

APPENDIX DATED 12 OCTOBER 2011

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

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.

This Appendix is circulated to shareholders (“**Shareholders**”) of Kian Ann Engineering Ltd (the “**Company**”) together with the Annual Report 2011. The purpose of this Appendix is to provide Shareholders with information relating to, and seek Shareholders’ approval for, the proposed share buyback mandate at the Annual General Meeting of the Company to be held on 28 October 2011 at 11.00 a.m. at Kian Ann Building, 7 Changi South Lane, Singapore 486119.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report 2011.

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



APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

in relation to

THE PROPOSED SHARE BUYBACK MANDATE

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DEFINITIONS

The following definitions apply throughout in this Appendix except where the context otherwise requires:

“AGM”	: Annual General Meeting of the Company
“Annual Report 2011”	: Annual report of the Company for FY2011
“Appendix”	: This appendix to the notice of AGM dated 28 October 2011
“Articles”	: Articles of association of the Company for the time being
“Associated Company”	: A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group
“Board”	: The board of directors of the Company
“CDP”	: The Central Depository (Pte) Limited
“Companies Act” or “Act”	: The Companies Act, Chapter 50, of Singapore, as amended, modified or supplemented from time to time
“Company” or “Kian Ann”	: Kian Ann Engineering Ltd
“Controlling Shareholder”	: A person who holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company (subject to SGX-ST determining that such a person is not a controlling shareholder) or a person who in fact exercises control over the Company
“Director(s)”	: The director(s) of the Company
“EPS”	: Earnings per Share
“FY”	: Financial year ended 30 June
“Group”	: The Company and its subsidiaries
“Latest Practicable Date”	: The latest practicable date prior to the printing of this Appendix being 3 October 2011
“Listing Manual”	: The Listing Manual of the SGX-ST, as may be amended, modified or supplemented from time to time
“Market Day”	: A day on which the SGX-ST is open for trading in securities
“Memorandum”	: Memorandum of association of the Company for the time being
“Notice of AGM”	: Notice of AGM as set out in the Annual Report 2011
“NTA”	: Net tangible assets
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shareholder(s)”	: Shareholder(s) of the Company from time to time
“Share(s)”	: Ordinary share(s) in the capital of the Company

DEFINITIONS

- “Share Buyback”** : Buyback of Shares by the Company pursuant to the proposed Share Buyback Mandate
- “Share Buyback Mandate”** : A general mandate given by Shareholders to authorise the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Appendix and the rules and regulations set forth in the Companies Act and the Listing Manual
- “SIC”** : The Securities Industry Council of Singapore
- “Substantial Shareholder”** : Has the meaning ascribed to it in Section 81 of the Companies Act
- “Take-over Code”** : The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
- “S\$” and “cents”** : Dollars and cents respectively of the currency of Singapore
- “%”** : Per centum or percentage

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

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

Any reference in this Appendix to an enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in this Appendix shall, where applicable, have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

The headings in this Appendix are inserted for convenience only and shall be ignored for construing this Appendix.

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

LETTER TO SHAREHOLDERS

KIAN ANN ENGINEERING LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197101102H)

Board of Directors:

Mr. Low Han Cheong (Executive Chairman)
Mr. Law Peng Kwee (Managing Director)
Mr. Kevin Law Cher Chuan (Executive Director and Group General Manager)
Mr. Loy Soo Chew (Executive Director and General Manager)
Mr. Lim Ho Seng (Non-Executive and Independent Director)
Mr. Ng Cher Yan (Non-Executive and Independent Director)
Dr. Lau Hwee Beng (Non-Executive Director)
Mr. Tan Ngiap Joo (Non-Executive and Independent Director)

Registered Office:

Kian Ann Building
7 Changi South Lane
Singapore 486119

12 October 2011

To: The Shareholders of Kian Ann Engineering Ltd

Dear Sir or Madam,

THE PROPOSED SHARE BUYBACK MANDATE

1. INTRODUCTION

- 1.1 The Company intends to seek the approval of Shareholders at the forthcoming AGM in respect of the proposed Share Buyback Mandate.
- 1.2 The purpose of this Appendix is to provide Shareholders with information relating to, and seek Shareholders' approval for, the proposed Share Buyback Mandate at the forthcoming AGM to be held on 28 October 2011 at 11.00 a.m. at Kian Ann Building, 7 Changi South Lane, Singapore 486119.

