

## **ADDENDUM DATED 23 OCTOBER 2012**

This Addendum is circulated to Shareholders of Sinotel Technologies Ltd. (the “**Company**”) together with the Company’s annual report. Its purpose is to provide Shareholders with the relevant information relating to, and seek Shareholders’ approval to renew the Share Buy Back Mandate to be tabled at the Annual General Meeting to be held on 7 November 2012 at 2.30 p.m. at Conference Room 1, Level 2, Warren Golf & Country Club, 81 Choa Chu Kang Way, Singapore 688263.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report. The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made or opinions expressed or report contained in this Addendum.



### **SINOTEL TECHNOLOGIES LTD.**

(Incorporated in the Republic of Singapore)

(Company Registration Number: 200614275R)

## **ADDENDUM IN RELATION TO THE DETAILS OF THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE**

# SINOTEL TECHNOLOGIES LTD.

(Incorporated in the Republic of Singapore)

(Company Registration Number: 200614275R)

## **Directors**

Jia Yue Ting, Executive Chairman  
Li Zhen Yu, Executive Director and Chief Executive Officer  
Pan Liang, Executive Director — Strategic Development  
Lo Fui Chu, Executive Director and Chief Financial Officer  
Alfred Cheong Keng Chuan, Independent Director  
Goh Chee Wee, Independent Director  
Cao Gui Xing, Independent Director

## **Registered Office**

30 Raffles Place  
#19-04 Chevron House  
Singapore 048622

23 October 2012

To: The Shareholders of Sinotel Technologies Ltd.

Dear Sir/Madam

## **1. INTRODUCTION**

- 1.1** Reference is made to the notice of annual general meeting (“**AGM**”) dated 23 October 2012 (“**Notice of AGM**”) of Sinotel Technologies Ltd. (the “**Company**”) convening the AGM of the shareholders of the Company (“**Shareholders**”) to be held on 7 November 2012.
- 1.2** The proposed Resolution 8 in the Notice of AGM relates to the renewal of a general share buy back mandate (“**Share Buy Back Mandate**”), which Shareholders had previously approved at the AGM of the Company held on 21 April 2011, to authorise the Directors of the Company (“**Directors**”) to purchase or otherwise acquire issued ordinary shares in the capital of the Company (“**Shares**”) on the terms of the Share Buy Back Mandate. The authority conferred by the Share Buy Back Mandate has since expired.
- 1.3** The purpose of this Addendum is to provide Shareholders with relevant information relating to and to explain the rationale for the proposed renewal of the Share Buy Back Mandate to be tabled at the AGM.
- 1.4** The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Addendum. If a Shareholder is in any doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

## **2. PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE**

### **2.1 Authority and Limits of the Share Buy Back Mandate**

The Share Buy Back Mandate, if renewed, will authorise the Directors, from time to time, to purchase Shares either through market purchases (“**Market Purchases**”) or off-market purchases on an equal access scheme (“**Off-Market Purchases**”) as defined in Section 76C of the Companies Act, Cap. 50 (the “**Companies Act**”) of up to a maximum of 10% of the issued Shares of the Company as at the date of the AGM at which the Share Buy Back Mandate is renewed, at such price up to but not exceeding the Maximum Price (as defined below). For the purpose of calculating the percentage of issued Shares above, any Shares which are held as treasury shares (“**Treasury Shares**”) will be disregarded.

For illustrative purposes only, based on the number of issued Shares as at 11 October 2012, being the latest practicable date prior to the printing of this Addendum (“**Latest Practicable Date**”) of 422,915,000 Shares, and assuming that no further Shares are issued or

purchased and kept as Treasury Shares on or prior to the AGM, no more than 42,291,500 Shares (representing 10% of the issued Shares as at the date of the AGM) may be bought by the Company pursuant to the Share Buy Back Mandate.

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price to be paid for a Share as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined hereinafter),

(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 a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, the day of making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period.

If renewed, the Share Buy Back Mandate will take effect from the date of the AGM and continue in force until:

- (i) the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next AGM is required by law to be held;
- (ii) share purchases are carried out to the full extent mandated; or
- (iii) the Share Buy Back Mandate is revoked or varied by the Company in a general meeting,

whichever is the earliest.

