date method under FRS 102.

Although the Plan will have a dilutive impact on the Company's consolidated EPS, it should be noted that the delivery of Shares to Participants of the Plan is contingent upon the Participants meeting prescribed conditions and/or the Committee having, in its sole discretion, determined that the Participant's performance and/or contribution to the Company warrant the vesting of the Award, resulting in, *inter alia*, added value to Shareholders.

4.5 Dilutive Impact

The ESOP currently provides for the issue of New Shares pursuant to the exercise of Options of up to a maximum of ten per cent. (10%) of the Company's total issued share capital from time to time. If approved, the Plan will provide that the maximum number of new Shares which may be issued under the Plan when added to the number of new Shares issued or issuable in respect of Options granted under the ESOP shall not exceed 15% of the issued share capital of the Company. Shareholders' shareholding percentages will be diluted accordingly as a result of the issue and allotment of New Shares pursuant to the Plan depending on the number of New Shares issued.

5. THE SHARE PURCHASE MANDATE

5.1 Rationale

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 the 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 proposed 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. In addition, Shares purchased or acquired pursuant to the Share Purchase Mandate and which are held as Treasury Shares may be utilised by the Company to satisfy Awards granted under the Plan.

While the proposed 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.

5.2 Details of the Share Purchase Mandate

Approval is being sought from Shareholders at the EGM for the adoption of a general and unconditional Share Purchase Mandate for the purchase by the Company of its issued Shares. If approved, the Share Purchase Mandate will take effect from the date of the EGM and continue in force until the date of the next annual general meeting of the Company or such date as the next annual general meeting is required by law to be held, unless prior thereto, share purchases are carried out to the full extent mandated or the Share Purchase Mandate is revoked or varied by the Company in general meeting. The Share Purchase Mandate will be put to Shareholders for renewal at each subsequent annual general meeting of the Company.

The authority and limitations placed on purchases of Shares by the Company under the Share Purchase Mandate are summarised below :-

(a) Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased by the Company. The total number of Shares that may be purchased 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 241,926,428 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 24,192,642 Shares (representing 10 per cent. (10%) of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

(b) Duration of Authority

Purchases of Shares may be made, at any time and from time to time, from the Approval Date 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.

(c) Manner of Purchase

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 shall be 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, 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 purchase;
- (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.

(d) **Maximum Purchase Price**

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

- (i) 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
- (ii) in the case of an Off-Market Purchase, one hundred and ten per cent. (110%) of the Average Closing Price of the Shares,

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

For the purposes of the above :-

“**Average Closing Price**” means the average of the last dealt prices of a Share for the five consecutive trading days on which the Shares are transacted on the SGX-ST immediately preceding the date of 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 which occurs after the relevant five day period;

“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

(e) **Status of Purchased Shares**

Any Share which is purchased by the Company is deemed cancelled immediately on purchase (and all rights and privileges attached to that Share will expire on cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

(f) **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 as follows :-

- (i) *Maximum Holdings* - The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.
- (ii) *Voting and Other Rights* - The Company will not have the right to attend or vote at meetings and or to receive any dividends in respect of the treasury shares. However, the allotment of treasury shares as fully paid bonus shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.
- (iii) *Disposal and Cancellation* - The Company may dispose of treasury shares at any time in the following ways :
 - (aa) sell the treasury shares for cash;
 - (bb) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
 - (cc) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
 - (dd) cancel the treasury shares; or
 - (ee) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

(g) **Source of Funds and Financial Effects**

Previously, any purchase of Shares could only be made out of the Company's distributable profits that are available for payment as dividends. However the Companies Act, as amended by the Companies Amendment Act, now permits the Company to also purchase its own Shares out of capital, as well as from its 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 internal resources and/or external borrowings to finance purchases of its 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 purchase of Shares is made out of distributable profits, such purchase (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the purchase of Shares is made out of capital, the amount available for the distribution of cash dividends 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 2006, the Company has distributable reserves of approximately S\$68,486,000 to effect purchases of its Shares from the market. However, for illustrative purposes only, assuming that:

- (i) the Company purchases 24,192,642 Shares representing 10% of its issued share capital as at the Latest Practicable Date; and
- (ii) the aforesaid 24,192,642 Shares are purchased at S\$0.8652 per Share, being a price representing 105% of the Average Closing Price as at the Latest Practicable Date,

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 FY2006 would be as set out below.

