

CIRCULAR DATED 31 January 2005

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about this Circular or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Econ International Limited held through The Central Depository (Pte) Limited ("CDP"), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

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



**ECON**

**ECON INTERNATIONAL LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration No. 198700983H)

**CIRCULAR TO SHAREHOLDERS**

in relation to

- (A) **THE PROPOSED CAPITAL REDUCTION EXERCISES;**
- (B) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 4,500,000,000 NEW SHARES ("SCHEME SHARES") IN THE CAPITAL OF THE COMPANY AT AN ISSUE PRICE OF \$0.015 FOR EACH SCHEME SHARE IN CONNECTION WITH THE EIL SCHEME; AND**
- (C) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY THE SHAREHOLDERS OF THE COMPANY OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM UNITED OVERSEAS BANK LIMITED ARISING FROM THE ISSUE OF THE SCHEME SHARES TO IT.**

**KPMG BUSINESS ADVISORY PTE LTD**  
**SCHEME ADMINISTRATOR**  
**IN RELATION TO THE EIL SCHEME**

**DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD**  
**INDEPENDENT FINANCIAL ADVISOR**  
**IN RELATION TO THE PROPOSED WHITEWASH WAIVER**

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form : 21 February 2005 at 9.30 a.m.  
Date and time of Extraordinary General Meeting : 23 February 2005 at 9.30 a.m.  
Place of Extraordinary General Meeting : 2 Ang Mo Kio Street 64  
Ang Mo Kio Industrial Park 3  
Singapore 569084

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## DEFINITIONS

The following definitions apply throughout this Circular unless otherwise stated:-

<i>“ACRA”</i>	:	The Accounting and Corporate Regulatory Authority of Singapore
<i>“Approved Claim”</i>	:	Any claim of a Participating Creditor which has been admitted by the Scheme Administrator pursuant to paragraph 5B of the EIL Scheme
<i>“Articles”</i>	:	The Articles of Association of the Company
<i>“Board”</i>	:	The board of directors of the Company
<i>“Capital Reduction 1”</i>	:	The proposed capital reduction exercise to be carried out by the Company pursuant to Section 73 of the Companies Act to reduce the par value of each ordinary share from \$0.20 to \$0.001 and to cancel an amount of \$66,462,528 standing to the credit of the share premium account in the books of the Company as at 31 March 2004
<i>“Capital Reduction 2”</i>	:	The proposed capital reduction exercise to be carried out by the Company pursuant to Section 73 of the Companies Act after the Effective Date, to be effected by cancelling an amount of up to \$42,273,204 standing to the credit of the share premium account in the books of the Company after the issue of the Scheme Shares
<i>“Capital Reduction Exercises” or “proposed Capital Reduction Exercises”</i>	:	The proposed capital reduction exercises comprising Capital Reduction 1 and Capital Reduction 2 to be carried out by the Company pursuant to Section 73 of the Companies Act
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Code”</i>	:	The Singapore Code on Take-overs and Mergers
<i>“Company”</i>	:	Econ International Limited
<i>“Companies Act”</i>	:	The Companies Act, Chapter 50 of Singapore as amended or modified from time to time
<i>“Court Meeting”</i>	:	Meeting of the Creditors convened at the direction of the Court and held on 31 March 2004 for the purpose of approving the EIL Scheme
<i>“Creditors”</i>	:	All unsecured creditors of the Company arising out of any transaction, act or omission of the Company or of any other persons whether the claim be present, future or contingent or whether liquidated or sounding in damages and whether in contract or tort or otherwise, excluding the Preferential Creditors as at the Fixed Date
<i>“Crystallisation” or “Crystallised”</i>	:	In relation to the Company’s contingent liabilities owed to Related Corporation Creditors, in respect of performance bond indemnities, upon the Related Corporation Creditor having made payment in accordance with the terms of the performance bonds and upon demand being made by such Related Corporation Creditor against the Company
<i>“Directors” or “Independent Directors”</i>	:	The directors of the Company as at the date of this Circular, all of whom are deemed to be independent for the purpose of the Whitewash Resolution
<i>“Effective Date”</i>	:	The date on which Capital Reduction 1 become effective, being the date on which the order of the High Court confirming Capital Reduction 1 is lodged with ACRA

<i>“EGM”</i>	:	The extraordinary general meeting of the Company, notice of which is set out on pages 38 to 40 of this Circular
<i>“EIL Scheme”</i>	:	The proposed scheme of arrangement for the Company pursuant to Section 210 of the Act as approved by the Creditors at the Court Meeting convened on 31 March 2004, and as sanctioned by the High Court on 23 April 2004, and lodged with ACRA on the Scheme Lodgement Date
<i>“EIPL”</i>	:	Econ Industries Pte Ltd
<i>“ESOS”</i>	:	The Company’s share option scheme known as the “Econ Share Option Scheme 1999”
<i>“Explanatory Statement”</i>	:	The explanatory statement issued by the Company in connection with the EIL Scheme pursuant to Section 211 of the Companies Act
<i>“Fixed Date”</i>	:	31 March 2004
<i>“General Offer”</i>	:	A mandatory general offer in accordance with Rule 14 of the Code and Section 139 of the SFA (Cap. 289)
<i>“Group”</i>	:	The Company, its subsidiaries and its associates collectively
<i>“Group A Creditors”</i>	:	Creditors in whose favour the Company granted corporate guarantees and/or indemnities to secure loan/banking/performance bond facilities or in support of contracts granted to entities within the Group stated in <b>APPENDIX E</b> of the Explanatory Statement which, at the date of the Explanatory Statement, are or are expected to be in the process of being liquidated, placed under judicial management or interim judicial management, or disposed of
<i>“Group B Creditors”</i>	:	Creditors in whose favour the Company granted corporate guarantees and/or indemnities to secure loan/banking/performance bond facilities or in support of contracts granted to entities within the Group stated in <b>APPENDIX F</b> of the Explanatory Statement, which as at the date of the Explanatory Statement, are on-going concerns
<i>“High Court”</i>	:	The High Court of the Republic of Singapore
<i>“Independent Financial Adviser” or “DTCF”</i>	:	Deloitte & Touche Corporate Finance Pte Ltd
<i>“Independent Shareholders”</i>	:	The Shareholders who are deemed to be independent for the purposes of the Whitewash Resolution
<i>“Latest Practicable Date”</i>	:	28 January 2005, being the latest practicable date prior to the printing of this Circular
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST as amended or modified from time to time
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“NAV”</i>	:	Net asset value
<i>“Participating Creditor”</i>	:	A Creditor, including an agent of or trustee for such Creditor who seeks to participate in the EIL Scheme in his stead and on his behalf, whose claim against the Company is admitted by the EIL Scheme Administrator pursuant to paragraph 5B of the EIL Scheme
<i>“Preferential Creditors”</i>	:	All unsecured Creditors of the Company whose claims against the Company rank in priority pursuant to Section 328(1)(b) to (g) of the Companies Act