## **2.2 Manner of Purchase of Shares**

Purchases of Shares may be made by way of, *inter alia*:

- (a) Market Purchase, transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) Off-Market Purchase (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the rules of the Listing Manual of the SGX-ST.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy Back Mandate, the Listing Manual of the 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. An Off-Market Purchase must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded:
  - (aa) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
  - (bb) (if applicable) differences in consideration attributable to the fact that the 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, the Listing Manual of the SGX-ST provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must 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 buy back;
- (d) the consequences, if any, of share buy back by the Company that will arise under the Take-over Code (as defined hereinafter) or other applicable take-over rules;
- (e) whether the share buy back, if made, would have any effect on the listing of the Shares on the Official List of the SGX-ST; and
- (f) details of any share buy back made by the Company in the previous 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.

### **2.3 Rationale**

The Share Buy Back Mandate will give the Directors the flexibility to purchase or acquire the Shares of the Company if and when circumstances permit. The Directors believe that the Share Buy Back Mandate provides the Company and its Directors with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. It also allows the Directors to exercise greater control over the Company's share capital structure, dividend payout and cash reserves.

The buy back of Shares may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the earnings per share ("**EPS**") of the Company, and will only be made when the Directors believe that such buy back would benefit the Company and its Shareholders.

Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy Back Mandate will only be made when the Directors believe that such purchases or acquisitions would be made in circumstances which would not have a material adverse effect on the financial position of the Company.

## 2.4 Source of Funds for Share Buy Back

In buying back Shares, the Company may only apply funds legally available for such purchases in accordance with its Memorandum and Articles of Association, and the applicable laws in Singapore. The Company may not buy Shares on the Official List of the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST. The buy back of Shares by the Company may be made out of the Company's profits or capital so long as the Company is solvent.

Pursuant to Section 76F(4) of the Companies Act, the Company is solvent if (a) it is able to pay its debts in full at the time of payment and will be able to pay its debts as they fall due in the normal course of business in the 12 months following such date of payment; and (b) the value of its assets is not less than the value of its liabilities (including contingent liabilities) and such value of its assets will not, after any purchase of Shares for purposes of any proposed acquisition or release of the Company's obligations, become less than the value of its liabilities (including contingent liabilities). In determining that the Company is solvent, the Directors must have regard to the most recently audited financial statements, other relevant circumstances, and may rely on valuations or estimates of assets or liabilities. In determining the value of contingent liabilities, the Directors may take into account the likelihood of the contingency occurring, as well as any counter-claims by the Company.

When Shares are purchased or acquired, and cancelled

- (a) if the Shares are purchased or acquired entirely out of the capital of the Company, 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 (excluding brokerage, stamp duties, applicable goods and services tax, clearance fees and other related expenses) (the "**Purchase Price**");
- (b) if the Shares are purchased or acquired entirely out of profits of the Company, the Company shall reduce the amount of its profits by the total amount of the Purchase Price; or
- (c) 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 profits proportionately by the total amount of the Purchase Price.

The Company may use internal resources and/or external borrowings to finance purchases of its Shares pursuant to the Share Buy Back Mandate.

The Directors do not propose to exercise the Share Buy Back Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Company and its subsidiaries (the "**Group**") would be materially adversely affected.

## 2.5 Status of Purchased Shares

### 2.5.1 Cancellation

Any Share which is purchased or acquired by the Company shall, unless held as Treasury Shares to the extent permitted under the Companies Act, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges

attached to that Share will expire on cancellation. The total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as Treasury Shares.

All Shares purchased or acquired by the Company (other than Treasury Shares held by the Company to the extent permitted under the Companies Act) will be automatically de-listed by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

#### 2.5.2 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 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 10% of the total number of issued Shares ("**Treasury Shares Limit**").

(ii) Voting and Other Rights

The Company cannot exercise any right in respect of Treasury Shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the Treasury Shares shall 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 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.

(iii) Disposal and Cancellation

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

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

In respect of Shares that are purchased pursuant to the Share Buy Back Mandate, the Directors intend for such purchased Shares to be held as Treasury Shares.

As at the Latest Practicable Date, the Company has not made any purchase of Shares pursuant to the Share Buy Back Mandate. Where Shares purchased pursuant to the Share Buy Back Mandate are held as Treasury Shares, the number of such Shares to be held as Treasury Shares, when aggregated with the existing Treasury Shares held, shall not, subject to the Companies Act, exceed the Treasury Shares Limit at any time.

