

Share Purchase Mandate

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

Board of Directors:

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

Registered Office:

1 Finlayson Green
#15-02
Singapore 049246

11 April 2011

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 ("**Notice of AGM**") set out at pages 115 to 120 of the annual report of the Company dated 11 April 2011 ("**Annual Report**"), in relation to the annual general meeting to be held on 28 April 2011 ("**AGM**") and (b) the Ordinary Resolution No. 8 as set out therein.

1.2 Letter

The purpose of this Letter is to provide shareholders of the Company ("**Shareholders**") with information relating to, and to explain the rationale for, the proposed renewal of the Share Purchase Mandate (as defined in paragraph 1.4 below), and to seek their approval in relation thereto at the AGM.

The details of the Share Purchase Mandate are set out at paragraph 2 of this Letter.

1.3 SGX-ST

The Singapore Exchange Securities Trading Limited ("**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

It is a requirement under the Companies Act, Chapter 50 ("**Companies Act**") that a company that wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at a general meeting of its shareholders. A share purchase mandate (the "**Share Purchase Mandate**") authorising the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "**Shares**") was first approved by Shareholders at the extraordinary general meeting held on 1 November 2007 and subsequently renewed at each annual general meeting of the Company including the last annual general meeting held on 28 April 2010 ("**2010 AGM**").

Share Purchase Mandate

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution 8 at the 2010 AGM and to expire on the date of the forthcoming AGM. Accordingly, the directors of the Company ("**Directors**") are proposing to seek Shareholders' approval for the renewal of the Share Purchase Mandate at the AGM.

As at 23 March 2011, 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 19,615,000 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 2010 AGM. As at the Latest Practicable Date, 19,615,000 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 Company and the Company and its subsidiaries taken as a whole ("**Group**"). 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 share structure of the Company and may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the earnings per Share ("**EPS**") and/or the net tangible asset ("**NTA**") per Share of the Company.

During the period when the Share Purchase Mandate is in force, 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 undervalued, to help mitigate short-term market volatility and to offset the effects of short-term speculation. The Share Purchase Mandate will also allow the Directors to effectively manage and minimise the dilution impact (if any) associated with share option schemes and performance share plans.

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 AGM if 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 the same as previously approved by Shareholders at the 2010 AGM and, for the benefit of Shareholders, are summarised below:

Share Purchase Mandate

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 AGM at which the renewal of the Share Purchase Mandate is approved. Any Shares which are held in treasury will be disregarded for purposes of computing the ten per cent. (10%) limit.

Purely for illustrative purposes, based on 227,041,428 issued Shares as at the Latest Practicable Date (which excludes the 19,615,000 Treasury Shares held by the Company 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 AGM, the purchase by the Company of up to the maximum limit of ten per cent. (10%) of its issued Shares (excluding the 19,615,000 Treasury Shares) will result in the purchase or acquisition of 22,704,142 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 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 or acquisitions of Shares may be made by way of:

- (a) on-market purchases ("**Market Purchases**") transacted on the SGX-ST or on any other securities exchange on which the Shares may for the time being be listed and quoted ("**Other Exchanges**"), through one or more duly licensed stockbrokers appointed by the Company for such purpose; and/or
- (b) off-market purchases otherwise than on a securities exchange, in accordance with an equal access scheme ("**Off-Market Purchases**").

The Directors may impose such terms and conditions, which are consistent with the Share Purchase Mandate, the listing rules ("**Listing Rules**") of the listing manual ("**Listing Manual**") of SGX-ST and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. 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;

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- (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 date on which the Share Purchase Mandate is to expire, being a date that must not be later than the date on which the next annual general meeting of the Company is or is required by law to be held, whichever is earlier;
- (v) the sources of funds to be used for the Shares purchase or acquisition including the amount of financing and its impact on the Company's financial position;
- (vi) the period and procedures for acceptances;
- (vii) the reasons for the proposed Share purchases;
- (viii) 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;
- (ix) whether the Share purchases, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (x) 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
- (xi) 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, stamp duties, clearance fees 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**").

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For the purpose of this Letter:

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) market days, on which transactions in the Shares on the SGX-ST, or as the case may be, other Exchange, were recorded 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. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company, which are cancelled and 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 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;

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

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

2.5 Source of Funds

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 during the period of twelve (12) months immediately following the date of 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.

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 Company shall reduce the amount of its share capital by the total amount of the purchase price paid by the Company for the Shares but the amount available for the distribution of cash dividends by the Company will not be reduced. Where the Shares are purchased or acquired out of both the capital and the profits of the Company, the Company shall reduce the amount of its share capital and profit proportionately by the total amount of the purchase price.

