INNOTEK LIMITED

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

Board of Directors:

Robert S. Lette (Chairman)
Yong Kok Hoon
Prof. Low Teck Seng
Peter Tan Boon Heng

Registered Office:

1 Finlayson Green
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13 April 2010

To: The Shareholders of InnoTek Limited

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF INNOTEK LIMITED (THE "COMPANY")

1. BACKGROUND

1.1 AGM

We refer to (a) the notice of annual general meeting ("**AGM**") of the Company dated 13 April 2010 convening the 2010 AGM (as defined in paragraph 1.4 below) to be held on 28 April 2010 (the "**Notice of AGM**"); and (b) the Ordinary Resolution No. 8 under the heading "Special Business" as set out in the Notice of AGM.

1.2 Letter

The purpose of this letter is to provide the shareholders of the Company ("**Shareholders**") with information relating to the proposed renewal of the Share Purchase Mandate (as defined in paragraph 1.4 below), details of which are set out in paragraph 2 of this letter and to seek their approval in relation thereto at the AGM.

1.3 SGX-ST

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

1.4 Proposed Renewal of the Share Purchase Mandate

Sections 76B, 76C, 76D, 76DA, and 76E of the Companies Act, Chapter 50 ("**Companies Act**"), allow a listed company to purchase its own shares. At the extraordinary general meeting of the Company held on 30 April 2008 ("**2008 EGM**"), the Shareholders had approved, *inter alia*, the renewal of a mandate (the "**Share Purchase Mandate**") authorising the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "**Shares**"). This mandate was subsequently renewed at the AGM of the Company held on 29 April 2009 (the "**2009 AGM**").

The rationale for, the authority and limitations on, and the financial effects of, the Share Purchase Mandate (the "**2009 Share Purchase Mandate**") were set out in the Company's letter to Shareholders dated 13 April 2009 (the "**2009 Letter**") and Ordinary Resolution No. 10 set out in the notice of the 2009 AGM attached therein.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution 10 at the 2009 AGM and to expire on the date of the forthcoming fourteenth annual general meeting (the "**2010 AGM**") which has been convened to be held on 28 April 2010.

Accordingly, the directors of the Company ("**Directors**") are proposing to seek Shareholders' approval for the renewal of the Share Purchase Mandate at the 2010 AGM, which was originally approved on 1 November 2007, renewed on 30 April 2008 and 29 April 2009, and will expire at the 2010 AGM, subject to renewal.

As at 23 March 2010, being the latest practicable date prior to the printing of this letter (the "**Latest Practicable Date**"), the Company had purchased or acquired an aggregate of 14,884,000 Shares by way of Market Purchases (as defined in paragraph 2.2.3 below) pursuant to the Share Purchase Mandate approved by Shareholders at the 2009 AGM. As at the Latest Practicable Date, 14,884,000 Shares purchased or acquired by the Company were held as treasury shares ("**Treasury Shares**").

2 SHARE PURCHASE MANDATE

2.1 Rationale for the Share Purchase Mandate

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

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

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares of up to ten per cent. (10%) of the issued share capital of the Company as at the date of the 2010 AGM 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.

2.2 Authority and Limits of the Share Purchase Mandate

The authority and limitations placed on the Share Purchase Mandate, if renewed at the AGM, are substantially the same as previously approved by Shareholders at the 2009 AGM. The authority and limits on the Share Purchase Mandate are as follows:

2.2.1 Maximum Number of Shares

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

Purely for illustrative purposes, based on 231,038,428 issued Shares as at the Latest Practicable Date (and disregarding 14,884,000 Shares held in treasury as at the Latest Practicable Date) and assuming no further Shares are issued or repurchased and held as Treasury Shares, on or prior to the 2010 AGM, the purchase by the Company of up to the maximum limit of ten per cent. (10%) of its issued Shares (excluding the 14,884,000 Shares held in treasury) will result in the purchase or acquisition of 23,103,842 Shares.

2.2.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2010 AGM, at which the renewal of the Share Purchase Mandate is approved, up to the earliest of the date on which:

(i) the next annual general meeting of the Company is held or required by law to be held;

(ii) share purchases have been carried out to the full extent mandated; or

(iii) the authority contained in the Share Purchase Mandate is varied or revoked.