## **2.6 Financial Impact**

Shareholders should note that the financial effects illustrated below are for illustration purposes only. In particular, it is important to note that the financial analysis set out below are based on the audited consolidated financial statements for the financial year ended 31 December 2011 (“FY2011”) and are not necessarily representative of future financial performance of the Group. Although the proposed Share Buy Back Mandate would authorise the Company to buy back up to 10% of the Company’s issued Shares, the Company may not necessarily buy back or be able to buy back 10% of the issued Shares in full.

### **2.6.1 Financial Effects of the Share Buy Back Mandate**

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Buy Back Mandate on the financial effects as it would depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled. The purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for distribution of cash dividends by the Company. The Directors do not propose to exercise the Share Buy Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The proposed Share Buy Back Mandate will be exercised with a view to enhance the earnings and/or net tangible assets (“NTA”) value per Share of the Group. The financial effects presented in this section are based on the assumptions set out below:

(a) *Information as at the Latest Practicable Date*

As at the Latest Practicable Date, the Company has 422,915,000 issued Shares.

(b) *Illustrative Financial Effects*

Purely for illustrative purposes, on the basis of 422,915,000 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as Treasury Shares on or prior to the AGM, the purchase by the Company of 10% of its issued Shares will result in the purchase of 42,291,500 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 42,291,500 Shares at the Maximum Price of S\$0.105 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive market days on which the

Shares were traded on the Official List of the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 42,291,500 Shares is approximately S\$4.4 million.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 42,291,500 Shares at the Maximum Price of S\$0.121 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the Official List of the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 42,291,500 Shares is approximately S\$5.1 million.

For illustrative purposes only and on the basis of the assumptions set out above as well as the following:

- (i) the Share Buy Back Mandate had been effective on 1 January 2011; and
- (ii) such share purchases are funded solely by internal resources and/or borrowing,

the financial effects on the audited consolidated financial results of the Group for FY2011, are set out below <sup>(1)</sup>:

	<b>Group</b>			
	<b>Market Purchase</b>		<b>Off-Market Purchase</b>	
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
<b>As at 31 December 2011</b>	RMB'000	RMB'000	RMB'000	RMB'000
Shareholders' Fund	970,230	947,408	970,230	943,931
Net Tangible Assets	949,895	927,073	949,895	923,596
Current Assets	996,825	974,003	996,825	970,526
Current Liabilities	231,037	231,037	231,037	231,037
Working Capital	765,788	742,966	765,788	739,489
Net Debt <sup>(2)</sup>	20,856	20,856	20,856	20,856
Number of Shares as at the Latest Practicable Date	422,915,000	380,623,500	422,915,000	380,623,500
<b>Financial Ratios</b>				
NTA per Share (RMB cents) <sup>(3)</sup>	224.6	243.6	224.6	242.7
Gearing (times)	0.02	0.02	0.02	0.02
Current Ratio (times) <sup>(4)</sup>	4.3	4.2	4.3	4.2
EPS (RMB cents) <sup>(5)</sup>	9.5	10.6	9.5	10.6

**Notes:**

- (1) The disclosed financial effects remain the same irrespective of whether:
  - (a) the purchase of the Shares is made out of capital or profits; or
  - (b) the purchased Shares are held in treasury or are cancelled.
- (2) Net debt means long-term and short-term borrowings and finance lease.
- (3) NTA equals to shareholders' fund less non-controlling interests and intangible assets. NTA per Share is calculated based on the total number of Shares in issue as at the Latest Practicable Date.
- (4) Current ratio means current assets divided by current liabilities.
- (5) EPS are computed based on the total number of Shares in issue as at the Latest Practicable Date, instead of the weighted average number of Shares in issue for the respective period presented.



**Shareholders should note that the financial effects set out above are for illustrative purposes only. Although the Share Buy Back Mandate would authorise the Company to purchase up to 10% of the issued Shares, the Company may not necessarily purchase or be able to purchase the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares purchased or hold all or part of the Shares purchased in treasury.**

## **2.7 Take-over Implications under the Singapore Code on Take-overs and Mergers (“Take-over Code”)**

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

### **2.7.1 Obligation to Make a Take-over Offer**

Pursuant to the Take-over Code, an increase of a Shareholder’s proportionate interest in the voting rights of the Company resulting from a share buy back by the Company will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code (“**Rule 14**”).

Under Rule 14, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory take-over offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company’s voting rights, increase their voting rights in the Company by more than 1% in any period of six months.