2. THE PROPOSED SHARE BUYBACK MANDATE**2.1 Mandate**

- 2.1.1 Any purchase or acquisition of Shares by the Company would have to be made in accordance with and in the manner prescribed by the Companies Act and the rules of the Listing Manual and such other laws and regulations as may, for the time being, be applicable.
- 2.1.2 It is also a requirement that a company which wishes to purchase or acquire its own shares should obtain the approval of its shareholders to do so at a general meeting. Accordingly, Shareholders' approval is being sought at the AGM for the proposed Share Buyback Mandate.
- 2.1.3 If approved by Shareholders at the AGM, the authority conferred by the proposed Share Buyback Mandate will continue to be in force until the next AGM of the Company (whereupon it will lapse, unless renewed at such meeting) or until it is varied or revoked by the Company in general meeting (if so varied or revoked prior to the next AGM).

LETTER TO SHAREHOLDERS

2.2 Rationale for the Mandate

- 2.2.1 The proposed Share Buyback Mandate gives the Company the flexibility to undertake buybacks of the Shares at any time, subject to market conditions, during the period when the proposed Share Buyback Mandate is in force. Further, Share purchases provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient and cost-efficient manner. In addition, the Directors expect that Share Buybacks may help mitigate against short term volatility of share price and offset the effects of short term speculation. Share Buybacks will allow the Company greater flexibility over its share capital structure with a view to enhancing the earnings and/or net asset value per Share.
- 2.2.2 The proposed Share Buyback Mandate also enables the Company to purchase or acquire Shares, hold them as treasury shares and utilise such treasury shares for the purpose of or pursuant to an employees' share scheme.
- 2.2.3 Shareholders can be assured that Share Buybacks by the Company would be made in circumstances where it is considered to be in the best interest of the Company, after taking into account the amount of surplus cash available and the prevailing market conditions. Further, the Directors do not propose to carry out buybacks to such an extent that would, or in circumstances that might, result in a material adverse effect on the liquidity, the orderly trading of the Shares, the working capital requirements of the Company or its gearing positions which are, in the opinion of the Directors, appropriate from time to time, or result in the Company being de-listed from the SGX-ST. For example, the directors will ensure that the Share Buyback will not be carried out to such an extent that the free float of the Company's Shares held by the public falls to below ten per cent. (10%).

2.3 Terms of the Mandate

The authority and limitations placed on the Share Buyback under the proposed Share Buyback Mandate are summarised below:

(a) Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased by the Company.

The total number of Shares that may be purchased is limited to such number of Shares representing not more than ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of the AGM at which the proposed Share Buyback Mandate is approved (the "**Approval Date**").

For illustrative purposes, on the basis of 438,098,928 Shares in issue as at 30 June 2011, and assuming that no further Shares are issued on or prior to the AGM, not more than 43,809,892 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buyback Mandate.

(b) Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, from the Approval Date up to the earlier of:

- (i) the date on which the next AGM of the Company is held or required by law or the Articles to be held;
- (ii) the date on which the authority contained in the proposed Share Buyback Mandate is varied or revoked; or
- (iii) the date on which the Share Buyback is carried out to the full extent mandated.

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(c) Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

- (i) on-market purchases (“**Market Purchases**”), transacted on the SGX-ST through Quest-ST 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
- (ii) off-market purchases (“**Off-Market Purchases**”) effected pursuant to an equal access scheme (as defined in Section 76C of the Companies Act).

The Directors may impose such terms and conditions, which are consistent with the proposed Share Buyback Mandate, the Listing Manual and the Companies Act, as they consider fit in the interest of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

- (i) offers for the purchase of issued Shares shall be made to every person who holds issued Shares to purchase the same percentage of their issued Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of the offers are the same, except that there shall be disregarded:
 - (aa) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (bb) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and
 - (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual 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:

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed Share Buyback;
- (iv) the consequences, if any, of the Share Buybacks by the Company that will arise under the Take-over Code or other applicable takeover rules;
- (v) whether the Share Buyback, if made, would have any effect on the listing of the Shares on the SGX-ST; and
- (vi) details of any Share Buybacks (whether Market Purchases or Off-Market Purchases) made by the Company in the previous twelve (12) months, 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.