2.2.3 Manner of Purchases or Acquisitions of Shares

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

Market Purchases refer to purchases of Shares by the Company transacted through the SGX-ST's Quest-ST 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 of the listing manual ("**Listing Manual**") of SGX-ST ("**Listing Rules**") and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

(i) offers for the purchase or acquisition of issued Shares shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers are the same, except that there shall be disregarded:

    (aa) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;

    (bb) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and

    (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

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

(i) the terms and conditions of the offer;

(ii) the maximum number of shares or the maximum percentage of ordinary issued share capital authorised to be purchased or acquired;

(iii) the maximum price which may be paid for the shares;

(iv) the sources of funds to be used for the shares purchase or acquisition including the amount of financing and it's impact on the Company's financial position;

(v) the period and procedures for acceptances;

(vi) the reasons for the proposed share purchases;

(vii) the consequences, if any, of share purchases by the Company that will arise under the Singapore Code on Take-overs and Mergers ("**Take-over Code**") or other applicable take-over rules;

(viii) whether the share purchases, if made, would have any effect on the listing of the Shares on the SGX-ST;

(ix) details of any share purchases made by the Company in the previous twelve (12) months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and

(x) whether the shares purchased by the Company will be cancelled or kept as treasury shares.

2.2.4 Maximum Purchase Price

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

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

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

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

For the above purposes:

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

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

2.3 Status of Purchased Shares

Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as Treasury Shares. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as Treasury Shares.

2.4 **Treasury Shares**

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

2.4.1 Maximum Holdings

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

2.4.2 Voting and Other Rights

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

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

2.4.3 Disposal and Cancellation

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

(a) sell the Treasury Shares for cash;

(b) transfer the Treasury Shares for the purposes of or pursuant to an employees' share scheme;

(c) transfer the Treasury Shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the Treasury Shares; or

(e) sell, transfer or otherwise use the Treasury Shares for such other purposes as may be prescribed by the Minister for Finance.

2.5 **Source of Funds and Financial Effects**

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

(a) the Company is able to pay its debts in full at the time it purchases the Shares and will be able to pay its debts as they fall due in the normal course of business in the 12 months immediately following the purchase; and

(b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase of Shares become less than the value of its liabilities (including contingent liabilities).

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

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of distributable profits, such consideration (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount 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 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 Group and the Company for the financial year ended 31 December 2009 (please refer to page 40 to 100 of the 2009 Annual Report), the Company has distributable reserves of approximately S$39,768,000 to effect purchases of its Shares from the market. However, for illustrative purposes only, assuming that:

(i) the Company purchases 23,103,843 Shares representing 10% of its issued share capital as at the Latest Practicable Date;

(ii) the aforesaid 23,103,843 Shares are purchased at S$0.519 per Share, being a price representing 105% of the Average Closing Price as at the Latest Practicable Date; and

(iii) the Company has sufficient funds to purchase the Shares as at 1 January 2010,

the impact of the purchase of Shares by the Company pursuant to the Share Purchase Mandate on the Group's and the Company's audited financial statements for the financial year ended 31 December 2009 would be as set out below.

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

	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 2009				
Shareholders' Funds	200,334	196,536	133,255	129,457
NTA	200,196	195,398	133,255	129,457
Current Assets	231,101	227,303	85,395	81,598
Current Liabilities	115,867	115,867	1,820	1,820
Working Capital	115,234	111,436	83,575	79,778
Total Borrowings	42,792	42,792	0	0

	Group		Company	
	Before Share Purchase	***After Share Purchase**	**Before Share Purchase**	***After Share Purchase**
Number of Shares ('000)				
Issued and Paid-up Share Capital (Net of Treasury Shares)	233,407	225,187	233,407	225,187
Weighted Average Number of Issued and Paid-up Shares	233,407	225,187	233,407	225,187
Financial Ratios				
NTA per Share (cents)	85.8[(1)]	88.1[(2)]	57.1[(1)]	58.1[(2)]
Gearing Ratio[(3)]	(0.33)	(0.32)	(0.57)	(0.56)
Current Ratio (times)	1.99	1.96	46.92	44.83
Earnings/(Loss) per Share (cents)	3.25[(3)]	3.37[(2)]	(0.71)[(1)]	(0.74)[(2)]

* After an increase of 2,454,000 shares from the exercise of stock options.

Notes:

(1) The NTA per Share and basic profit per Share was calculated based on the number of Shares in issue of 233,407,428 at the end of FY 2009 and weighted average number of Shares in issue of 233,407,428 for FY 2009 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 225,187,588 at the end of FY 2009 and weighted average number of Shares in issue of 225,187,588 for FY 2009 respectively after adjusting for the share purchase.

(3) Gearing ratio is based on Net Cash which was Total Borrowings less cash and cash equivalent at the end of FY 2009.

As at 31 December 2009, the Group and the Company had cash and cash equivalent balances of S$109,278,000 and S$75,922,000 respectively. As illustrated above, the purchase of Shares will have the effect of reducing the working capital of the Group and the Company as at 31 December 2009 from S$115,234,000 to S$111,436,000 and S$83,576,000 to S$79,778,000 respectively. The purchase of Shares will increase the NTA of the Group and the Company as at 31 December 2009 from 85.8 cents to 88.1 cents and from 57.1 cents to 58.1 cents respectively. It is assumed that the share purchase is funded through internal funds.

