

APPENDIX DATED 9 APRIL 2018

This Appendix is circulated to the Shareholders of Chip Eng Seng Corporation Ltd (the “**Company**”) together with the Company’s Annual Report.

Its purpose is to explain to Shareholders the rationale and provide information for the proposed renewal of the share purchase mandate, to be tabled at the Annual General Meeting of the Company to be held on 25 April 2018 at 10.00 a.m. at Emerald Suite, Golf Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162.

The Notice of AGM (as defined herein) and Proxy Form are enclosed with the Annual Report.

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.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Appendix.



CHIP ENG SENG CORPORATION LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199805196H)

APPENDIX IN RELATION TO THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

LETTER TO SHAREHOLDERS

DEFINITIONS

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

"AGM"	The Annual General Meeting of the Company
"Annual Report"	Annual Report of the Company
"Associated Company"	A company in which at least 20% but not more than 50% of its shares are held by the Company and/or Group
"Auditors"	The auditors of the Company for the time being
"Board"	The board of the directors of the Company for the time being
"CDP"	The Central Depository (Pte) Limited
"Constitution"	The Constitution of the Company, as amended from time to time.
"Company"	Chip Eng Seng Corporation Ltd
"Companies Act"	The Companies Act, Chapter 50 of Singapore
"control"	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
"Controlling Shareholder"	A person who holds directly or indirectly 15% or more of the total number of issued shares in the Company excluding treasury shares in the Company or a person who in fact exercises control over the Company
"Director"	A director of the Company for the time being
"EGM"	The Extraordinary General Meeting of the Company
"Group"	The Company and its subsidiaries (as defined in Section 5 of the Companies Act)
"Latest Practicable Date"	The latest practicable date prior to the printing of this Appendix being 15 March 2018
"Listing Manual"	The listing manual of the SGX-ST, as amended, modified, or supplemented from time to time
"Market Day"	A day on which the SGX-ST is open for trading in securities
"Market Purchase"	A market purchase transacted on the SGX-ST's trading system, through one or more duly licensed dealers appointed by the Company for the purpose
"NAV"	Net asset value
"Notice of AGM"	The notice of the AGM enclosed with the Annual Report
"Off-Market Purchase"	An off-market purchase under an equal access scheme (as defined in Section 76C of the Companies Act) for the purchase or acquisition of Shares from Shareholders
"Proxy Form"	The proxy form in respect of the AGM as enclosed together with the Annual Report
"Securities and Futures Act"	The Securities and Futures Act, Chapter 289 of Singapore
"Securities Account"	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
"Shareholders"	Registered holders of Shares except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors to whose securities accounts maintained with CDP are credited with the Shares

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"Shares"	Ordinary shares in the capital of the Company
"Share Purchase Mandate"	The proposed mandate to enable the Company to purchase or otherwise acquire its Shares, the terms of which are set out in Section 2 of this Circular
"SIC"	Securities Industry Council
"Singapore"	Republic of Singapore
"Take-over Code"	The Singapore Code on Take-overs and Mergers
"\$" and "cents"	Singapore dollars and cents, respectively
"%" or "per cent."	Percentage or per centum

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The term "**treasury shares**" shall have the meaning ascribed to it in Section 4 of the Companies Act.

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

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act and used in this Appendix shall have the meaning assigned to it under the Companies Act.

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

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1. INTRODUCTION

- 1.1** The Directors of the Company wish to seek Shareholders' approval for the proposed renewal of the Share Purchase Mandate (as defined in Paragraph 2.1 below) at the AGM to be held on 25 April 2018.
- 1.2** The purpose of this Appendix, to be circulated to Shareholders together with the Company's Annual Report, is to provide Shareholders with relevant information pertaining to the Proposals.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF THE COMPANY

2.1 Background and Shareholders' Approval

The Shareholders had approved the renewal of the mandate to enable the Company to purchase or otherwise acquire its issued Shares (the "**Share Purchase Mandate**") at the AGM of the Company held on 26 April 2017 (the "**2017 AGM**"). The rationale for, the authority and limitations on, and the financial effects of, the Share Purchase Mandate were set out in the Appendix to the 2016 Annual Report dated 10 April 2017 and Resolution 11 set out in the Notice of the 2017 AGM.