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(d) Maximum purchase price

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

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

- (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined hereinafter); and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Highest Last Dealt 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 the Shares over the last five (5) market days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five market day period;

“**Highest Last Dealt Price**” means the highest price transacted for a Share as recorded on the SGX-ST on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

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

2.4 Status of Purchased Shares

Under the Companies Act, the Company may choose to hold the purchased Shares as treasury shares or to cancel them, and the Articles allows the Company to hold purchased Shares as treasury shares. Accordingly, the Company has the discretion to hold purchased Shares as treasury shares or to cancel them.

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.

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2.5 Treasury Shares

As explained in paragraph 2.4 above, 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.

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) 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. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

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

- (i) sell the treasury shares (or any of them) for cash;
- (ii) transfer the treasury shares (or any of them) for the purposes of or pursuant to an employees' share scheme;
- (iii) 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;
- (iv) cancel the treasury shares (or any of them); or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

2.6 Reporting Requirements

2.6.1 Within thirty (30) days of the passing of a Shareholders' resolution to approve the purchase of Shares by the Company, the Company shall lodge a copy of such resolution with the Accounting & Corporate Regulatory Authority ("**ACRA**").

2.6.2 The Company shall notify ACRA within thirty (30) days of a purchase of Shares on the SGX-ST or otherwise. Such notification shall include details of the date of the purchases, the total number of Shares purchased 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, the Company's issued share capital after the purchase, the amount of consideration paid by the Company for the purchases, 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.

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- 2.6.3 The listing rules of the SGX-ST specify that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the 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.
- 2.6.4 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 2.3(c).

2.7 Source of Funds for Share Buyback

Previously, any payment made by a company in consideration of the purchase or acquisition of its own shares may only be made out of that company's distributable profits. The Companies Act now permits a company to also purchase its own shares out of capital, as well as from its profits.

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:

- (a) the company is able to pay its debts in full as they fall due in the normal course of business at the time of payment for the purchase of shares, as well as during the period of twelve (12) months after the purchase; and
- (b) the value of the company's assets, at the time of the purchase and after such purchase, is not less than the value of its liabilities (including contingent liabilities), having regard to the most recent financial statements of the company and all other circumstances that the directors or managers of the company know or ought to know affect or may affect such values.

The Company will use internal resources or external borrowings or a combination of both to fund purchases of Shares pursuant to the proposed Share Buyback Mandate.

2.8 Financial Effects of the Mandate

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Share Buyback Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled.

2.8.1 Purchase or Acquisition out of Capital or Profits

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

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:

- (a) the share capital of the Company where the Shares were purchased out of the capital of the Company;

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- (b) the profits of the Company where the Shares were purchased out of the profits of the Company; or
- (c) 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 (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

2.8.2 Illustrative Financial Effects

As at 30 June 2011, the issued capital of the Company comprised 438,098,928 Shares. 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 on, *inter alia*, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

The impact of purchases or acquisitions under the Share Purchase Mandate on net tangible asset value, 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 realistically calculate or quantify the impact at this point of time.

Based on the existing number of Shares of the Company as at 30 June 2011, 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 43,809,892 Shares.

- (a) In the case of Market Purchases by the Company, based on the existing issued and paid-up capital of the Company as at 30 June 2011 and the assumption that, pursuant to the Share Purchase Mandate, the Company purchases the maximum number of 43,809,892 Shares at the Maximum Price of S\$0.2163 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 30 June 2011), the maximum amount of funds required for the purchase of 43,809,892 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$9,476,000.
- (b) In the case of Off-Market Purchases by the Company, based on the existing issued and paid-up capital of the Company as at 30 June 2011 and the assumption that, pursuant to the Share Purchase Mandate, the Company purchases the maximum number of 43,809,892 Shares at the Maximum Price of S\$0.2472 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 30 June 2011), the maximum amount of funds required for the purchase of 43,809,892 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$10,830,000.

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On the basis of the above and the assumptions set out below, the financial effects of the:

- (i) acquisition of 10% Shares by the Company pursuant to the proposed Share Buyback Mandate by way of purchases made entirely out of capital and held as treasury shares or cancelled; and
- (ii) acquisition of 10% Shares by the Company pursuant to the proposed Share Buyback Mandate by way of purchases made entirely out of profits and held as treasury shares or cancelled;

on the audited financial statements of the Group and the Company for the financial year ended 30 June 2011 are set out below.