### **2.7.2 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), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

- (a) the following companies:
  - (i) a company;
  - (ii) the parent company of (i);
  - (iii) the subsidiaries of (i);
  - (iv) the fellow subsidiaries of (i);
  - (v) the associated companies of any of (i), (ii), (iii) or (iv);
  - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
  - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

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

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

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

### 2.7.3 Effect of Rule 14 and Appendix 2

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted (or if exempted, such exemption is subsequently revoked), Directors and parties 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 Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy Back Mandate.

The interests of the Directors and Substantial Shareholders of the Company are set out in Section 3 of this Addendum.

Pursuant to a concert party agreement dated 11 September 2009 and Rule 14, Jia Yue Ting, who is the Executive Chairman of the Company and his sister-in-law, Zhang Rong have agreed to act as parties in concert with respect to their shareholdings in the Company for the purpose of the Take-over Code. As at the Latest Practicable Date, both of them, through their wholly-owned companies, collectively hold an aggregate of 117,381,856 Shares representing approximately 27.8% of the total issued share capital of the Company. In the event that the Company should pursuant to the Share Buy Back Mandate, purchase or cancel up to 10% of the total issued Shares, the holding of Jia Yue Ting and parties acting in concert with him could increase to 30% or more. Under the Take-over Code, Jia Yue Ting and parties acting in concert with him would therefore incur a mandatory take-over obligation for the issued Shares not owned by them.

#### 2.7.4 Securities Industry Council's Waiver

Under Appendix 2 of the Take-over Code, Jia Yue Ting and parties acting in concert with him will be exempted from the requirement under Rule 14 to make a general offer for Shares not already owned by them if their aggregate shareholding in the Company increases to 30% or more, as a result of the Share Buy Back Mandate, subject to the following conditions:

- (a) this Addendum contains advice to the effect that by voting to approve the Share Buy Back Mandate, Shareholders are waiving their rights to a general offer at the required price from Jia Yue Ting and parties acting in concert with him, who, as a result of the Company buying back its Shares under the Share Buy Back Mandate, would increase their voting rights to 30% or more; and the names of Jia Yue Ting and parties acting in concert with him, and their voting rights at the time of the resolution and after the proposed share buy back are disclosed in this Addendum;
- (b) the resolution to authorise the Share Buy Back Mandate is approved by a majority of those Shareholders present and voting at the AGM on a poll who could not become obliged to make an offer as a result of the proposed share buy back;
- (c) Jia Yue Ting and parties acting in concert with him abstain from voting for and/or recommending Shareholders to vote in favour of the resolution to approve the Share Buy Back Mandate;
- (d) within seven days after the passing of the resolution to authorise the Share Buy Back Mandate, each of Jia Yue Ting and parties acting in concert with him to submit to the Securities Industry Council ("**SIC**") a duly signed form as prescribed by the SIC; and
- (e) Jia Yue Ting and parties acting in concert with him have not acquired and will not acquire any Shares between the date on which they know that the announcement of the Share Buy Back Mandate is imminent and the earlier of:
  - (i) the date on which the authority of the Share Buy Back Mandate expires; and
  - (ii) the date on which the Company announces it has bought back such number of Shares as authorised by the Share Buy Back Mandate or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the proposed share buy back, would cause their aggregate voting rights in the Company to increase to 30% or more.

If the Company ceases to buy back its Shares and the aggregate voting rights held by Jia Yue Ting and parties acting in concert with him at such time are less than 30%, Jia Yue Ting and parties acting in concert with him will be allowed to acquire further voting rights in the Company. However, any increase in their percentage of voting rights as a result of the Share Buy Back Mandate will be taken into account together with any voting rights acquired by Jia Yue Ting and parties acting in concert with him (by whatever means) in determining whether they have increased their aggregate voting rights in the Company to 30% or more.

## 2.7.5 Aggregate Shareholding and Voting Rights Pre and Post Event

In the event that, after the proposed renewal of the Share Buy Back Mandate is approved by Shareholders at the AGM, and should the Company undertake share buy back of up to 10% of the total number of issued Shares of the Company as permitted by the Share Buy Back Mandate, the voting rights of Jia Yue Ting and parties acting in concert with him will be increased as follows:

Shareholder	Before Share Buy Back		After Share Buy Back	
	Number of Shares	Approximate % of total voting Shares	Number of Shares	Approximate % of total voting Shares
Jia Yue Ting <sup>(1)</sup>	—	—	—	—
Ford Field International Limited <sup>(1)</sup>	113,606,856	26.9	113,606,856	29.8
Zhang Rong <sup>(2)</sup>	—	—	—	—
Smart Sound Holdings Limited <sup>(2)</sup>	3,775,000	0.9	3,775,000	1.0
<b>Total</b>		27.8		30.8

### Notes:

- (1) Ford Field International Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Jia Yue Ting. As such, Jia Yue Ting is deemed to be interested in all the Shares in the Company held by Ford Field International Limited under Section 7 of the Companies Act.
- (2) Smart Sound Holdings Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Zhang Rong. As such, Zhang Rong is deemed to be interested in all the Shares in the Company held by Smart Sound Holdings Limited under Section 7 of the Companies Act.