The Share Purchase Mandate will expire on the date of the forthcoming AGM, being 25 April 2018, and accordingly, the Directors propose that the Share Purchase Mandate be renewed at the forthcoming AGM.

2.2 Shares Purchased by the Company in the Previous Twelve Months

The Company has not bought back any Shares in the previous twelve (12) months by way of Market Purchases or Off-Market Purchases pursuant to the Share Purchase Mandate obtained at the 2017 AGM.

2.3 Rationale

The renewal of the Share Purchase Mandate will give the Directors the flexibility to purchase or acquire Shares if and when circumstances permit. Share purchases or acquisitions provide the Company and its Directors 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. The purchase or acquisition of Shares may, depending on market conditions and funding arrangements, lead to an enhancement of the earnings per Share and/or NAV per Share.

Share purchases or acquisitions also allow the Directors to exercise control over the Company's share capital structure with a view to enhance the earnings per Share and/or NAV per Share. The Share Purchase Mandate will further give the Company the opportunity to purchase or acquire Shares when such Shares are undervalued and help to buffer short-term share price volatility and offset the effects of share price speculation, thereby boosting Shareholders' confidence and employees' morale.

If and when circumstances permit, the Directors will decide whether to effect the Share purchases or acquisitions via Market Purchases or Off-Market Purchases, after taking into account the amount of surplus cash available, the then prevailing market conditions and the most cost effective and efficient approach.

The Directors will only make purchases or acquisitions of Shares pursuant to the Share Purchase Mandate when they consider it to be in the best interests of the Company and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST.

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2.4 Authority and Limits on the Share Purchase Mandate

The authority and limits under the Share Purchase Mandate, if renewed at the forthcoming AGM, will be similar in terms to those previously approved by Shareholders and for the benefit of Shareholders, are summarised below:

2.4.1 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 that may be purchased or acquired under the Share Purchase Mandate will not exceed ten per cent. (10%) of the issued Shares of the Company as at the date of the forthcoming AGM at which the renewal of the Share Purchase Mandate is approved (the “**Approval Date**”), unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act at any time during the time period defined in Paragraph 2.4.2 below, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered. Any of the Company’s Shares which are held as treasury shares and/or held by a subsidiary of the Company in accordance with the Companies Act, will be disregarded for purposes of computing the ten per cent. (10%) limit.

As at the Latest Practicable Date, the issued ordinary share capital of the Company (excluding Shares which are held as treasury shares by the Company) comprised 621,014,061 Shares. For illustration purposes only, on the basis of 621,014,061 Shares in issue as at the Latest Practicable Date, not more than 62,101,406 Shares (representing ten per cent. (10%) of the Shares in issue as at that date) may be purchased by the Company pursuant to the Share Purchase Mandate. As at the Latest Practicable Date, the Company is holding 46,501,100 Shares as treasury shares.

2.4.2 Duration of Authority

Share purchases or acquisitions may be made, at any time and from time to time, on and from the Approval Date, up to:

- (i) the date on which the next AGM of the Company is held or required by law to be held;
- (ii) the date on which the Share purchases are carried out to the full extent mandated; or
- (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by Shareholders in a general meeting,

whichever is the earliest.

2.4.3 Manner of Share Purchase

- (i) Share purchases or acquisitions may be made by way of a Market Purchase or an Off-Market Purchase.
- (ii) The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual 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. However, an equal access scheme must satisfy all of the following conditions:
 - (a) offers under the scheme must be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
 - (b) all of those persons must have a reasonable opportunity to accept the offers made to them; and
 - (c) the terms of all the offers must be the same except that there shall be disregarded (1) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements, (2) (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid, and (3) differences in the offers introduced solely to ensure that each Shareholder is left with a whole number of Shares.