- (i) Purchases made entirely out of capital: (a) purchases made entirely out of capital and held as treasury shares, and (b) purchases made entirely out of capital and cancelled

On the basis of the above assumptions and assuming that the purchase of Shares took place at the beginning of FY2011 on 1 July 2010, the impact of the purchase of Shares by the Company undertaken in accordance with the proposed Share Buyback Mandate on the Company's and the Group's audited financial accounts for financial year ended 30 June 2011 is as follows:

As at 30 June 2011	Audited Before Share Purchase	Market Purchase		Off-Market Purchase	
		(A) Proforma After Share Purchase and held as Treasury shares	(B) Proforma After Share Purchase and cancelled	(A) Proforma After Share Purchase and held as Treasury shares	(B) Proforma After Share Purchase and cancelled
(\$'000)					
Company					
Total Shareholders' Equity	108,774	99,298	99,298	97,944	97,944
Current Assets	129,901	120,425	120,425	119,071	119,071
Current Liabilities	(44,022)	(44,022)	(44,022)	(44,022)	(44,022)
Total External Indebtedness ⁽⁶⁾	(12,875)	(12,875)	(12,875)	(12,875)	(12,875)
Cash and Cash Equivalents ⁽⁷⁾	18,731	9,255	9,255	7,901	7,901
Net Profit After Tax	9,923	9,923	9,923	9,923	9,923
Number of Shares ('000)	438,099	394,290	394,290	394,290	394,290
Number of Treasury shares ('000)	–	43,810 ⁽⁸⁾	–	43,810 ⁽⁸⁾	–
Weighted average number of Shares (basic) ('000)	438,099	394,290	394,290	394,290	394,290
Weighted average number of Shares (diluted) ('000)	438,099	394,290	394,290	394,290	394,290

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As at 30 June 2011		Market Purchase		Off-Market Purchase	
		(A)	(B)	(A)	(B)
		Proforma	Proforma	Proforma	Proforma
		After Share	After Share	After Share	After Share
		Purchase	Purchase	Purchase	Purchase
		and held as	and	and held as	and
		Treasury	cancelled	Treasury	cancelled
		shares		shares	
(\$'000)	Audited				
	Before				
	Share				
	Purchase				
Company					
<i>Financial Ratios</i>					
NTA per share (cents) ⁽¹⁾	24.83	25.18	25.18	24.84	24.84
Gearing (times) ⁽²⁾	–	3.65	3.65	5.08	5.08
Current Ratio (times) ⁽³⁾	2.95	2.74	2.74	2.70	2.70
Basic EPS (cents) ⁽⁴⁾	2.27	2.52	2.52	2.52	2.52
Adjusted Diluted EPS (cents) ⁽⁵⁾	2.27	2.52	2.52	2.52	2.52
Group					
Total Shareholders' Equity	140,534	131,058	131,058	129,704	129,704
Current Assets	159,746	150,270	150,270	148,916	148,916
Current Liabilities	(52,104)	(52,104)	(52,104)	(52,104)	(52,104)
Total External Indebtedness	(22,600)	(22,600)	(22,600)	(22,600)	(22,600)
Cash and Cash equivalents ⁽⁷⁾	22,700	13,224	13,224	11,870	11,870
Net Profit After Tax	17,602	17,602	17,602	17,602	17,602
Number of Shares ('000)	438,099	394,290	394,290	394,290	394,290
Number of Treasury shares ('000)	–	43,810 ⁽⁸⁾	–	43,810 ⁽⁸⁾	–
Weighted average number of Shares basic ('000)	438,099	394,290	394,290	394,290	394,290
Weighted average number of Shares diluted ('000)	438,099	394,290	394,290	394,290	394,290
<i>Financial Ratios</i>					
NTA per share (cents) ⁽¹⁾	31.66	32.78	32.78	32.43	32.43
Gearing (times) ⁽²⁾	–	6.53	6.53	7.62	7.62
Current Ratio (times) ⁽³⁾	3.07	2.88	2.88	2.86	2.86
Basic EPS (cents) ⁽⁴⁾	3.83	4.25	4.25	4.25	4.25
Adjusted Diluted EPS (cents) ⁽⁵⁾	3.83	4.25	4.25	4.25	4.25

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Notes:

- (1) NTA per share equals to NTA divided by the number of shares outstanding as at 30 June 2011.
- (2) Gearing equals to total borrowings net of cash and bank deposits divided by total equity.
- (3) Current ratio equals to total current assets divided by total current liabilities.
- (4) EPS equals to profit attributable to shareholders divided by the weighted average number of shares outstanding during the year ended 30 June 2011.
- (5) Diluted EPS equals to profit attributable to shareholders divided by the diluted weighted average number of shares outstanding during the year ended 30 June 2011.
- (6) Total indebtedness equals to Total Loan and borrowings outstanding as at 30 June 2011.
- (7) Cash and cash equivalents equal to cash and bank deposits less bank overdraft as at 30 June 2011.
- (8) Assuming the Company purchases the maximum of 10% of its Shares under the Share Purchase Mandate and that the treasury shares will be held in full during the year after purchasing.