<i>“Related Corporation”</i>	:	In relation to a corporation, means a corporation that is deemed to be related to the first-mentioned corporation by virtue of Section 6 of the Companies Act
<i>“Related Corporation Creditor”</i>	:	Group A Creditor and/or Group B Creditor
<i>“Scheme Administrator”</i>	:	KPMG Business Advisory Pte. Ltd. or such other person appointed as the administrator of the EIL Scheme
<i>“Scheme Document”</i>	:	The document dated 10 March 2004 issued to the Creditors for the purpose of the Court Meeting containing a copy of each of the Notice of the terms of the EIL Scheme, the EIL Scheme and the Explanatory Statement as modified and sanctioned by the High Court
<i>“Scheme Effective Date”</i>	:	Date on which all the conditions precedents set out under paragraph 3.3 of this Circular are satisfied
<i>“Scheme Lodgement Date”</i>	:	5 May 2004, being the date on which a copy of the order of Court sanctioning the EIL Scheme was lodged with ACRA pursuant to Section 210(5) of the Companies Act
<i>“Scheme Shares”</i>	:	Up to 4,500,000,000 new shares of par value of \$0.001 each in the capital of the Company to be allotted and issued pursuant to the EIL Scheme to the Participating Creditors, at an issue price of \$0.015 per Scheme Share, in full and final satisfaction and discharge of the Approved Claims
<i>“Secured Creditors”</i>	:	Creditors of the Company in respect of which security has been granted over the Company’s assets to secure debts owed by the Company
<i>“Secured Portion”</i>	:	The amount of proceeds obtained from the realization of the assets which are the subject matter of a security (which has been granted to secure debts owed by the Company)
<i>“Securities Account”</i>	:	A securities account maintained by a Depositor with CDP
<i>“SIC”</i>	:	Securities Industry Council
<i>“SFA”</i>	:	The Securities and Futures Act (Cap. 289) of Singapore as amended or modified from time to time
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Share Options”</i>	:	Options to subscribe for new Shares granted pursuant to the ESOS
<i>“Share Registrar”</i>	:	Lim Associates (Pte) Ltd, the Company’s share registrar
<i>“Shareholders”</i>	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Account are credited with Shares
<i>“Shares”</i>	:	Ordinary shares in the capital of the Company
<i>“UOB”</i>	:	United Overseas Bank Limited
<i>“Whitewash Resolution”</i>	:	The proposed resolution for the waiver by the Shareholders of their right to receive a General Offer from UOB and parties acting in concert with it for all the Shares not already owned or controlled by them
<i>“\$” and “cents”</i>	:	Singapore dollars and cents respectively
<i>“%” or “per cent.”</i>	:	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 Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined in the Companies Act, the SFA, the Listing Manual or any modification thereof and used in this Circular shall have the meaning assigned to it under the Companies Act, the SFA, the Listing Manual or such modification, as the case may be, unless the context otherwise requires.

Any discrepancies in tables included herein between the amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

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

# ECON INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 198700983H)

## Directors:-

Chew Tiong Kheng (Chairman)  
Joseph Sin Kam Choi (President)  
Geoffrey Yeoh S. H.  
Heng Chiang Meng  
Sydney Michael Hwang

## Registered Office:-

2 Ang Mo Kio Street 64  
Ang Mo Kio Industrial Park 3  
Singapore 569084

31 January 2005

To: The Shareholders of Econ International Limited

Dear Sir/Madam

- (A) **THE PROPOSED CAPITAL REDUCTION EXERCISES;**
- (B) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 4,500,000,000 NEW SHARES (“SCHEME SHARES”) IN THE CAPITAL OF THE COMPANY AT AN ISSUE PRICE OF \$0.015 FOR EACH SCHEME SHARE IN CONNECTION WITH THE EIL SCHEME; AND**
- (C) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY THE SHAREHOLDERS OF THE COMPANY OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM UNITED OVERSEAS BANK LIMITED ARISING FROM THE ISSUE OF THE SCHEME SHARES TO IT.**

## 1. INTRODUCTION

At a creditors' meeting held on 31 March 2004 for the purpose of presenting, considering and approving a scheme of arrangement proposed to be made between the Company and its unsecured creditors, 90% in number and 99% in value of the Creditors present and voting in person or by proxy approved the EIL Scheme.

On 30 March 2004, in connection with the offer of the Scheme Shares to the Participating Creditors, an offer information statement was lodged with the Monetary Authority of Singapore and posted on the MASNET.

The EIL Scheme was sanctioned by the High Court of Singapore on 23 April 2004.

Under the terms of the EIL Scheme, each Creditor shall be issued with the Shares at \$0.015 per Share in full satisfaction of their claims.

The purpose of this Circular is to provide you with information pertaining to, and to seek your approval for, the Capital Reduction Exercises and the proposed allotment and issue of the Scheme Shares, and to seek the Independent Shareholders' approval for the Whitewash Resolution at the forthcoming EGM to be held on 23 February 2005.

## 2. INFORMATION RELATING TO THE CAPITAL REDUCTION EXERCISES

### 2.1 Background and Rationale

As mentioned in paragraph 1 above, under the EIL Scheme, the Shares to be issued to the Creditors is to be issued at \$0.015 per Share, which is lower than the current par value of \$0.20 per Share.