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- (iii) If the Company wishes to make an Off-Market Purchase, the Company will issue an offer document to all Shareholders which shall contain at least the following information:
 - (a) the terms and conditions of the offer;
 - (b) the period and procedures for acceptances;
 - (c) the reasons for the proposed Share purchase;
 - (d) the consequences, if any, of the Share purchases by the Company that will arise under the Take-over Code or other applicable take-over rules;
 - (e) whether the Share purchase, if made, will have any effect on the listing of the Shares on the SGX-ST;
 - (f) details of any Share purchases made by the Company in the previous twelve (12) months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), 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
 - (g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.4.4 Maximum Purchase Price

The purchase price per Share (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for Shares purchased or acquired pursuant to the Share Purchase Mandate will be determined by the Directors.

However, the purchase price to be paid for the Shares purchased or acquired pursuant to the Share Purchase Mandate 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 below) of the Shares; and
- (ii) in the case of an Off-Market Purchase, one hundred and twenty per cent. (120%) of the Average Closing Price,

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

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) consecutive Market Days, on which transactions in the Shares 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 pursuant to the equal access scheme, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) 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 the Shares to holders of Shares, stating the purchase price (which shall not be more than the Maximum Price determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4.5 Status of Purchased Shares

Under the Companies Act, a company which acquires its own shares may choose to hold such shares as treasury shares or to cancel them. Accordingly, the Company has the discretion to hold the purchased Shares as treasury shares or to cancel them.

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2.4.6 Cancellation of Shares

Where Shares purchased or acquired by the Company are cancelled, the total number of Shares will be diminished by such number of Shares purchased or acquired.

Any Shares purchased or acquired by the Company and cancelled will be automatically delisted by the SGX-ST. Certificates in respect of purchased or acquired Shares that are cancelled by the Company will be cancelled by the Company as soon as reasonably practicable following settlement of any purchase or acquisition of such Shares.

2.4.7 Treasury Shares

As explained in Paragraph 2.4.5 above, under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Where the Company holds the purchased Shares as treasury shares, the Company may deal with such treasury shares in such manner as may be permitted by and in accordance with the Companies Act. Some of the provisions on treasury shares under the Companies Act are summarised below.

(i) Maximum Holdings

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

(ii) Voting and Other Rights

The Company cannot exercise any right in respect of the treasury shares, i.e. the Company will have no right to vote at or attend meetings and the treasury shares will be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is also 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

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 or any of them for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons;
- (c) transfer the treasury shares or any of them as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares or any of them; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Where the Company cancels or disposes the treasury shares in accordance with this paragraph 2.4.7(iii), the Company shall lodge with the Accounting & Corporate Regulatory Authority (the "ACRA") a prescribed notice of the cancellation or disposal of treasury shares together with the prescribed fee within thirty (30) days after the cancellation or disposal of treasury shares.

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 the usage, the percentage of the number of treasury shares comprised in the usage against the total number of shares outstanding in a class that is listed before and after the usage and the value of the treasury shares in relation to the usage.

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2.4.8 Reporting Requirements

- (i) Within thirty (30) days after the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the ACRA.
- (ii) The Company shall notify the ACRA within thirty (30) days after a purchase of Shares on the SGX-ST or otherwise. Such notification shall include details of the date of the purchase or acquisition, the total number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before the purchase or acquisition, the Company's issued share capital after the purchase or acquisition, the amount of consideration paid by the Company for the purchase or acquisition, whether Shares were purchased or acquired out of the profits or the capital of the Company, and such other particulars as may be required in the prescribed form.
- (iii) The Listing Manual 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 date of purchase or acquisition of any of its shares; and (b) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptances of the offer. The notification of such purchases or acquisitions to the SGX-ST shall be in such form and shall include such details as may be prescribed by the SGX-ST in the Listing Manual. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion with the necessary information which will enable the Company to make the notifications to the SGX-ST.
- (iv) For an Off-Market Purchase, the Listing Manual requires that the listed company issue an offer document to all shareholders containing the information as set out in Paragraph 2.4.3(iii) above.