(ii) Purchases made entirely out of profit: (a) purchases made entirely out of profits and held as treasury shares, and (b) purchases made entirely out of profits and cancelled

On the basis of the above assumptions and assuming that the purchase of Shares took place at the beginning of FY2011 on 1 July 2010, the impact of the purchase of Shares by the Company undertaken in accordance with the proposed Share Buyback Mandate on the Company's and the Group's audited financial accounts for financial year ended 30 June 2011 is as follows:

As at 30 June 2011	Audited Before Share Purchase	Market Purchase		Off-Market Purchase	
		(A) Proforma After Share Purchase and held as Treasury shares	(B) Proforma After Share Purchase and cancelled	(A) Proforma After Share Purchase and held as Treasury shares	(B) Proforma After Share Purchase and cancelled
(\$S'000)					
<u>Company</u>					
Total Shareholders' Equity	108,774	99,298	99,298	97,944	97,944
Current Assets	129,901	120,425	120,425	119,071	119,071
Current Liabilities	(44,022)	(44,022)	(44,022)	(44,022)	(44,022)
Total External Indebtedness ⁽⁶⁾	(12,875)	(12,875)	(12,875)	(12,875)	(12,875)
Cash and Cash Equivalents ⁽⁷⁾	18,731	9,255	9,255	7,901	7,901
Net Profit After Tax	9,923	9,923	9,923	9,923	9,923
Number of Shares ('000)	438,099	394,290	394,290	394,290	394,290
Number of Treasury shares ('000)	–	43,810 ⁽⁸⁾	–	43,810 ⁽⁸⁾	–
Weighted average number of Shares (basic) ('000)	438,099	394,290	394,290	394,290	394,290
Weighted average number of Shares (diluted) ('000)	438,099	394,290	394,290	394,290	394,290

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As at 30 June 2011		Market Purchase		Off-Market Purchase	
		(A)	(B)	(A)	(B)
		Proforma	Proforma	Proforma	Proforma
		After Share	After Share	After Share	After Share
		Purchase	Purchase	Purchase	Purchase
		and held as	and	and held as	and
		Treasury	cancelled	Treasury	cancelled
		shares	and	shares	cancelled
(\$'000)	Audited				
	Before				
	Share				
	Purchase				
Company					
<i>Financial Ratios</i>					
NTA per share (cents) ⁽¹⁾	24.83	25.18	25.18	24.84	24.84
Gearing (times) ⁽²⁾	–	3.65	3.65	5.08	5.08
Current Ratio (times) ⁽³⁾	2.95	2.74	2.74	2.70	2.70
Basic EPS (cents) ⁽⁴⁾	2.27	2.52	2.52	2.52	2.52
Adjusted Diluted EPS (cents) ⁽⁵⁾	2.27	2.52	2.52	2.52	2.52
Group					
Total Shareholders' Equity	140,534	131,058	131,058	129,704	129,704
Current Assets	159,746	150,270	150,270	148,916	148,916
Current Liabilities	(52,104)	(52,104)	(52,104)	(52,104)	(52,104)
Total External Indebtedness	(22,600)	(22,600)	(22,600)	(22,600)	(22,600)
Cash and Cash equivalents ⁽⁷⁾	22,700	13,224	13,224	11,870	11,870
Net Profit After Tax	17,602	17,602	17,602	17,602	17,602
Number of Shares ('000)	438,099	394,290	394,290	394,290	394,290
Number of Treasury shares ('000)	–	43,810 ⁽⁸⁾	–	43,810 ⁽⁸⁾	–
Weighted average number of Shares basic ('000)	438,099	394,290	394,290	394,290	394,290
Weighted average number of Shares diluted ('000)	438,099	394,290	394,290	394,290	394,290
<i>Financial Ratios</i>					
NTA per share (cents) ⁽¹⁾	31.66	32.78	32.78	32.43	32.43
Gearing (times) ⁽²⁾	–	6.53	6.53	7.62	7.62
Current Ratio (times) ⁽³⁾	3.07	2.88	2.88	2.86	2.86
Basic EPS (cents) ⁽⁴⁾	3.83	4.25	4.25	4.25	4.25
Adjusted Diluted EPS (cents) ⁽⁵⁾	3.83	4.25	4.25	4.25	4.25