Assuming that the purchase of Shares had taken place on 1 January 2009, the consolidated basic earnings per share of the Group for FY 2009 would be increased from 3.25 cents per Share to 3.37 cents per Share while the basic loss per share of the Company for FY 2009 would be increased from 0.71 cents per Share to 0.74 cents per Share as a result of the reduction in the number of issued Shares.

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

2.6 Tax Implications

2.6.1 Where the Company uses its Distributable Profits for the Share Purchase

Under Section 10J of the Income Tax Act, Chapter 134 ("**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 2010 AGM.

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

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

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

2.6.2 Where the Company uses its Contributed Capital for the Share Purchase

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

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

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

2.7 Listing Rules and Listing Status

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

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

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

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

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

As at the Latest Practicable Date, approximately 130,089,128 of the issued Shares are in the hands of the public (as defined above), representing 56.31% 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 121,869,286 Shares, representing 54.69% of the reduced share capital of the Company.

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

(i) adversely affect the listing status of the Shares on the SGX-ST;

(ii) cause market illiquidity; or

(iii) adversely affect the orderly trading of Shares.

2.8 Take-over Implications

2.8.1 Obligation to make a Take-over Offer

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

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

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

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in the 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.

2.8.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

(a) the following companies:

(i) a company;

(ii) the parent company of (i);

(iii) the subsidiaries of (i);

(iv) the fellow subsidiaries of (i);

(v) the associated companies of any of (i), (ii), (iii) or (iv); and

(vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and

(vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

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

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

2.8.3 Effect of Rule 14 and Appendix 2

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

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

(ii) in the event that such Directors and their concert parties hold between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months.

Under Appendix 2 to the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent. (30%) or more, or, if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) 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 231,038,428 Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the 2010 AGM, not more than 23,103,842 Shares (representing ten 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 2010 AGM.

Further assuming that such granted Share Purchase Mandate is validly and fully exercised prior to the 2010 AGM of the Company for it to re-purchase the maximum allowed number of Shares being 23,103,842 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:

	Before Share Purchase		After Share Purchase	
Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Advantec Holding SA	83,382,300	36.09	83,382,300	37.42
Trustee of Chandaria Trust I	83,832,300	36.29	83,832,300	37.62
To Wai Hung	16,037,000	6.94	16,037,000	7.20

* Please refer to paragraph 3(b) below for additional details on the substantial shareholders shareholdings in the Company.

As illustrated above, Advantec Holding SA and Trustee of Chandaria Trust I could technically incur an obligation to make a general offer to other Shareholders under Rule 14 of the Take-over Code due to the increase in their percentage of shareholding resulting from the Company purchasing Shares under the Share Purchase Mandate. However, the Securities Industry Council had on 22 November 2007 confirmed that based on the facts and in light of paragraph 2 of Appendix 2 of the Take-over Code, neither Advantec Holding SA nor Trustee of Chandaria Trust I will incur such a general offer obligation arising from the exercise of the Share Purchase Mandate by the Company.

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

2.9 Information on Prior Share Purchases in the last twelve (12) months

In the last twelve (12) months immediately preceding the Latest Practicable Date, the Company purchased or acquired 4,823,000 Shares by way of Market Purchases pursuant to the Share Purchase Mandate approved by Shareholders at the 2009 AGM. The highest and lowest price paid was 0.51 cents and 0.405 cents per Share respectively and the total consideration for all purchases was S$2,196,882.34.

3. 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 No. of Shares	%	Deemed Interest No. of Shares	%
Yong Kok Hoon	1,040,000	0.45	0	0
To Wai Hung	16,037,000	6.94	0	0
Prof. Low Teck Seng	40,000	0.02	0	0

(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 No. of Shares	%	Deemed Interest No. of Shares	%
Advantec Holding SA[1]	0	0	83,382,300	36.09
Trustee of Chandaria Trust I [2]	0	0	83,832,300	36.29
To Wai Hung	16,037,000	6.94	0	0

Notes:

(1) Advantec Holding SA is deemed to be interested in the 43,382,300 Shares held by Credit Suisse Private Banking, Zurich, 30,000,000 Shares held by HSBC, Geneva and 10,000,000 Shares held by United Overseas Bank Ltd, Singapore.

(2) 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.

4. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. The Directors recommend that Shareholders vote in favour of Ordinary Resolution 8 relating to the proposed renewal of the Share Purchase Mandate as set out in the Notice of AGM in page 103 of the 2009 Annual Report.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for the accuracy of the information given in this letter and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this letter are fair and accurate in all material aspects as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this letter misleading.

Yours faithfully
For and on behalf of the
Board of Directors of
InnoTek Limited

Robert S. Lette
Chairman