Accordingly, given that the Companies Act prohibits a company from issuing its shares below their par value (subject to certain conditions), Capital Reduction 1, which will reduce the par value of each ordinary share from \$0.20 to \$0.001, would serve to allow the Company to undertake the issue of the Shares to Creditors under the terms of the EIL Scheme.

Capital Reduction 1 will also allow the Company the flexibility to undertake future equity-related fund raising to recapitalise and strengthen the balance sheet of the Company or for other corporate exercises involving the issue of Shares. It is accordingly most desirable that Capital Reduction 1 should be effected as soon as practicable so that the Company can take advantage of opportunities when they arise.

As at 31 March 2004, the Company has accumulated losses of \$219,118,486 (the "Accumulated Losses"). Part of the purpose of Capital Reduction 1 and Capital Reduction 2, is to write off all the Accumulated Losses in the books of the Company.

The reduction of the share premium account of the Company, which is no longer represented by assets, would rationalise the Company's balance sheet, and upon completion of the Capital Reduction Exercises, the Company's Accumulated Losses will be reduced to nil.

## **2.2 Details of the Capital Reduction Exercises**

### **A. Capital Reduction 1**

The authorised capital of the Company is \$200,000,000 divided into 1,000,000,000 ordinary shares of \$0.20 each. As at 31 March 2004, the issued and paid up capital of the Company is \$110,937,441.20 divided into 554,687,206 ordinary shares of \$0.20 each.

Capital Reduction 1 will be carried out pursuant to Section 73 of the Companies Act and, based on the issued and paid up capital of the Company as at 31 March 2004, will result in the Company's issued and paid-up share capital being reduced from \$110,937,441.20 divided into 554,687,206 ordinary shares of \$0.20 each to \$554,687.21 divided into 554,687,206 ordinary shares of \$0.001 each. An amount of \$66,462,528 standing to the credit of the share premium account in the books of the Company as at 31 March 2004 will also be cancelled.

The effects of Capital Reduction 1 will be as follows:-

- (a) the paid-up capital of the Company will be cancelled to the extent of \$0.199 on each of the 554,687,206 Shares which have been issued and fully paid-up or credited as fully paid-up as at the Latest Practicable Date;
- (b) the par value of all Shares, both issued and unissued, will be reduced from \$0.20 to \$0.001 each;
- (c) the amount of \$66,462,528 standing to the credit of the share premium account in the books of the Company as at 31 March 2004 will be cancelled; and
- (d) forthwith upon Capital Reduction 1 taking into effect:-
  - (i) an aggregate amount equal to \$176,845,281.99, being the credit arising from Capital Reduction 1, will be applied to write off part of the accumulated losses of the Company as at 31 March 2004; and
  - (ii) the authorised capital of the Company, which shall have been reduced from \$200,000,000 comprising of 1,000,000,000 Shares of par value \$0.20 each to \$1,000,000 comprising of 1,000,000,000 Shares of par value \$0.001 each, will be increased to \$10,000,000 by the creation of an additional 9,000,000,000 Shares of par value \$0.001 each.

In summary, the overall effect of Capital Reduction 1 will be to reduce the present and paid-up capital of the Company by \$110,382,753.99, cancel an amount of \$66,462,528 standing to the credit of the share premium account in the books of the Company as at 31 March 2004 and write off \$176,845,281.99 of the accumulated losses of the Company as at 31 March 2004.

B. Capital Reduction 2

Subject to the issue of the Scheme Shares at an issue price of \$0.015 to the Participating Creditors, Capital Reduction 2 will be carried out pursuant to Section 73 of the Companies Act and will be effected by cancelling an amount of up to \$42,273,204 standing to the credit of the share premium account in the books of the Company after the issue of the Scheme Shares, and, forthwith upon Capital Reduction 2 taking effect, an amount of \$42,273,204, being the credit arising from Capital Reduction 2, will be applied to writing off the balance of the accumulated losses of the Company as at 31 March 2004.

C. Share Options

The Company has granted Share Options under the ESOS which are exercisable into Shares. As at the Latest Practicable Date, there were 3,641,000 outstanding Share Options enabling the holders thereof to subscribe for an aggregate of 3,641,000 Shares. In the event that all the outstanding Share Options are exercised prior to the Effective Date, the issued and paid-up capital of the Company would be \$558,328. Shares that are allotted and issued by the Company prior to the Effective Date, in connection with the exercise of Share Options under the ESOS, would be subject to Capital Reduction 1. However, the outstanding Share Options are not expected to be exercised as the exercise prices are significantly above the last traded price of \$0.045 per share as at 27 November 2003.

### 2.3 Approvals required for the Capital Reduction Exercises

The implementation of Capital Reduction 1 and Capital Reduction 2 are subject to, *inter alia*, the following:-

- (a) Shareholders' approval, which will be proposed as special resolutions at the EGM; that is to say, each of Capital Reduction 1 and Capital Reduction 2 has to be approved by a majority of not less than three-fourths of the Shareholders of the Company present and voting at the EGM at which not less than 21 days' notice of the EGM shall have been given;
- (b) Confirmation of the High Court; and
- (c) Filing of the court orders confirming the respective Capital Reduction Exercises with ACRA, after which each of Capital Reduction 1 and Capital Reduction 2 will become effective.

### 2.4 Listing Status

Approval in-principle has been obtained from the SGX-ST on 10 November 2004 for the listing and quotation of the Shares of \$0.001 each arising from the Capital Reduction 1. Such approval is not an indication of the merits of the Company, the Group, the Shares, the EIL Scheme, the Scheme Shares or the Capital Reduction Exercises.

### 2.5 Shareholders' Entitlement to the Shares

Upon the approval of the Capital Reduction Exercise(s) by the requisite majority of Shareholders and the special resolutions being duly passed at the EGM as mentioned above, application will be made to the High Court by the Company for its confirmation of the Capital Reduction Exercise(s).