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Notes:

- (1) NTA per share equals to NTA divided by the number of shares outstanding as at 30 June 2011.
- (2) Gearing equals to total borrowings net of cash and bank deposits divided by total equity.
- (3) Current ratio equals to total current assets divided by total current liabilities.
- (4) EPS equals to profit attributable to shareholders divided by the weighted average number of shares outstanding during the year ended 30 June 2011.
- (5) Diluted EPS equals to profit attributable to shareholders divided by the diluted weighted average number of shares outstanding during the year ended 30 June 2011.
- (6) Total indebtedness equals to Total Loan and borrowings outstanding as at 30 June 2011.
- (7) Cash and cash equivalents equal to cash and bank deposits less bank overdraft as at 30 June 2011.
- (8) Assuming the Company purchases the maximum of 10% of its Shares under the Share Purchase Mandate and that the treasury shares will be held in full during the year after purchasing.

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

2.9 Taxation

Shareholders who are in doubt as to respective tax positions or tax implications of Share Buybacks by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional tax advisers.

2.10 Listing Rules

The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST no later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement currently requires the inclusion of details of the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Buyback Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced.

In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company would not purchase or acquire any Shares through Market Purchases during the period of one month immediately preceding the announcement of the Company’s full-year results and the period of two weeks before the announcement of the first quarter, second quarter and third quarter results.

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The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities must be held by public shareholders. As at the Latest Practicable Date, approximately 42.68% of the issued Shares are held by public Shareholders. Based on the existing issued and paid-up capital of the Company as at 3 October 2011 and the assumption that, pursuant to the proposed Share Buyback Mandate, the Company purchases the maximum number of 43,809,892 Shares, approximately 36.31% of the issued Shares will be held by public Shareholders. 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 up to the full 10% limit pursuant to the proposed Share Buyback Mandate without affecting the listing status of the Shares, 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 affect orderly trading.

3. DISCLOSURE OF SHAREHOLDINGS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares of the Company are as follows:

Interests of Directors

	Direct Interest	Number of Shares	
		%	Deemed Interest %
Low Han Cheong	54,884,980	12.53	1,330,000 0.30
Law Peng Kwee	11,416,470	2.61	119,320,230 27.24
Kevin Law Cher Chuan	370,000	0.08	174,000 0.04
Loy Soo Chew	–	–	155,000 0.04
Ng Cher Yan	–	–	– –
Lim Ho Seng	–	–	– –
Lau Hwee Beng	44,530,320	10.16	1,592,500 0.36
Tan Ngiap Joo	50,000	0.01	– –

Interests of Substantial Shareholders

	Direct Interest	Number of Shares	
		%	Deemed Interest %
Lau Hung Swee & Sons Pte. Ltd. ⁽¹⁾	95,320,230	21.76	24,000,000 5.48
Low Han Cheong ⁽²⁾	54,884,980	12.53	1,330,000 0.30
Lau Hwee Beng ⁽³⁾	44,530,320	10.16	1,592,500 0.36
Law Peng Kwee ⁽⁴⁾	11,416,470	2.61	119,320,230 27.24

Note(s):

- (1) Lau Hung Swee & Sons Pte. Ltd. is deemed to have an interest in the 24,000,000 Shares held by Hong Leong Finance Nominees Pte. Ltd.
- (2) Low Han Cheong is deemed interested in the 1,330,000 Shares held by his spouse, Lucy Lim Chye Eng.
- (3) Lau Hwee Beng is deemed interested in the 92,500 Shares held by his spouse, Farah Lau and the 1,500,000 Shares held by Bio-Green Agritech Pte. Ltd.
- (4) Law Peng Kwee is deemed interested in all the Shares that Lau Hung Swee & Sons Pte. Ltd. has an interest in.

Save as disclosed above, none of the Directors has any direct or deemed interest in the share capital of the Company or any of its subsidiaries.