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.

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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.

2.6 Financial Effects

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on factors such as the aggregate number of Shares purchased, the purchase prices paid at the relevant time, how the purchase or acquisition is funded, whether the Shares purchased or acquired are held as Treasury Shares or immediately cancelled on purchase or acquisition as well as how the Shares if held as Treasury Shares, are subsequently dealt with by the Company in accordance with section 76K of the Companies Act.

Accordingly, it is not possible for the Company to calculate or quantify the actual impact of purchases that may be made pursuant to the Share Purchase Mandate on the NTA and EPS.

2.6.1 Illustrative Financial Effects

Based on the audited accounts of the Company and the Group for the financial year ended 31 December 2010 (please refer to page 40 to 112 of the Annual Report), the Company has distributable reserves of approximately S\$31,338,000 to effect purchases of its Shares from the market. However, for illustrative purposes only, and based on the assumptions that:

- (i) the Company purchases 22,704,142 Shares representing ten per cent. (10%) of its issued share capital as at the Latest Practicable Date;
- (ii) the aforesaid 22,704,142 Shares are purchased at S\$0.62 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 2010 would be as set out below.

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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 2010				
Shareholders' Funds	193,970	179,952	116,510	102,492
NTA	193,462	179,444	116,510	102,492
Current Assets	219,464	205,446	54,019	40,001
Current Liabilities	130,837	130,837	2,022	2,022
Working Capital	88,627	74,609	51,997	37,979
Total Borrowings	32,880	32,880	–	–
Number of Shares ('000)				
Issued and Paid-up Share Capital (Net of Treasury Shares)	227,041	223,952	227,041	223,952
Weighted Average Number of Issued and Paid-up Shares	227,041	223,952	227,041	223,952
Financial Ratios				
NTA per Share (cents)	85.2	87.8	51.3	50.2
Gearing Ratio	(0.29)	(0.28)	(0.36)	(0.35)
Current Ratio (times)	1.68	1.57	26.7	19.8
Earnings/(Loss) per Share (cents)	7.8	8.6	(0.01)	(0.01)

Notes:

- (1) The NTA per Share and basic profit per Share was calculated based on the number of Shares in issue of 227,041,428 at the end of FY 2010 and weighted average number of Shares in issue of 229,225,294 for FY 2010 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 227,041,428 at the end of FY 2010 and weighted average number of Shares in issue of 229,225,294 for FY 2010 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 2010.

As at 31 December 2010, the Group and the Company had cash and cash equivalent balances of S\$89,458,000 and S\$42,008,000 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 2010 from S\$88,627,000 to S\$74,609,000 and S\$51,997,000 to S\$37,979,000 respectively. The purchase of Shares will increase the NTA of the Group as at 31 December 2010 from 85.2 cents to 87.8 cents and reduce the Company's NTA from 51.3 cents to 50.2 cents. It is assumed that the Share purchase is funded through internal funds.

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Assuming that the purchase of Shares had taken place on 1 January 2010, the consolidated basic earnings per share of the Group for FY2010 would be increased from 7.75 cents per Share to 8.6 cents per Share while the basic loss per Share of the Company for FY 2010 would be remain the same at 0.01 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 Group's and the Company's financial figures.

2.7 Tax Implications

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

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.

2.8 Listing Rules and Listing Status

The Listing Rules specifies 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 shall include, *inter alia*, details of the total number of Shares purchased, the number of Shares cancelled, the purchase price per Share or the highest and lowest prices paid for such Shares (as applicable), the consideration (including stamp duties and clearing charges paid or payable for the Shares and the number of issued Shares (excluding Treasury 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, to comply with Rule 1207(18) of the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases during the period of two (2) weeks immediately preceding the announcement of the Company's financial statements for each of the first three (3) quarters of its financial year and the period of one (1) 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.

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As at the Latest Practicable Date, approximately 127,657,128 of the issued Shares are in the hands of the public (as defined above), representing 56.23% 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 104,952,986 Shares, representing 51.36% of the reduced share capital of the Company.

Accordingly, the Company is of the view that there is a sufficient number of Shares held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases to the full ten per cent. (10%) limit and the number of Shares remaining in the hands of the public will not fall to such a level as to:

- (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.

2.9 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

2.9.1 Obligation to make a Take-over Offer

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

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

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

2.9.2 Persons Acting in Concert

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

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

- (a) the following companies:
 - (i) a company;

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

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

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

2.9.3 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.