After the Capital Reduction Exercise(s) is/are confirmed by the High Court, an announcement will be issued by the Company (the “Capital Reduction Announcement”) to notify Shareholders of the effective date(s) of the respective Capital Reduction Exercises.

(a) Deposit of Share Certificates with CDP

Shareholders who hold physical share certificates for Shares in their own names (the “Old Share Certificates”) and who wish to deposit the same with CDP and have their Shares credited to their Securities Accounts must deposit their Old Share Certificates, together with the duly executed instruments of transfer in favour of CDP, no later than five (5) Market Days prior to the Effective Date. After the Effective Date, CDP will only accept for deposit share certificates for ordinary shares in the Company which reflect a par value of \$0.001 each (the “New Share Certificates”). Shareholders who wish to deposit their share certificates with CDP after the Effective Date must first deliver their Old Share Certificates to the Share Registrar. The New Share Certificates will then be sent by ordinary mail to the registered addresses of the Shareholders at their own risk within fifteen (15) Market Days from the date of receipt of the Old Share Certificates.

(b) Issue of New Share Certificates

**Depositors having Shares standing to the credit of their Securities Account and Shareholders who have deposited their Old Share Certificates with CDP at least five (5) Market Days prior to the Effective Date need not take any action.** The Company will arrange with CDP to facilitate the exchange of New Share Certificates pursuant to the Capital Reduction Exercise(s). Shareholders who have not deposited their Old Share Certificates as aforesaid or who do not wish to deposit their Old Share Certificates with CDP are advised to forward all their Old Share Certificates to the Share Registrar, as soon as possible after they have been notified of the relevant date in the Capital Reduction Announcement and preferably, not later than five (5) Market Days after the Effective Date for cancellation and exchange for New Share Certificates. The New Share Certificates will be sent by ordinary mail to the registered addresses of the Shareholders at their own risk, within fifteen (15) Market Days from the Effective Date or the date of receipt of the Old Share Certificates, whichever is the later.

Shareholders who hold physical share certificates are reminded that their Old Share Certificates will no longer be good for settlement of trading in the Company’s Shares on the SGX-ST (as the Company is under a book-entry scripless settlement system) but will continue to be accepted for cancellation and issue of New Share Certificates in replacement thereof for an indefinite period by the Share Registrar. The New Share Certificates will not be valid for delivery pursuant to trades done on SGX-ST although they will continue to be *prima facie* evidence of legal title.

Shareholders are to deliver their respective Old Share Certificates to the Share Registrar or CDP in accordance with the provisions set out in this section only after the Capital Reduction Announcement is made.

No receipts will be issued by the Share Registrar for the receipt of physical Old Share Certificates tendered.

**Shareholders should note that New Share Certificates will not be issued to Shareholders unless their Old Share Certificates have been tendered to the Share Registrar for cancellation.**

A Shareholder should notify the Share Registrar if he has lost any of his existing Old Share Certificates or if there is any change in his address from that reflected in the Register of Members.

After the Capital Reduction Exercise(s), the Register of Members and transfer books with respect of the Shares will be maintained at the office of the Share Registrar at 10 Collyer Quay, #19-08, Ocean Building, Singapore 049315.

### 3. SUMMARY OF THE EIL SCHEME

#### 3.1 Issue of Scheme Shares

Under the EIL Scheme, which involves a debt to equity conversion and the terms of which were reviewed by the Directors, each Participating Creditor shall, subject to other provisions of the EIL Scheme, be allotted and issued such number of the Scheme Shares at an issue price of \$0.015 (one and a half Singapore cents) per Scheme Share in satisfaction of an equivalent amount of their Approved Claims. The aggregate issue price of the Scheme Shares to be issued to the Participating Creditors is expected to represent 100% of the Approved Claims. No fractions of a Scheme Share shall be issued, and the number of Scheme Shares to be received by each Participating Creditor shall be rounded down to the nearest whole number. The issue price of \$0.015 for the Scheme Shares represents a discount of approximately 67% to the price per Share on the SGX-ST of \$0.045 which was the last transacted price at the close of trading on 27 November 2003 being the date immediately before the trading of the Shares were suspended. As at 31 March 2004, the date of the latest available audited accounts, the net asset value per Share of the Group was a negative 7.2 cents.

The Scheme Shares shall be:-

- (a) issued free from all encumbrances and shall rank pari passu with the Shares existing as at the date of their issue except that they shall not be entitled to any rights, dividends or distributions the record date of which falls before their date of issue;
- (b) issued within one month from the Scheme Effective Date (the "Issue Date");
- (c) with respect to each Approved Claim based on a contingent claim, issued within three months of the Crystallisation of such contingent claim but, unless the Company deems fit, no earlier than one month from the date on of the Scheme Effective Date, to the relevant Participating Creditor; and
- (d) prohibited from being traded via the SGX-ST over a staggered period as set out below:

Percentage of Scheme Shares issued to each Participating Creditor	Period of Prohibition
33 1/3%	no prohibition
33 1/3%	1 year from the Issue Date
33 1/3%	2 years from the Issue Date

For the avoidance of doubt, the prohibition in this paragraph 3.1(d) only relates to the trading of the Scheme Shares via the SGX-ST and does not prohibit any off-market sale of the same. Each Participating Creditor shall ensure that each subsequent purchaser of the relevant Scheme Shares within the applicable period of prohibition shall be similarly obliged to adhere to the prohibition in this paragraph 3.1(d).

The Directors, subject to the terms of the EIL Scheme, may, at their discretion, lift the prohibition under paragraph 3.1(d) above.

#### 3.2 Effect of Implementation of the EIL Scheme

From the Scheme Effective Date, no Participating Creditor shall, whether in Singapore or elsewhere, in respect of claims as at the Fixed Date, commence or continue any action, proceeding, suit or arbitration against the Company or levy any distress or execution or order against the Company or any of its assets or take any steps to wind up the Company or procure the appointment of a judicial manager or a receiver or a receiver and manager over the Company or any of its assets or undertaking, in any court or tribunal or extra-judicially save to enforce rights conferred on them under the EIL Scheme.