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4. TAKE-OVER OBLIGATIONS

4.1 Take-over Obligations

4.1.1 The attention of Shareholders is drawn to Rule 14 of the Take-over Code. A Shareholder should note that he, together with persons acting in concert with him, will incur an obligation to extend a general take-over offer for the Company if they:

- (a) acquire Shares carrying 30% or more of the voting rights of the Company, whether by a series of transactions over a period of time or not; or
- (b) hold not less than 30% but not more than 50% of the voting rights of the Company, and he or any person acting in concert with him acquires additional Shares carrying more than 1% of the voting rights of the Company in any period of six (6) months,

as a result of the Company acquiring Shares under the proposed Share Buyback Mandate.

For the avoidance of doubt, when the Company buys back its Shares, any resulting increase in the percentage of voting rights held by a Shareholder would be treated as an acquisition for the purposes of Rule 14. However, a Shareholder who is not acting in concert with the Directors will not be required to make a general offer if, as a result of the Company buying back its Shares, the voting rights of the Shareholder would increase to 30% or more, or, if the Shareholder holds between 30% and 50% of the Company's voting rights, would increase by more than 1% in any period of 6 months.

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

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert:

- (a) 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);
- (b) A company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, and any company whose associated companies include any of the above companies. For this purpose, a company is an associated company of another company if the second-mentioned company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;
- (c) A company with any of its pension funds and employee share schemes;
- (d) A person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;
- (e) A financial or other professional adviser including a stockbroker, with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

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- (f) Directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer where they have reason to believe a *bona fide* offer for their company may be imminent;
- (g) Partners;
- (h) An individual, his close relatives, his related trusts, and any person accustomed to act according to the instructions and companies controlled by any of the above; and
- (i) 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.

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

4.1.3 In general terms, the effect of Rule 14 of the Take-over Code and Appendix 2 is that:

- (a) unless exempted, directors of a company and persons acting in concert with them will incur an obligation to make a takeover offer under Rule 14 if, as a result of the company purchasing or acquiring its shares, the voting rights of such directors and their concert parties would increase to 30 per cent (30%) or more, or if the voting rights of such directors and their concert parties fall between 30 per cent (30%) and 50 per cent (50%) of the Company's voting rights, the voting rights of such directors and their concert parties would increase by more than one per cent (1%) in any period of six (6) months; and
- (b) a shareholder who is not acting in concert with directors will not be required to make a takeover offer under Rule 14 if, as a result of the company purchasing or acquiring its shares, the voting rights of such shareholder in the company would increase to thirty per cent (30%) or more, or if the voting rights of such directors and their concert parties fall between 30 per cent (30%) and fifty per cent (50%) of the company's voting rights, the voting rights of such shareholder would increase by more than one per cent (1%) in any period of six (6) months. Such shareholder need not abstain from voting in respect of the resolution authorising a share buy-back mandate.

4.2 Application of the Take-over Code

4.2.1 Background of the Company

The Company was founded by Mr. Low Han Cheong and his nephew Mr. Law Peng Kwee (the "**Founding Partners**") in 1965. At the time of the initial public offering of the Company in October 1996, the Founding Partners together with their close relatives hold the majority of the shares in the Company. Pursuant to the Take-over Code, close relatives are presumed to be parties acting in concert, as such, the Founding Partners together with their close relatives (together, the "**Family Group**") are presumed to form a concert party group pursuant to the Take-over Code.

As at the Latest Practicable Date, the Company has an issued and paid-up capital of S\$80,245,000 comprising 438,098,928 ordinary shares. As at the Latest Practicable Date, the Family Group in aggregate holds 251,135,000 Shares representing 57.32% of the issued shares of the Company.

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4.2.2 Effect of the proposed Share Buyback Mandate on the Family Group

Pursuant to the proposed Share Buyback Mandate, the Company may purchase such number of Shares representing not more than 10% of the issued ordinary share capital of the Company as at the date of the AGM at which the proposed Share Buyback Mandate is approved. For the purposes of illustration, assuming that (i) no further Shares are issued by the Company on or prior to the AGM approving the proposed Share Buyback Mandate, (ii) the Company purchases the maximum number of 43,809,892 Shares under the proposed Share Buyback Mandate, representing 10% of the total number of Shares in issue as at the date of the AGM, and (iii) such Shares are either cancelled or held as treasury shares:

- (a) the total number of Shares in issue (excluding the treasury shares) will be reduced from 438,098,928 to 394,289,036 Shares; and
- (b) the percentage of the aggregate voting rights in the Company held by the members of the Family Group will increase as follows:

	Number of Shares held ⁽¹⁾	Percentage voting rights in the Company	
		Before Share Buyback	After Share Buyback
Lau Hung Swee & Sons Pte. Ltd.	119,320,230	27.24%	30.26%
Law Peng Kwee	11,416,470	2.61%	2.90%
Lau Hwee Beng	44,530,320	10.16%	11.29%
Low Han Cheong	54,884,980	12.53%	13.92%
Remaining members of the Family Group	20,983,000	4.79%	5.32%
Total shareholdings of the Family Group	251,135,000	57.32%	63.69%

Note(s):

- (1) Shareholding calculated as at 3 October 2011.

Based on the above illustration, the respective shareholding of each member of the Family Group will increase after the proposed Share Buyback Mandate, in particular, that of Lau Hung Swee & Sons Pte. Ltd. will cross the mandatory offer threshold of Rule 14 of the Take-over Code.

4.2.4 Exemption from the obligation to make a general offer under Rule 14 of the Take-over Code

On 30 May 2007, the Company sought from the SIC a confirmation to exempt the members of the Family Group from the obligation to make a general offer for the Company under Rule 14 of the Take-over Code in relation to a rights issue based on the following reasons:

- (a) the Family Group will continue to hold in aggregate more than 50% of the total issued Shares of the Company and will remain the controlling shareholder of the Company;
- (b) Lau Hung Swee & Sons Pte. Ltd. will remain as the largest shareholder within the Family Group; and
- (c) the balance of the shareholdings within the Family Group will not change significantly as a result of the rights issue.

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On 14 June 2007, the SIC confirmed that the members of the Family Group are exempt from the obligation to make a general offer for the Company under Rule 14 of the Take-over Code based on the reasons given above (the “**2007 Confirmation Letter**”).

Consequently, because (i) the Family Group still continues to hold in aggregate more than 50% of the total issued Shares of the Company and remains the controlling shareholder of the Company; (ii) Lau Hung Swee & Sons Pte. Ltd. will still remain as the largest shareholder within the Family Group; and (iii) the balance of the shareholdings within the Family Group will not change significantly as a result of the proposed Share Buyback Mandate, the 2007 Confirmation Letter remains applicable to the Share Buyback Mandate and exempts the Family Group from making a general offer for the Company under Rule 14 of the Take-over Code if and when the shareholding of a member of the Family Group crosses the mandatory offer threshold as a result of the Share Buyback Mandate.

5. DIRECTORS’ RECOMMENDATION

The Directors are of the opinion that the proposed Share Buyback Mandate is in the interest of the Company, and accordingly recommend that the Shareholders vote in favour of the proposed Share Buyback Mandate.

Shareholders are advised to read this Appendix in its entirety and for those who may require advice in the context of their specific investment, to consult their respective stockbroker, bank manager, solicitor, accountant or other professional adviser.

6. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report 2011, will be held on 28 October 2011 at 11.00 a.m. at Kian Ann Building, 7 Changi South Lane, Singapore 486119.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint proxies to attend and vote at the AGM on their behalf should complete, sign and return the proxy form attached to the Notice of AGM in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at Kian Ann Building, 7 Changi South Lane, Singapore 486119, not less than 48 hours before the time fixed for the AGM or any postponement or adjournment thereof. The appointment of a proxy or proxies by a Shareholder does not preclude him from attending and voting in person at the AGM if he wishes to do so.

8. DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated supervision of this Appendix) have collectively and individually reviewed and approved the issue of this Appendix, and accept full responsibility for the accuracy of the information contained in this Appendix. The Directors also confirm that, having made all reasonable enquiries and to the best of their knowledge and belief, the facts stated and opinions expressed in this Appendix are fair and accurate in all material respects and that there are no other material facts the omission of which would make any statement in this Appendix misleading.

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

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9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Kian Ann Building, 7 Changi South Lane, Singapore 486119, during normal business hours from the date of this Appendix up to the date of the AGM:

- (a) the 2007 Confirmation Letter;
- (b) the Memorandum and Articles; and
- (c) the Annual Report 2011.

Yours faithfully,
For and on behalf of the Board of Directors
Kian Ann Engineering Ltd

Low Han Cheong
Chairman