## 2.7.6 Advice to Shareholders

**Shareholders should therefore note that by voting for the proposed renewal of the Share Buy Back Mandate, they are waiving their rights to a take-over offer by Jia Yue Ting and parties acting in concert with him under the circumstances set out above.** Such take-over offer, if required to be made and had not been exempted by the SIC, would have to be made in cash or be accompanied by a cash alternative at the Required Price (as defined below).

**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 the Company purchasing or acquiring its Shares, should consult the SIC and/or their professional advisers at the earliest opportunity.**

“**Required Price**” means in relation to the offer required to be made under the provisions of Rule 14.1 of the Take-over Code, the highest of the price paid by the offeror and/or any person(s) acting in concert with them for the Company’s Shares (i) during the offer period and within the preceding six months, (ii) acquired through the exercise of instruments convertible into securities which carry voting rights within six months of the offer and during the offer period, or (iii) acquire through the exercise of rights to subscribe for, and options in respect of, securities which carry voting rights within six months of the offer or during the offer period; or at such price as determined by SIC under Rule 14.3 of the Take-over Code.

Further details of the interests of the Directors and substantial shareholders of the Company in the Shares of the Company as at the Latest Practicable Date are set out in Section 3 of this Addendum.

## 2.8 Disclosure Requirements for Substantial Shareholders

Under Section 82 of the Companies Act, a person who is a substantial shareholder of a company shall, within two business days after becoming a substantial shareholder, give notice in writing to the company stating his name and address and full particulars of the voting shares in the company in which he has an interest or interests and full particulars of each such interest and of the circumstances by reason of which he has that interest.

A substantial shareholder in a company is defined under the Companies Act as a person who has an interest or interests in one or more voting shares in the company and the nominal amount of that share, or the aggregate nominal amount of those shares, is not less than 5% of the aggregate of the nominal amount of all the voting shares in the company.

Shareholders should note that a purchase of Shares by the Company may inadvertently cause the percentage shareholding of Shareholders, particularly Shareholders whose current holding of Shares is close to 5% to become a substantial shareholder of the Company for the purposes of the Companies Act.

## 2.9 Taxation

Pursuant to Section 10J of the Income Tax Act, Chapter 134 of Singapore, where a company buys back its own shares and makes payment out of its contributed capital, it will not be regarded as a payment of dividend. Where a company buys back its own shares using its distributable profits, it is deemed as having paid a dividend to the shareholders from whom the shares are purchased or acquired.

**Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisors.**

## 2.10 Interested Persons

The Company is prohibited from knowingly buying Shares on the Official List of the SGX-ST from an interested person, that is, a Director, the chief executive of the Company or controlling shareholder of the Company or any of their associate, and an interested person is prohibited from knowingly selling his Shares to the Company.

## 2.11 Listing Manual

2.11.1 As at the Latest Practicable Date, approximately 70.5% of the issued share capital of the Company are held in the hands of the public. Assuming that the Company purchased the maximum of 10% of its issued share capital as at the Latest Practicable Date from members of the public by way of a Market Purchase, the percentage of Shares held by the public would be approximately 67.2%.

Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Buy Back Mandate without adversely affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to adversely affect orderly trading.

2.11.2 Under the Listing Manual of the SGX-ST, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. The term average closing market price is defined as the average of the closing market prices of shares over the last five market days, on which transactions in the shares were recorded, before the day on which purchases are made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 2.1 of this Addendum, conforms to this restriction.

Additionally, the Listing Manual of the SGX-ST also 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 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 authorised for purchase, the date of purchase, the total number of shares purchased, the purchase price per share or (in the case of Market Purchases) the purchase price per share or the highest price and lowest price per share, the total consideration paid for the shares and the number of issued shares after purchase, in the form prescribed under the Listing Manual of the SGX-ST.