2.4.9 Sources of funds

In purchasing or acquiring Shares, the Company shall only apply funds legally available in accordance with its Constitution and any other applicable laws in Singapore. Furthermore, the Company may not purchase or acquire its Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Any purchases or acquisitions of Shares may be made only if the Company is solvent and out of the Company's capital or profits. It is an offence for a Director or manager of the Company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent. For this purpose, pursuant to the Companies Act, a company is solvent if at the date of the payment made by the company in consideration of acquiring any right with respect to the purchase or acquisition of its own shares:

- (i) there is no ground on which the company could be found to be unable to pay its debts;
- (ii) the company will be able to pay its debts as they fall due during the period of twelve (12) months immediately after the date of the payment; and
- (iii) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition, become less than the value of its liabilities (including contingent liabilities).

The Company will use internal resources or external borrowings or a combination of both to fund purchases of Shares pursuant to the Share Purchase Mandate. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions pursuant to the Share Purchase Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

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2.5 Financial Impact

- 2.5.1 Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits.
- 2.5.2 Where the purchased Shares are cancelled, a reduction by the total amount of the purchase price paid by the Company for the Shares cancelled will be made to:
- (i) the share capital of the Company where the Shares were purchased out of the capital of the Company;
 - (ii) the profits of the Company where the Shares were purchased out of the profits of the Company; or
 - (iii) the share capital and profits of the Company proportionately where the Shares were purchased out of both the capital and profits of the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration 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.

For the purposes of this paragraph 2.5.2, the total amount of the purchase price shall include any expenses (including brokerage or commission) incurred directly in the purchase or acquisition of the Shares which is paid out of the Company's capital or profits.

- 2.5.3 The amount of funding required for the Company to purchase or acquire its Shares and the financial impact on the Company and the Group arising from purchases of Shares which may be made pursuant to the proposed Share Purchase Mandate will depend, *inter alia*, on the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.
- 2.5.4 The impact of purchases or acquisitions under the Share Purchase Mandate on NAV, earnings per Share and gearing of the Company and the Group will depend, *inter alia*, on the number of Shares purchased or acquired, the price at which they are purchased or acquired and the manner in which the purchase or acquisition is funded. It is therefore not possible to accurately calculate or quantify the impact at this point of time.
- 2.5.5 Based on the existing number of Shares of the Company as at the Latest Practicable Date, the proposed Share purchases or acquisitions by the Company of up to a maximum of ten per cent. (10%) of its Shares under the Share Purchase Mandate will result in the purchase of up to 62,101,406 Shares.
- 2.5.6 In the case of Market Purchases by the Company, based on the existing issued and paid-up capital of the Company as at the Latest Practicable Date and the assumption that, pursuant to the Share Purchase Mandate, the Company purchases the maximum number of 62,101,406 Shares at the Maximum Price of \$0.9849 per Share (being the price equivalent to five per cent. (5%) above the average of the closing market prices of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase of 62,101,406 Shares (including brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately \$61,337,104.37.
- 2.5.7 In the case of Off-Market Purchases by the Company, based on the existing issued and paid-up capital of the Company as at the Latest Practicable Date and the assumption that, pursuant to the Share Purchase Mandate, the Company purchases the maximum number of 62,101,406 Shares at the Maximum Price of \$1.1256 per Share (being the price equivalent to twenty per cent. (20%) above the average of the closing market prices of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase of 62,101,406 Shares (including brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately \$70,099,547.85.