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

	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 31 December 2006				
Shareholders' Funds	183,453	162,522	165,996	145,065
NTA	166,023	145,092	165,291	144,360
Current Assets	264,941	264,941	14,023	14,023
Current Liabilities	237,869	237,869	4,927	4,927
Working Capital	27,072	27,072	9,096	9,096
Total Borrowings	207,329	228,260	4,383	25,314
Number of Shares				
Issued and paid-up share capital (net of treasury shares)	238,360	214,167	238,360	214,167
Weighted average number of issued and paid-up shares	237,593	213,400	237,593	213,400
Financial Ratios				
NTA per Share (cents)	69.7 ⁽¹⁾	67.7	69.3 ⁽²⁾	67.4
Gearing Ratio(3)	0.89	1.13	0.02	0.16
Current Ratio (times)	1.11	1.11	2.85	2.85
Loss per Share (cents)	(9.0) ⁽¹⁾	(10.4)	(5.4) ⁽²⁾	(6.5)

Notes:-

- (1) The NTA per Share and basic loss per share was calculated based on the number of Shares in issue of 238,360,428 at the end of FY2006 and weighted average number of Shares in issue of 237,592,781 for FY2006 respectively before adjusting for the share purchase.
- (2) The NTA per Share and basic loss per share was calculated based on the number of Shares in issue of 214,167,786 at the end of FY2006 and weighted average number of Shares in issue of 213,400,139 for FY2006 respectively after adjusting for the share purchase.
- (3) Gearing ratio is based on Net Borrowings which was Total Borrowings less cash and cash equivalent at the end of FY2006.

As at 31 December 2006, the Group and the Company had cash and cash equivalent balances of S\$43,901,000 and S\$1,677,000 respectively. As illustrated above, the purchase of Shares will not have the effect of reducing the working capital, but will have the effect of reducing the NTA of the Group and the Company as at 31 December 2006 from 69.7 cents to 67.7 cents and 69.3 cents to 67.4 cents respectively as it is assumed that the share purchase is funded through long term external borrowings.

Assuming that the purchase of Shares had taken place on 1 January 2006, the consolidated basic loss per share of the Group for FY 2006 would be increased from 9.0 cents per Share to 10.4 cents per Share while the basic loss per share of the Company for FY 2006 would be increased from 5.4 cents per Share to 6.5 cents per Share as a result of the reduction in the number of issued Shares, taking into consideration the interest expense relating to the external funding for the share purchase transaction.

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 Company's real financial position or a forecast of the Company's financial figures.

(h) **Tax Implications**

(i) **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 the 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.

(ii) **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.

(i) **Listing Rules**

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 of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, by 9.00 a.m. on the second Market Day after the close of acceptances of the offer. Such announcement shall include details of the total number of shares authorised for purchase, the date of purchase, prices paid for the total number of shares purchased, the purchase price per share, the highest and lowest shares purchased to date and the number of issued shares after purchase, in the form prescribed under the Listing Rules.

While the Listing Rules do not expressly prohibit any purchase of shares by a listed company during any particular time(s), 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 of Shares pursuant to the Share Purchase Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such 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 will not purchase or acquire any Shares through Market Purchases during the period of one month immediately preceding the announcement of the Company's interim results and the annual (full-year) results respectively.

(j) **Listing Status**

The Company is required under Clause 723 of the Listing Rules 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, there are 110,867,128 Shares in the hands of the public (as defined above), representing 45.83% 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 86,674,486 Shares, representing 39.81% of the reduced issued 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.

(k) 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 30 per cent. (30%) or more of the voting rights of the company; or
- (ii) he holds between 30 per cent. (30%) and 50 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.

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

- (i) 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); and
- (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other.

For this purpose, ownership or control of at least 20 per cent. (20%) but not more than 50 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 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

Under Appendix 2 of the Take-Over Code, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company 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 30 per cent. (30%) or more; or
- (ii) if the voting rights of such Directors and their concert parties fall between 30 per cent. (30%) and 50 per cent. (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties increase by more than one per cent. (1%) in any period of six months.

A Shareholder not acting in concert with the Directors will not incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company increase to 30 per cent. (30%) or more, or if the voting rights of such Shareholder fall between 30 per cent. (30%) and 50 per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder 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 241,926,428 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 24,192,642 Shares (representing 10 per cent. (10%) of the Shares in issue as at that date) 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 24,192,642 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	34.46	83,382,300	38.29
Trustee of Chandaria Trust I	83,832,300	34.65	83,832,300	38.50
Thai Focused Equity Fund Ltd	45,687,000	18.88	45,687,000	20.98

* 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.

(I) No Share Purchases in the Previous 12 Months

The Company has not made any share purchases in the 12 months preceding the date of this Circular.