While the Listing Manual of the SGX-ST does not expressly prohibit any purchase of shares by a listed company during any particular time, 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 Share Buy Back Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the board of directors until such price-sensitive information has been publicly announced. Further, in conformity with the best practices on dealing with securities under the Listing Manual of the SGX-ST, the Company will not purchase or acquire any Shares through Market Purchases during the period commencing two weeks before the announcement of the Company’s financial statements for each of the first three quarters of its financial year, or one month immediately preceding the announcement of the Company’s annual (full-year) results.

2.11.3 Pursuant to Rule 704(28) of the Listing Manual of the SGX-ST, a listed company is required to immediately announce any sale, transfer, cancellation and/or use of treasury shares, stating the following:

- (a) Date of the sale, transfer, cancellation and/or use;
- (b) Purpose of such sale, transfer, cancellation and/or use;
- (c) Number of treasury shares sold, transferred, cancelled and/or used;
- (d) Number of treasury shares before and after such sale, transfer, cancellation and/or use;

- (e) Percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (f) Value of the treasury shares if they are used for a sale or transfer, or cancelled.

## 2.12 Details of the Shares Bought by the Company in the Previous 12 Months

As at the Latest Practicable Date, the Company has not made any purchases of Shares pursuant to the Share Buy Back Mandate.

## 3. INTERESTS OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and substantial shareholder of the Company in the Shares as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
<b>Directors</b>				
Jia Yue Ting <sup>(1)</sup>	—	—	113,606,856	26.9
Li Zhen Yu <sup>(2)</sup>	—	—	3,150,000	0.7
Pan Liang <sup>(3)</sup>	—	—	1,459,000	0.3
Lo Fui Chu	50,000	0.01	2,500,000	0.6
Alfred Cheong Keng Chuan	50,000	0.01	—	—
Goh Chee Wee	50,000	0.01	—	—
Cao Gui Xing	62,500	0.01	—	—
<b>Substantial Shareholder</b>				
Ford Field International Limited <sup>(1)</sup>	8,856,856	2.1	104,750,000	24.8

### Notes:

- (1) Ford Field International Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Jia Yue Ting. As such, Jia Yue Ting is deemed to be interested in all the Shares held by Ford Field International Limited under Section 7 of the Companies Act.
- (2) Trillium United Corp. is a company incorporated in the British Virgin Islands and is wholly-owned by Li Zhen Yu. As such, Li Zhen Yu is deemed to be interested in all the Shares held by Trillium United Corp. under Section 7 of the Companies Act.
- (3) Vitonet Investment Ltd is a company incorporated in the British Virgin Islands and is wholly-owned by Pan Liang. As such, Pan Liang is deemed to be interested in all the Shares held by Vitonet Investment Ltd under Section 7 of the Companies Act.

## 4. APPROVALS AND RESOLUTIONS

Shareholders' approval for the proposed renewal of the Share Buy Back Mandate is sought at the AGM. The resolution relating to the proposed renewal of the Share Buy Back Mandate is contained in the Notice of AGM as Ordinary Resolution 8.

## **5. DIRECTORS' RECOMMENDATION**

Jia Yue Ting will abstain from voting on the resolution in relation to the proposed renewal of the Share Buy Back Mandate, have therefore refrained from making any recommendations to Shareholders on Ordinary Resolution 8 as set out in the Notice of AGM. The rest of the Directors are of the opinion that the proposed renewal of the Share Buy Back Mandate is in the best interests of the Company and they recommend that Shareholders vote in favour of the Ordinary Resolution 8 as set out in the Notice of AGM.

## **6. ABSTENTION FROM VOTING**

Jia Yue Ting and parties acting in concert with him will abstain from voting, whether by representative or proxy, on Ordinary Resolution 8 set out in the Notice of AGM.

## **7. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Addendum and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Addendum constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buy Back 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 Addendum misleading. Where information in this Addendum 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 this Addendum in its proper form and context.

## **8. INSPECTION OF DOCUMENTS**

The following documents are available for inspection at the registered office of the Company at 30 Raffles Place #19-04 Chevron House Singapore 048622 during normal business hours from the date of this Addendum up to the date of the AGM:

- (a) the Memorandum and Articles of Association of the Company; and
- (b) the annual report of the Company for FY2011.

Yours faithfully  
For and on behalf of the Board of Directors  
**Sinotel Technologies Ltd.**

Jia Yue Ting  
Executive Chairman