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2.5.8 On the basis of the assumptions set out above and the following:

- (i) the Share Purchase Mandate had been effective on 31 December 2017 and 62,101,406 Shares (representing ten per cent. (10%) of the Shares in issue as at the Latest Practicable Date) were purchased and cancelled on 31 December 2017; and
- (ii) such Share purchase was financed solely by internal resources,

an illustration of the financial impact of Share purchases or acquisitions by the Company pursuant to the Share Purchase Mandate on the Group and the Company's audited financial statements for the financial year ended 31 December 2017 is set out below:

	Group			Company		
	Before purchase \$'000	After Market purchase \$'000	After Off-Market purchase \$'000	Before purchase \$'000	After Market purchase \$'000	After Off-Market purchase \$'000
As at 31 Dec 2017						
Shareholders' Funds ⁽¹⁾	808,582	747,245	738,482	116,943	55,606	46,843
NAV ⁽²⁾	774,225	712,888	704,125	116,943	55,606	46,843
Current Assets	2,055,460	1,994,123	1,985,360	26,288	26,288	26,288
Current Liabilities	162,461	162,461	162,461	15,957	77,294	86,057
Total Borrowings	1,532,810	1,532,810	1,532,810	245,000	245,000	245,000
Cash and Cash Equivalents ⁽³⁾	257,846	196,509	187,746	6,167	6,167	6,167
Number of Shares ('000)	621,014	558,913	558,913	621,014	558,913	558,913
Financial Ratios						
Earnings per Share (cents)	5.72	6.35	6.35	0.11	0.13	0.13
NAV per Share (cents)	124.67	127.55	125.98	18.83	9.95	8.38
Gearing (%) ⁽⁴⁾	157.68	178.83	182.14	204.23	429.51	509.85
Current Ratio (times)	12.65	12.27	12.22	1.65	0.34	0.31

Notes:-

- (1) Equity including non-controlling interest
- (2) Attributable to ordinary shareholders
- (3) Cash and short-term deposits
- (4) Total borrowings less cash and cash equivalent divided by shareholders' funds
- (5) The above financial effects remain the same irrespective of whether the purchases of the Shares are effected out of capital or profits; and the Shares repurchased are held in treasury or cancelled.

Shareholders should note that the financial effects illustrated above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the latest audited financial statements of the Company and the Group as at 31 December 2017, and are not representative of the Group's future financial performance.

Although the Share Purchase Mandate would authorise the Company to buy back up to ten per cent. (10%) of the Company's issued Shares, the Company may not necessarily buy back all ten per cent. (10%) of the issued Shares in full.

In particular, the maximum number of Shares that the Company may purchase under the Companies Act is limited by the solvency requirements set out in the Companies Act, as described in Paragraph 2.4.9 of this Appendix.

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2.6 Taxation

Shareholders who are in doubt as to their respective tax positions or 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 Status

2.7.1 The Company is required under Rule 723 of the Listing Manual 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 Manual, are persons other than (a) the Directors, chief executive officer and substantial shareholders, or controlling shareholders of the Company and its subsidiaries, and (b) the associates of such persons named in (a).

2.7.2 As at the Latest Practicable Date, there are 394,175,561 Shares in the hands of the public, representing 63.48% of the issued Shares of the Company. Assuming that the Company purchases its Shares up to the full ten per cent. (10%) limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to 332,074,155 Shares, representing 59.40% of the remaining issued Shares of the Company (on the assumption that the purchased Shares are cancelled and not held as treasury shares). As such, the Company will continue to remain in compliance with Rule 723 of the Listing Manual even if the Company purchases its Shares up to the full ten per cent. (10%) limit pursuant to the Share Purchase Mandate.

2.7.3 In undertaking any purchases of the Shares, 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) affect the listing status of the Shares on the SGX-ST;
- (ii) cause market illiquidity; or
- (iii) affect the orderly trading of the Shares.

2.7.4 While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because a 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 any matter of a price sensitive nature has occurred or has been the subject of a consideration and/or decision of the board of Directors of the Company until the price sensitive information has been publicly announced. In addition, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company will not purchase or acquire any Shares during the period of:

- (i) two (2) weeks immediately preceding, and including the date of, the announcement of the Company’s results for each of the first three quarters of its financial year; and
- (ii) one (1) month immediately preceding, and including the date of, the announcement of the Company’s results for the financial year.