As at the Latest Practicable Date, claims from Creditors, including claims for uncrystallised liabilities amounting to an aggregate of approximately \$60.62 million had been admitted by the Scheme Administrator.

In consideration for the issue of the Scheme Shares by the Company to it, each Related Corporation Creditor as beneficial owner irrevocably assigns absolutely to the Company, free from all liens, charges and other encumbrances, all its present and future rights, title and interest in and to, and all benefits accrued and to accrue to him in respect of the debt owing by the relevant Related Corporation to it for an amount equivalent to 100% of its Approved Claim (the “Assigned Debt”). Such assignment shall take effect on the date of issue of the Scheme Shares to such Related Corporation Creditor. The Company shall be entitled to claim against the relevant Group entity for the Assigned Debt on a *pari passu* basis with the other unsecured creditors of that entity.

In consideration for the issue of the Scheme Shares by the Company to it, the claim of each Participating Creditor shall be forthwith extinguished and discharged.

Upon the issue of the Scheme Shares, no claims shall be made by the Participating Creditors against the Company and all proceedings against the Company shall be discontinued and withdrawn with each party bearing its own costs. No Participating Creditor shall commence any fresh suits against the Company except with leave of Court.

Based on the claims from Creditors amounting to an aggregate of approximately \$60.62 million which had been admitted by the Scheme Administrator, the Company will be required to issue 4,041,246,251 Scheme Shares to the Participating Creditors. However, the Company is seeking approval to allot and issue up to 4,500,000,000 Scheme Shares in order to provide for additional claims which may be filed by the Creditors and approved by the Scheme Administrator.

Amongst the Participating Creditors, it is proposed that two Directors, namely Mr Heng Chiang Meng and Mr Sydney Michael Hwang, to whom debts of \$30,000 and \$25,000 respectively are also owed, be allotted and issued an aggregate of approximately 3.67 million Scheme Shares as full and final settlement for outstanding debts to them amounting to an aggregate of \$55,000. The 3.67 million Scheme Shares represent approximately 0.09% of the total number of Scheme Shares proposed to be allotted and issued.

In accordance with Rule 804 of the Listing Manual, the proposed issue of Scheme Shares to Mr Heng Chiang Meng and to Mr Sydney Michael Hwang as aforesaid respectively, the “Heng Allotment” and the “Hwang Allotment”) will be tabled at the EGM for Shareholders’ approval as Resolution 3 and Resolution 4 respectively.

As at the Latest Practicable Date, Mr Heng Chiang Meng, being an Independent Director and a Participating Creditor, does not have any interest, direct or indirect, in any Shares. He will decline from acting as proxy for any Shareholder in relation to Resolution 2 (being the ordinary resolution relating to the issue of Scheme Shares) and Resolution 3 (being the ordinary resolution relating to the Heng Allotment).

Mr Sydney Michael Hwang, being an Independent Director, a Shareholder and a Participating Creditor, will abstain from voting at the EGM on Resolution 2 (being the ordinary resolution relating to the issue of Scheme Shares) and Resolution 4 (being the ordinary resolution relating to the Hwang Allotment) and will decline from acting as proxy for any other Shareholder in relation to the same.

As far as the Directors are aware, neither Mr Heng Chiang Meng nor Mr Sydney Michael Hwang has any agreement, arrangement or understanding (whether formal or informal) with any of the other Creditors pursuant to which either of them could have directed or instructed the other Creditors on the exercise of the voting rights at the Court Meeting in relation to the EIL Scheme.

### **3.3 Conditions Precedent for the EIL Scheme**

The EIL Scheme is conditional upon the following conditions being met as hereinafter provided:-

- (a) the approval by a majority vote in number, comprising 75% of the value of the Creditors present and voting at a meeting being obtained, to the EIL Scheme;
- (b) the sanction of the Court pursuant to Section 210 of the Companies Act being obtained and a copy of the order of the Court sanctioning the EIL Scheme being lodged with ACRA pursuant to Section 210(5) of the Companies Act;
- (c) the approval of the members of the Company being obtained to the allotment and issue of the Scheme Shares to the Participating Creditors and such approvals from the authorities, including the SGX-ST for the listing and quotation of the new Shares in the capital of the Company under the terms of the EIL Scheme;
- (d) the EIL Scheme and the implementation thereof not being in conflict with, or resulting in a breach of or default under any law, regulation, order, agreement, instrument, concession, licence, permit, liability, obligation or duty applying to the Company or by which the Company is bound;
- (e) all other consents and approvals which the Company and/or the Scheme Administrator may deem necessary or desirable to be obtained for and in connection with the issuance of EIL Shares being obtained and such consents and approvals remaining in full force and effect; and
- (f) Capital Reduction 1 being effected.

In respect of condition (a) above, the requisite approval of the Creditors was obtained at the Court Meeting held on 31 March 2004. In respect of condition (b) above, the confirmation and sanction by the Court pursuant to Section 210 of the Act was obtained on 23 April 2004, and was lodged with ACRA on 5 May 2004.

In respect of condition (c) above, the SGX-ST had on 28 January 2005 granted approval in-principle for the listing and quotation of the Scheme Shares on the SGX-ST. Such approval is not an indication of the merits of the Company, the Group, the Shares, the Scheme Shares or the Capital Reduction Exercise. In respect of condition (e) above, the SIC had on 27 January 2005 in its letter set out the requirements for the waiver of General Offer (see paragraph 8).

In respect of obtaining the approval of the members of the Company for (i) the allotment and issue of the Scheme Shares to the Participating Creditors stated at condition (c) above; and (ii) Capital Reduction 1 at condition (f) above, these are the subjects of this Circular for which the EGM will be convened on 23 February 2005 for Shareholders to consider.