6. DIRECTORS' RECOMMENDATIONS

6.1 The Plan

The Directors are all eligible to participate in, and are therefore interested in, the Plan. They have accordingly abstained from making any recommendation on, and in the case of Directors who are Shareholders, shall abstain from voting in respect of, Ordinary Resolution 1 relating to the adoption of the Plan.

Each Director shall also decline to accept appointment as proxies for any Shareholder to vote in respect of Ordinary Resolution 1 unless the Shareholder concerned shall have given instructions in his proxy form as to the manner in which his votes are to be cast in respect of such resolution.

Save as disclosed above, none of the Directors or substantial Shareholders of the Company has any interest, direct or indirect, in the Plan.

6.2 The Share Purchase Mandate

The Directors are of the opinion that the proposed mandate for the purchase by the Company of its Shares is in the best interests of the Company. The Directors recommend that Shareholders vote in favour of Ordinary Resolution 2 relating to the Share Purchase Mandate as set out in the Notice of EGM.

7. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 32 to 34 of this Circular, will be held on 1 November 2007 at Enterprise Room, Raffles City Convention Centre, 2 Stamford Road, Singapore 178882 at 10.00 a.m. or immediately following the conclusion or adjournment of the Extraordinary General Meeting to be held at 9.30 a.m. on the same date and at the same place, for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the Notice of EGM.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

- 8.1 Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote 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 later than 48 hours before the time set for the EGM. The completion and lodgement of the Proxy Form by a Shareholder does not preclude him from attending and voting at the EGM in person if he so wishes. In such event, the relevant proxy form shall be deemed to be revoked.
- 8.2 Any Shareholder who is eligible to participate in the Plan must abstain from voting in the EGM in respect of Ordinary Resolution 1. Such Shareholder should also decline to accept appointment as proxy for any other Shareholder to vote in respect of such Resolution unless the Shareholder concerned shall have given instructions in the proxy form as to the manner in which his votes are to be cast in respect of such Resolution.
- 8.3 A Depositor shall not be regarded as a member of the Company 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.

9. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been reviewed and approved by all the Directors who collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that, to the best of their knowledge and belief, having made all reasonable enquiries, there are no other facts the omission of which would make any statement herein misleading and that the information in this Circular constitutes full, true and accurate disclosure of all material facts. The Directors also confirm that all relevant information of a material respect has been disclosed in this Circular.

Where information has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately extracted from these sources.

10. 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
Magnecomp International Ltd

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	1,000,000	0.41	—	—
Yong Kok Hoon	500,000	0.21	—	—
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	34.46	—	—
Trustee of Chandaria Trust I ¹	—	—	83,832,300	34.65
Thai Focused Equity Fund Ltd ²	—	—	45,687,000	18.88

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 in 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 :-

- 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");

- (ii) 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;
- (iii) 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;
- (iv) 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;
- (v) 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
- (vi) 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.

5. 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 annual report of the Company for FY2006;
- (c) the proposed rules of the Plan; and
- (d) the material contracts referred to in paragraph 4 above.

MAGNECOMP INTERNATIONAL LIMITED

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Magnecomp International Limited (“**MIL**” or the “**Company**”) will be held at Enterprise Room, Raffles City Convention Centre, 2 Stamford Road, Singapore 178882 on 1 November 2007 at 10.00 a.m. or immediately following the conclusion or adjournment of the Extraordinary General Meeting to be held at 9.30 a.m. on the same date and at the same place, for the purpose of considering and, if thought fit, passing (with or without modification) the Resolutions below as Ordinary Resolutions:-

1. ORDINARY RESOLUTION

– THE MAGNECOMP PERFORMANCE SHARE PLAN

THAT :

- (a) A performance share plan to be known as the “Magnecomp Performance Share Plan” (the “**Plan**”), the rules of which have been submitted to the Meeting and, for the purpose of identification, subscribed to by the Chairman thereof, under which awards (“**Awards**”) of fully paid-up ordinary shares in the capital of the Company (the “**Shares**”), their equivalent cash value or combinations thereof will be granted, free of payment, to selected employees of the Company and/or its subsidiaries, including Directors of the Company, and other selected participants, details of which are set out in the Circular to Shareholders dated 10 October 2007 (the “**Circular**”), be and is hereby approved;
- (b) the Directors of the Company be and are hereby authorised :
 - (i) to establish and administer the Plan;
 - (ii) to modify and/or alter the Plan from time to time, provided that such modification and/or alteration is effected in accordance with the provisions of the Plan and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the Plan; and
 - (iii) subject to the same being allowed by law, to apply any shares purchased under any share purchase mandate towards the satisfaction of Awards granted under the Plan;
- (c) the Directors of the Company be and are hereby authorised to grant Awards in accordance with the provisions of the Plan and to allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the vesting of Awards under the Plan, provided that the aggregate number of Shares to be allotted and issued pursuant to the Magnecomp Employees’ Share Option Plan adopted by the Company on 18 September 2000 (the “**ESOP**”) and the Plan shall not exceed fifteen (15%) per cent. of the total issued shares of the Company from time to time.