In calculating the percentages of voting rights of such Directors and their concert parties, Treasury Shares shall be excluded.

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 227,041,428 Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the AGM, not more than 22,704,142 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 AGM.

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Further assuming that:

- (i) the Share Purchase Mandate is validly and fully exercised prior to the AGM of the Company;
- (ii) there is no change to the number of Shares in issue at the time of such exercise;
- (iii) the re-purchased Shares are not acquired from the substantial Shareholders and are deemed cancelled immediately upon purchase;
- (iv) there is no change in the holding of Shares of the substantial Shareholders between the Latest Practicable Date and the date of the AGM; and
- (v) the substantial Shareholders do not sell or otherwise dispose of their holding of Shares;

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	36.73	83,382,300	40.81
Trustee of Chandaria Trust I	83,832,300	36.92	83,832,300	41.03
Gazelle Capital Pte Ltd	14,252,000	6.28	14,252,000	6.97
Lim Teck-Ean	14,252,000	6.28	14,252,000	6.97
Lim Su-Lynn	14,252,000	6.28	14,252,000	6.97

* 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 may incur an obligation to make a general offer to other Shareholders under the Take-over Code due to the Share Purchase Mandate. However, the Securities Industry Council had on 22 November 2007 confirmed that neither Advantec Holding SA nor Trustee of Chandaria Trust I will incur such a general offer obligation arising from the exercise by the Company of the Share Purchase Mandate.

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

2.10 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 9,554,000 Shares by way of Market Purchases pursuant to the Share Purchase Mandate approved by Shareholders at the 2010 AGM. The highest and lowest price paid was 0.597 and 0.409 per Share respectively and the total consideration for all purchases was S\$4,832,170.13.

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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		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Yong Kok Hoon	1,040,000	0.46	–	–
Robert S Lette	40,000	0.02	–	–
Prof. Low Teck Seng	100,000	0.04	120,000	0.05

(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 ¹	–	–	83,382,300	36.73
Trustee of Chandaria Trust I ²	–	–	83,832,300	36.92
Gazelle Capital Pte Ltd ³	14,252,000	6.28	–	–
Lim Teck-Ean ⁴	–	–	14,252,000	6.28
Lim Su-Lynn ⁵	–	–	14,252,000	6.28

Notes:

- (1) Advantec Holding SA is deemed to be interested in the 83,382,300 Shares held by HSBC (Singapore) Nominees Pte Ltd.
- (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.
- (3) Gazelle Capital Pte. Ltd.'s direct interest in 14,252,000 Shares is held through the following:

OCBC Securities Private Ltd	3,610,000
Kim Eng Securities Pte. Ltd	5,000,000
UOB Kay Hian Pte. Ltd.	1,642,000
Hong Leong Finance Limited	4,000,000
- (4) Mr. Lim Teck-Ean is deemed to be interested in the 14,252,000 shares held by Gazelle Capital Pte. Ltd.
- (5) Ms Lim Su-Lynn is deemed to be interested in the 14,252,000 shares held by Gazelle Capital Pte. Ltd.

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 pages 115 to 120 of the Annual Report.

Share Purchase Mandate

5. ANNUAL GENERAL MEETING

The AGM, notice of which is set out at pages 115 to 120 of the Annual Report, will be held on Thursday, 28 April 2011 at 9.30 a.m. at The Casuarina Suite A, Level 3, Raffles Hotel, 1 Beach Road, Singapore 189673.

6. ACTION TO BE TAKEN BY SHAREHOLDERS

6.1 Appointment of Proxies

Shareholders who are unable to attend the AGM and who wish to appoint a proxy to attend and vote on their behalf are requested to complete, sign and return the proxy form ("**Proxy Form**") in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company by 9.30 a.m. on 26 April 2011, not later than forty-eight (48) hours before the time set for the AGM. The completion and lodgment of the Proxy Form by a Shareholder does not preclude him from attending and voting in person at the AGM if he so wishes. In such event, the relevant Proxy Forms will be deemed to be revoked.

6.2 When Depositor regarded as Shareholder

A Depositor (as defined in Section 130A of the Companies Act) shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register (as defined in Section 130A of the Companies Act) at least forty-eight (48) hours before the AGM.

7. 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.

8. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 1 Finlayson Green #15-02 Singapore 049246 during normal business hours from the date of this Letter up to (and including) the date of the AGM:

- (a) the Memorandum and Articles of Association of the Company; and
- (b) the Annual Report of the Company for the financial year ended 31 December 2010.

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

Robert S. Lette
Chairman