## **4. RATIONALE FOR THE EIL SCHEME**

**4.1** The Directors believe for the following reasons that Shareholders and Creditors alike will benefit if the Group is given an opportunity to trade through their current difficulties upon the implementation of the EIL Scheme:-

- (a) to preserve the listing status of the Company so that the Company can undertake to acquire new businesses, which may in turn result in a higher share price and therefore, benefit the Shareholders and Participating Creditors;
- (b) to facilitate the resumption of trading of the Company's shares on the SGX-ST;

- (c) to discharge and/or restructure, in an orderly manner, the whole of the Company's indebtedness and/or contingent liabilities as at the Fixed Date so as to ensure that the Company's creditors and prospective creditors receive a higher return than they would otherwise receive in the event of the Company going into liquidation or judicial management; and
- (d) to allow the continuation of the business of the Group for the benefit of the Company's creditors and Shareholders. From the Company's point of view, the EIL Scheme, if successful, will enable the Company to compromise its debts, both existing and contingent. This, together with the likely continued support of its bankers/financial institutions, will greatly facilitate the Company and its subsidiaries in getting back on its feet.

4.2 Although some members of the Group are not presently insolvent, their profits and revenues are not commensurate with that generally expected of a listed group. Therefore, the Company is taking and will continue to take pro-active steps to acquire a new business (the "Acquisition"). It is contemplated that the Company will issue new shares in consideration for the Acquisition and the sellers of the new business will become new majority shareholders of the Company. Such Acquisition, if viewed favourably by the market, may result in a higher trading price for the Shares which will in turn, benefit the Shareholders and Participating Creditors. However, the successful implementation of the EIL Scheme is essential before such Acquisition can take place.

## 5. RISK FACTORS

The Company will not be able to continue as a going concern unless the EIL Scheme, which has been approved by the Creditors and sanctioned by the High Court, is put into effect. Accordingly, if the EIL Scheme does not succeed, the Company will likely be liquidated.

Shareholders should note that should the EIL Scheme succeed, the business prospects of the Company and its subsidiaries would still remain uncertain. Accordingly, the Company is seeking other business opportunities such as the Acquisition. In view of the Company's financial position, any Acquisition is likely to be by way of issuance of new Shares. Shareholders will face the likelihood of future dilutions of shareholdings arising from such new issues and possible changes to the shareholding composition as a result.

Shareholders should also be aware that there is no assurance or certainty that an Acquisition can be implemented; nor is it possible for the Company to contemplate or predict the extent of bargaining or negotiation strength that the Company has in order to favourably dictate terms and conditions for such Acquisition.

Whilst current regulations by the SGX-ST do not restrict an Acquisition that results in a reverse takeover such that the vendors of the businesses which are the subject matter of the Acquisition become the controlling shareholders, Shareholders should be cautioned that regulations or policies of the SGX-ST may change in the future.

## 6. FINANCIAL EFFECTS OF THE CAPITAL REDUCTION EXERCISES AND THE EIL SCHEME

The implementation of the Capital Reduction Exercises will not have any effect on the earnings, NAV and gearing of the Company and of the Group, as the Capital Reduction Exercises are an accounting procedure that collectively, writes off all of the Accumulated Losses. **No capital will be returned to Shareholders and the number of issued Shares immediately after Capital Reduction 1 will remain the same. For Capital Reduction 2, no capital will be returned to Shareholders and the number of issued Shares immediately after Capital Reduction 2, after taking into account the issue of the Scheme Shares, will remain the same.**

**Shareholders are advised to read this section of the Circular carefully and to note that the proforma financial effects set out in this paragraph are for illustrative purposes only.**

The implementation and the issue of the Scheme Shares pursuant to the EIL Scheme will have a positive effect on the NAV and gearing of the Company and of the Group, as approximately \$60.62 million of debts (including contingent liabilities and based on the amount of debt admitted by the Scheme Administrator under the EIL Scheme) will be capitalised in the books of the Company. For illustration purposes of the financial effects under this paragraph 6, the Company has excluded contingent liabilities of approximately \$3.21 million for which 214,084,933 Scheme Shares would otherwise be issued if such contingent liabilities Crystallised. This exclusion was made for two reasons: (i) there are reasonable possibilities that such contingent liabilities may not become Crystallised; and (ii) even if such contingent liabilities are Crystallised, they would not have any net impact on the NAV. (Crystallised contingent liabilities would on one hand reduce the NAV; but on the other hand, when Scheme Shares are issued for such Crystallised liabilities, the NAV would be restored and therefore result in no net impact.)

Accordingly, for illustration purposes, the Company has assumed that 3,827,161,333 Scheme Shares will be issued for approximately \$57.41 million of liabilities (excluding contingent liabilities which are unlikely to be Crystallised) which will be capitalised under the EIL Scheme.

See Appendix 2 for the audited balance sheet of the Group as at 31 March 2004 and proforma balance sheet after the Capital Reduction Exercises and after the issue of the Scheme Shares.

## 6.1 Financial Effects of Capital Reduction 1

The effects of Capital Reduction 1 on the share capital and Shareholders' funds of the Company, based on the audited financial statements of the Company as at 31 March 2004, on the assumption that they were carried out on 31 March 2004, are as follows:-

### (a) Share Capital

	Par Value	As at 31 March 2004 No. of Shares	\$
<b>Authorised Share Capital</b>			
Before Capital Reduction 1	\$0.20	1,000,000,000	200,000,000
After Capital Reduction 1 and the increase of the authorised share capital of the Company to \$10,000,000	\$0.001	10,000,000,000	10,000,000
<b>Issued and Paid-up Share Capital</b>			
Before Capital Reduction 1	\$0.20	554,687,206	110,937,441
After Capital Reduction 1	\$0.001	554,687,206	554,687

### (b) Shareholders' Funds

	Before Capital Reduction 1 \$	After Capital Reduction 1 \$
Share Capital	110,937,441	554,687
Share Premium	66,462,528	-
Retained Earnings/ (Accumulated Losses)	(219,118,486)	(42,273,204)
Shareholders' Equity	(41,718,517)	(41,718,517)

## 6.2 Financial Effects of the Issue of the Scheme Shares After Capital Reduction 1

The financial effects of the implementation of the EIL Scheme and issue of the Scheme Shares pursuant to the EIL Scheme, based on the audited financial statements of the Company and the Group (as the case may be) as at 31 March 2004, on the assumption that Capital Reduction 1 has been completed and effected immediately prior to the issue of the Scheme Shares on 31 March 2004 are as follows:-