FURTHER THAT the Directors of the Company and each of them be and are hereby authorised and empowered to complete and to do all such other acts and things as they may consider necessary, desirable or expedient in the interests of the Company in connection with or for the purposes of giving full effect to the Plan.

2. ORDINARY RESOLUTION

– THE SHARE PURCHASE MANDATE

THAT :

- (a) for the purposes 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 fully paid issued ordinary shares in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Maximum Limit (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**”) and/or any other stock exchange on which the Shares may from 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, 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; and
 - (ii) the date by which the next annual general meeting of the Company is required by law to be held;

FURTHER THAT the Directors of the Company and each of them be and are hereby authorised and empowered to complete and to do all such other acts and things as they may consider necessary, desirable or expedient in the interests of the Company in connection with or for the purposes of giving full effect to the Share Purchase Mandate.

For the purposes of this Resolution :-

“**Average Closing Price**” means the average of the last dealt prices of a Share for the five consecutive trading days on which the Shares are transacted on the SGX-ST immediately preceding the date of 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 which occurs after the relevant five day period;

“**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;

“Maximum Limit” means that number of issued Shares representing 10 per cent (10%) of the issued ordinary share capital of the Company as at the date of the passing of this Resolution; 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:

- (aa) 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
- (bb) in the case of an off-market purchase of a Share pursuant to an equal access scheme, one hundred and ten per cent (110%) of the Average Closing Price of the Shares.

By Order of the Board

Linda Sim Hwee Ai
Company Secretary

Singapore,
10 October 2007

Notes:-

1. A Depositor's name must appear on the Depository Register not less than 48 hours before the time of the Extraordinary General Meeting.
2. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead and any such proxy need not be a member of the Company.
3. The instrument appointing a proxy must be lodged at the registered office of the Company at 1 Finlayson Green #15-02 Singapore 049246 not later than 48 hours before the time appointed for the Extraordinary General Meeting.



MAGNECOMP INTERNATIONAL LIMITED

Incorporated in the Republic of Singapore
Company Registration Number: 199508431Z

PROXY FORM EXTRAORDINARY GENERAL MEETING

I/We _____ (Name)

of _____ (Address)

being a member/members of Magnecomp International Limited hereby appoint:

Name	Address	NRIC/Passport number	Proportion of shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport number	Proportion of shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary to demand for a poll, at the Extraordinary General Meeting of the Company to be held at Enterprise Room, Raffles City Convention Centre, 2 Stamford Road, Singapore 178882 on 1 November 2007 at 10.00 a.m. or immediately following the conclusion or adjournment of the Extraordinary General Meeting to be held at 9.30 a.m. on the same date and at the same place, for the purpose of considering and, if thought fit, passing (with or without modification) the resolution set out in the notice convening the said Extraordinary General Meeting and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote in the manner indicated below. If no specific direction as to the manner of voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion.

		To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	For**	Against**
1.	To approve the Magnecomp Performance Share Plan				
2.	To approve the Share Purchase Mandate				

* Please indicate your vote "For" or "Against" with a "✓" within the box provided.

** 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.

The Directors will not accept nominations as proxies or otherwise for voting at the EGM in respect of the resolution to approve the Magnecomp Performance Share Plan unless you have given specific instructions in your proxy form as to the manner in which your votes are to be cast in respect of such resolution.

Dated this _____ day of _____ 2007.

Total number of Shares in :-	No. of Shares
(1) CDP Register	
(2) Register of Members	

Signature(s) of Member(s)/Common Seal

Important : Please read the notes overleaf.



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 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this proxy form will be deemed to relate to the entire number of ordinary shares in the Company registered in your name(s).
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies, together with the power of attorney (if any) under which it is signed or a notorially certified or office copy thereof, shall be deposited at the Registered Office of the Company at 1 Finlayson Green #15-02, Singapore 049246, not later than 48 hours before the time appointed for holding the Extraordinary General Meeting.
5. The instrument appointing a proxy or proxies shall be in writing under the hand of the appointor or of his attorney duly authorised in writing; or if such appointor is a corporation under its common seal, if any, and, if none, then under the hand of some officer duly authorised in that behalf. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor.
6. 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, Cap. 50.

General

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or when the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Members whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged 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 Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.