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2.8 Implications under the Take-over Code

- 2.8.1 The resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following the purchase of Shares by the Company, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("**Rule 14**"). Consequently, depending on the number of Shares purchased by the Company and the total number of Shares issued by the Company at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate control of the Company and could become obliged to make an offer under Rule 14.
- 2.8.2 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 control of that company. Unless the contrary is established, the following persons, inter alia, will be presumed to be acting in concert:
- (i) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, and any company whose associated companies include any of the foregoing companies;
 - (ii) 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
 - (iii) an individual, his close relatives, his related trusts and any person who is accustomed to act in accordance with his instructions, companies controlled by any of foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforesaid for the purchase of voting rights.

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

- 2.8.3 The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a general offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code ("**Appendix 2**").
- 2.8.4 In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a general offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more, or if the voting rights of such Directors and their concert parties fall between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months.
- 2.8.5 Under Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a general 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 authorizing the proposed Share Purchase Mandate, unless so required under the Companies Act.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers before they acquire any Shares in the Company during the period when the Share Purchase Mandate is in force.

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2.9 Directors' and Substantial Shareholders' Interests

2.9.1 As at the Latest Practicable Date, the shareholdings of the Directors and the Substantial Shareholders (as defined in the Companies Act) in the Company before and after the purchase of Shares (assuming that the purchased Shares are cancelled and not held as treasury shares) pursuant to the Share Purchase Mandate, based on the Register of Director's Shareholdings and the Register of Substantial Shareholders, are as follows:

	Before Share Purchase (No. of Shares)			Before Share Purchase (%)	After Share Purchase (%)
	Direct Interest	Deemed Interest	Total Interest		
Directors					
Chia Lee Meng Raymond ⁽¹⁾	6,125,000	19,702,000	25,827,000	4.16	4.63
Lim Tiang Chuan	44,177,000	0	44,177,000	7.11	7.90
Hoon Tai Meng	1,625,500	0	1,625,500	0.26	0.29
Tan Tee How	0	0	0	0	0
Dawn Lim Sock Kiang	15,377,000	0	15,377,000	2.48	2.75
Ang Mong Seng	146,000	0	146,000	0.02	0.03
Ung Gim Sei ⁽²⁾	0	153,000	153,000	0.02	0.03
Lui Tuck Yew	0	0	0	0	0
Cheng Heng Tan	0	0	0	0	0
Abdul Jabbar Bin Karam	0	0	0	0	0
Substantial Shareholders					
Lim Tiam Seng ⁽³⁾	60,499,000	17,198,000	77,697,000	12.51	13.90
Kwek Lee Keow ⁽⁴⁾	17,198,000	60,499,000	77,697,000	12.51	13.90
Lim Tiang Chuan	44,177,000	0	44,177,000	7.11	7.90

Notes:-

- (1) Mr Chia Lee Meng Raymond's deemed interest includes 19,702,000 Shares held by his wife, Mdm Lim Sock Joo. Mr Chia Lee Meng Raymond also holds 40,000,000 options under the Chip Eng Seng Employee Share Option Scheme to acquire up to 40,000,000 shares.
- (2) Mr Ung Gim Sei's deemed interest includes 153,000 Shares held by his wife, Mdm Mok Sock Tai.
- (3) Mr Lim Tiam Seng's deemed interest comprises 17,198,000 Shares held by his wife, Mdm Kwek Lee Keow.
- (4) Mdm Kwek Lee Keow's deemed interests include 60,499,000 Shares held by her husband, Mr Lim Tiam Seng.