### SHARE CAPITAL

	As at 31.3.2004	Company	
		After Capital Reduction 1 and before issue of Scheme Shares	After Capital Reduction 1 and after issue of Scheme Shares
No. of Shares issued	554,687,206	554,687,206	4,381,848,539
Issued and Paid-Up Share Capital (\$)	110,937,441	554,687	4,381,849
Share Premium (\$)	66,462,528	-	53,580,259
Retained Earnings/ (Accumulated Losses) (\$)	(219,118,486)	(42,273,204)	(42,273,204)
Shareholders' Equity (\$)	(41,718,517)	(41,718,517)	15,688,904

### EARNINGS

	Group	
	Before issue of the Scheme Shares	After issue of the Scheme Shares
Audited Group profit after tax and minority interest for financial year ended 31 March 2004 (\$'000)	5,460	5,460
No. of Shares ('000)	554,687	4,381,849
Adjusted Group profit per Share (cents)	0.98	0.12

### NAV

#### Company

Audited Company NAV as at 31.3.2004 (\$'000)	(41,719)
No. of shares after Capital Reduction 1 but before the issue of the Scheme Shares ('000)	554,687
Adjusted Company NAV after Capital Reduction 1 but before the issue of the Scheme Shares (\$'000)	(41,719)
No. of shares after Capital Reduction 1 and after the issue of the Scheme Shares ('000)	4,381,849
Adjusted Company NAV after Capital Reduction 1 and after the issue of the Scheme Shares (\$'000)	15,689
Adjusted Company NAV per Share after Capital Reduction 1 but before the issue of the Scheme Shares (cents)	(7.5)
Adjusted Company NAV per Share after Capital Reduction 1 and after the issue of the Scheme Shares (cents)	0.4

## **Group**

Audited Group NAV as at as at 31.3.2004 (\$'000)	(40,114)
No. of shares after Capital Reduction 1 but before the issue of the Scheme Shares ('000)	554,687
Adjusted Group NAV after Capital Reduction 1 but before the issue of the Scheme Shares (\$'000)	(37,816)
No. of shares after Capital Reduction 1 and after the issue of the Scheme Shares ('000)	4,381,849
Adjusted Group NAV after Capital Reduction 1 and after the issue of the Scheme Shares (\$'000)	19,592
Adjusted Group NAV per Share after Capital Reduction 1 but before the issue of the Scheme Shares (cents)	(6.8)
Adjusted Group NAV per Share after Capital Reduction 1 and after the issue of the Scheme Shares (cents)	0.4

Notes:-

- (1) The Adjusted Group NAV means the Group NAV adjusted for the deconsolidation of EIPL as it has been disposed of.
- (2) The Share Options outstanding under the ESOS are not expected to be exercised as the exercise prices are significantly above the last traded price of \$0.045 per share as at 27 November 2003.

## **GEARING**

### **Company**

	<b>As at 31.3.2004</b>	<b>As at 31.3.2004 and after adjusting for liabilities to be capitalised under the EIL Scheme</b>	<b>After Capital Reduction 1, before the issue of the Scheme Shares</b>	<b>After the issue of the Scheme Shares</b>
Company Total Liabilities	57,474	57,804	57,804	397
Shareholders' Funds	(41,719)	(41,719)	(41,719)	15,689
Gearing (times)	N.A.	N.A.	N.A.	0.03

### **Group**

	<b>As at 31.3.2004</b>	<b>As at 31.3.2004 and after adjusting for deconsolidation of EIPL</b>	<b>After Capital Reduction 1, before the issue of the Scheme Shares</b>	<b>After the issue of the Scheme Shares</b>
Group Total Liabilities	82,369	71,353	71,353	13,945
Shareholders' Funds	(40,114)	(37,816)	(37,816)	19,592
Gearing (times)	N.A.	N.A.	N.A.	0.7

Notes:-

- (1) For the purposes of the above calculation, "Gearing" means the ratio of the Total Liabilities to the Shareholders' Funds. "Shareholders' Funds" means the aggregate amount of issued and paid-up share capital, share premium, retained earnings/accumulated losses and translation reserves.
- (2) The Group total liabilities and shareholders' funds have been adjusted for the deconsolidation of EIPL as it has been disposed of.

### 6.3 Financial Effects of Capital Reduction 2

The effect of Capital Reduction 2 is to reduce \$42,273,204 which is part of the share premium created through the issue of the Scheme Shares. The details of the effect on the share capital and shareholders' funds of the Company, based on the audited financial statements of the Company as at 31 March 2004, and on the assumption that Capital Reduction 1 and the issue of Scheme Shares were carried out on 31 March 2004 are as follows:-

#### (a) Share Capital

	Par Value	As at 31 March 2004	
		No. of Shares	\$
<b>Authorised Share Capital</b>			
Before Capital Reduction 2	\$0.001	10,000,000,000	10,000,000
After Capital Reduction 2	\$0.001	10,000,000,000	10,000,000
<b>Issued and Paid-up Share Capital</b>			
Before Capital Reduction 2	\$0.001	4,381,848,539	4,381,849
After Capital Reduction 2	\$0.001	4,381,848,539	4,381,849

#### (b) Shareholders' Funds

	Company	
	After issue of Scheme Shares and before Capital Reduction 2 \$	After Capital Reduction 2 \$
Share Capital	4,381,849	4,381,849
Share Premium	53,580,259	11,307,055
Retained Earnings/(Accumulated Losses)	(42,273,204)	-
Shareholders' Equity	15,688,904	15,688,904

### 7. DILUTION IMPACT

Pursuant to the EIL Scheme, the shareholding structure of the Company will change significantly and existing Shareholders will be diluted following the issue of the Scheme Shares. Based on the issued share capital of the Company as at the Latest Practicable Date, the following table sets out the impact of the shareholding following the issue of the Scheme Shares based on claims from Creditors amounting to an aggregate of approximately \$60.62 million which had been admitted by the Scheme Administrator.