Shareholders should note the following:-

- (i) the figures in the above table are set out for illustrative purposes only and calculated on the assumption that (a) the maximum amount of ten per cent. (10%) of the Shares of the Company purchased under the Share Purchase Mandate will be cancelled and not held as treasury shares and (b) there is no change in the number of Shares held or deemed to be held by the Directors; and
- (ii) if all the purchased Shares are held as treasury shares and not cancelled, there will be no changes in the interests of the Directors before and after such purchase.

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2.9.2 For the purposes of the Take-over Code, the following persons are presumed to be acting in concert:

- (i) Mr Lim Tiam Seng, the honorary chairman and advisor of the Company (the "**Honorary Chairman**"), and a Shareholder;
- (ii) Mr Lim Tiang Chuan, a Director, the brother of the Honorary Chairman and a Shareholder;
- (iii) Mr Lim Tian Back, the brother of the Honorary Chairman and a Shareholder;
- (iv) Mr Lim Tian Moh, the brother of the Honorary Chairman and a Shareholder;
- (v) Mdm Kwek Lee Keow, the spouse of the Honorary Chairman and a Shareholder;
- (vi) Mr Lim Ling Kwee, the son of the Honorary Chairman and a Shareholder;
- (vii) Mr Chia Lee Meng Raymond, the Executive Chairman and the Group Chief Executive Officer, the son-in-law of the Honorary Chairman and a Shareholder;
- (viii) Ms Lim Sock Joo, the daughter of the Honorary Chairman, the spouse of the Executive Chairman and the Group Chief Executive Officer and a Shareholder;
- (ix) Ms Dawn Lim Sock Kiang, a Director, the daughter of the Honorary Chairman and a Shareholder.

(collectively, the "**Lim Family**").

2.9.3 As at the Latest Practicable Date, the combined shareholding of the Lim Family in the Company amounts to approximately 36.22% of the total issued ordinary share capital of the Company (excluding treasury shares held by the Company) (the "**Voting Rights**").

In the event that the Company purchases the maximum number of 62,101,406 Shares under the Share Purchase Mandate within a period of six (6) months, the combined Voting Rights of the Lim Family could potentially increase from approximately 36.22% to approximately 40.25% of the total Voting Rights of the Company. In such event, if the Lim Family is considered to be acting in concert for the purposes of the Take-over Code, the Lim Family (together with persons acting in concert with them) will, unless exempted, be obliged to make a mandatory offer for the Company under Rule 14.

2.9.4 Pursuant to Section 3(a) of Appendix 2 of the Take-over Code, the Lim Family and persons acting in concert with them will be exempted from the requirement to make a general offer for the Company under Rule 14.1 of the Take-over Code subject to the following conditions:

- (i) the appendix on the resolution to approve the renewal of the Share Purchase Mandate contains advice to the effect that by voting to approve the renewal of the Share Purchase Mandate, Shareholders are waiving their rights to a general offer at the required price from the Lim Family and persons acting in concert with them who, as a result of the purchase of Shares pursuant to the Share Purchase Mandate, would increase their aggregate percentage of total voting rights in the Company by more than one per cent. (1%) in any six (6) month period; and the names of the members of the Lim Family and persons acting in concert with them, and their voting rights at the time of the resolution and after the proposed purchase of the Shares pursuant to the Share Purchase Mandate are disclosed in the same appendix;
- (ii) the resolution to approve the renewal of the Share Purchase Mandate is approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the purchase of Shares pursuant to the Share Purchase Mandate;
- (iii) the Lim Family and persons acting in concert with them abstain from voting for and recommending the Shareholders to vote in favour of the resolution to approve the renewal of the Share Purchase Mandate;

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- (iv) within seven (7) days after the passing of the resolution to approve the renewal of the Share Purchase Mandate, each of Mr Chia Lee Meng Raymond, Mr Lim Tiang Chuan and Ms Dawn Lim Sock Kiang submits to the SIC a duly signed form as prescribed by the SIC; and
- (v) the Lim Family and persons acting in concert with them have not acquired and will not acquire any Shares between the date on which they know that the announcement of the renewal of the Share Purchase Mandate is imminent and the earlier of:
 - (a) the date on which authority of the renewed Share Purchase Mandate expires; and
 - (b) the date on which the Company announces it has bought back such number of Shares as authorised by the renewed Share Purchase Mandate or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with those repurchased by the Company under the renewed Share Purchase Mandate, would cause their aggregate voting rights in the Company to increase by more than one per cent. (1%) in the preceding six (6) months.

2.9.5 Shareholders should note that by voting in favour of the resolution relating to the renewal of the Share Purchase Mandate, they are waiving their rights to a general offer at the required price from the Lim Family and persons acting in concert with them who, as a result of the purchase of Shares pursuant to the Share Purchase Mandate, would increase their aggregate percentage of total voting rights in the Company by more than one per cent. (1%) in any period of six (6) months.

2.9.6 The Lim Family and persons acting in concert with them will abstain from voting in favour of the resolution to approve the proposed renewal of the Share Purchase Mandate.

2.9.7 One of the conditions for exemption from the requirement to make a general offer under Rule 14 of the Take-over Code is the submission by each of Mr Chia Lee Meng Raymond, Mr Lim Tiang Chuan and Ms Dawn Lim Sock Kiang to the SIC of a duly signed form as prescribed by the SIC ("**Form 2**"). As at the Latest Practicable Date, Mr Chia Lee Meng Raymond, Mr Lim Tiang Chuan and Ms Dawn Lim Sock Kiang have informed the Company that they will each be submitting a Form 2 to the SIC within seven (7) days after the passing of the resolution relating to the renewal of the Share Purchase Mandate.

2.9.8 The Company understands that the Lim Family and persons acting in concert with them have not acquired and will not acquire any Shares between the date on which they know that the announcement of the renewal of the Share Purchase Mandate is imminent and the earlier of:

- (i) the date on which the authority of the renewed Share Purchase Mandate expires; and
- (ii) the date on which the Company announces it has bought back such number of Shares as authorised by the renewed Share Purchase Mandate or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with such Shares repurchased by the Company under the renewed Share Purchase Mandate, would cause their aggregate voting rights in the Company to increase by more than one per cent. (1%) in the preceding six (6) months.

2.9.9 Save as disclosed above, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) or Shareholder(s) are, or may be regarded as, persons acting in concert such that their respective interests in voting Shares should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Purchase Mandate.

2.9.10 Shareholders are advised to consult their professional advisers and/or the SIC at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any Share purchases by the Company.

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3. ANNUAL GENERAL MEETING

The AGM, notice of which is enclosed with the Annual Report, will be held at Emerald Suite, Golf Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162, on 25 April 2018 at 10.00 a.m. Shareholders' approval for the proposed renewal of the Share Purchase Mandate is being sought at the AGM. The resolution relating to the renewal of the Share Purchase Mandate is contained in the Notice of AGM as Ordinary Resolution 10.

4. DIRECTORS' RECOMMENDATIONS

Having fully considered the rationale for the proposed renewal of the Share Purchase Mandate as set out in Paragraph 2.3 of this Appendix, the Directors, with the exception of Mr Chia Lee Meng Raymond, Mr Lim Tiang Chuan and Ms Dawn Lim Sock Kiang who are abstaining from making any recommendation in relation to the Share Purchase Mandate believe that the renewal of the Share Purchase Mandate is in the interest of the Company and recommend that Shareholders vote in favour of Ordinary Resolution 10.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

6. INSPECTION OF DOCUMENTS

The following document is available for inspection at the registered office of the Company at 171 Chin Swee Road, #12-01, CES Centre, Singapore 169877 during normal business hours from the date of this Appendix up to the date of the AGM:

- (i) the Share Purchase Mandate.

Yours faithfully

Chia Lee Meng Raymond
Executive Chairman and Group Chief Executive Officer
for and on behalf of the Board of Directors
of Chip Eng Seng Corporation Ltd