	Immediately After EIL Scheme					
	Before EIL Scheme		Based on Approved Claims (exclude contingent liabilities which have not Crystallised)		Based on all Approved Claims	
Shareholders	No. of Shares	%	No. of Shares	%	No. of Shares	%
Chew Tiong Kheng	38,597,000	6.96	38,597,000	1.01	38,597,000	0.84
Joseph Sin Kam Choi	494,000	0.09	494,000	0.01	494,000	0.01
Geoffrey Yeoh S. H.	1,040,000	0.19	1,040,000	0.03	1,040,000	0.02
Sydney Michael Hwang	72,746	0.01	1,739,412	0.05	1,739,412	0.04
Heng Chiang Meng	-	-	2,000,000	0.05	2,000,000	0.04
UOB	-	-	1,237,018,949	32.34	1,770,498,949	38.52
Oversea-Chinese Banking Corporation Ltd	-	-	493,003,132	12.89	493,003,132	10.73
SHC Capital Limited	-	-	442,367,533	11.56	501,930,685	10.92
ECICS Limited	-	-	376,118,523	9.83	448,886,789	9.77
Malayan Banking Berhad	-	-	272,379,970	7.12	280,244,549	6.10
Federal Insurance Company	-	-	239,177,843	6.25	335,863,549	7.31
Existing public Shareholders	514,483,460	92.75	514,483,460	13.45	514,483,460	11.19
Other Participating Creditors	-	-	207,151,932	5.41	207,151,932	4.51
Total	554,687,206	100.00	3,825,571,754	100.00	4,595,933,457	100.00

Notes:-

- (1) Messrs Chew Tiong Kheng, Joseph Sin Kam Choi, Geoffrey Yeoh S.H., Heng Chiang Meng and Sydney Michael Hwang are Directors.
- (2) Mr Chew Tiong Kheng is deemed to have an interest in 7,600,000 Shares held by his wife and 100,000 Shares jointly purchased with a Director.
- (3) Mr Joseph Sin Kam Choi is deemed to have an interest in 110,000 Shares held by his wife.

## 8. WAIVER OF GENERAL OFFER REQUIREMENT

Under Rule 14 of the Code and Section 139 of the SFA, any person acquiring Shares in excess of 30% of the Company shall be required to make a General Offer. UOB is a Participating Creditor with potential claims of up to approximately \$26.56 million (including contingent claims) and under the EIL Scheme could be receiving up to approximately 1.77 billion Scheme Shares and could, as a result hold up to approximately 38.52% of the Company as enlarged by the EIL Scheme. Accordingly, this Circular is to seek Independent Shareholders' approval of the Whitewash Resolution in order that UOB can become a Participating Creditor to the full extent of its Approved Claims without having to make the General Offer.

The SIC has in its letter dated 28 January 2005 confirmed that the requirements for UOB and its concert parties to make the General Offer upon the allotment and issue of the Scheme Shares for the remaining Shares not held by UOB and its concert parties is waived, subject to the following conditions:-

- (a) a majority of the Independent Shareholders present and voting at the EGM held before the issue of the Scheme Shares, approve by way of a poll, the Whitewash Resolution to waive their rights to receive a General Offer from UOB and parties acting in concert with it;
- (b) the Whitewash Resolution is separate from the other resolutions;
- (c) UOB, parties acting in concert with it and parties not independent of it abstain from voting on the Whitewash Resolution;
- (d) UOB and its concert parties did not purchase and are not to purchase, any Shares or instruments convertible into, rights to subscribe for and options in respect of Shares:
  - (i) during the period between the announcement of the proposed issue of the Scheme Shares to UOB under the EIL Scheme and the date Independent Shareholders' approval is obtained for the Whitewash Resolution; and
  - (ii) in the 6 months prior to the announcement of the proposed issue of the Scheme Shares to UOB under the EIL Scheme, but subsequent to negotiations, discussions or reaching of understandings or agreements with the Directors in relation to the proposed issue of the Scheme Shares;
- (e) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Whitewash Resolution;
- (f) the Company sets out clearly in this Circular:
  - (i) details of the proposed issue of the Scheme Shares;
  - (ii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by UOB and its concert parties as at the Latest Practicable Date;
  - (iii) the number and percentage of voting rights to be acquired by UOB in respect of (i) approved claims by UOB which are crystallised ("Crystallised Claims") and (ii) approved claims by UOB which are contingent and not crystallised ("Non-Crystallised Claims") under the EIL Scheme;
  - (iv) the dilution effect to existing Shareholders upon the issue of the Scheme Shares in respect of (i) the Crystallised Claims and (ii) the Non-Crystallised Claims
  - (v) that Shareholders, by voting for the Whitewash Resolution, are waiving their rights to a General Offer from UOB at the highest price paid by UOB and parties acting in concert with it for the Shares in the 6 months preceding the commencement of the offer; and

- (vi) that Shareholders, by voting for the Whitewash Resolution, could be foregoing the opportunity to receive a General Offer from another person who may be discouraged from making a General Offer in view of the potential dilution effect of the issue of the Scheme Shares in respect of the Approved Claims which are not Crystallised.
- (g) the Circular states that the waiver granted by the SIC to UOB and parties acting in concert with it from the requirement to make a General Offer is subject to the conditions stated in the preceding paragraphs (f)(i) to (vi) above;
- (h) the Company obtains SIC's approval in advance for the sections in this Circular relating to the Whitewash Resolution;
- (i) the allotment and issue of the Scheme Shares to UOB in respect of the Crystallised Claims must be completed within 3 months of the approval of the Whitewash Resolution and the allotment and issue of the Scheme Shares to UOB in respect of the Non-Crystallised Claims must be completed within 2 years of the approval of the Whitewash Waiver.
- (j) UOB to provide a written undertaking to SIC that it will comply or procure the relevant persons to comply with the disclosure requirements set out in Note 2 on Section 2 of Appendix 1 of the Code in relation to the issue of the Scheme Shares to UOB in respect of the Non-Crystallised Claims.

In respect to sub-section (f)(i) above, details can be found in paragraph 3.1 of this Circular.

In respect of sub-section (f)(ii) above, UOB and its concert parties do not hold any voting rights in the Company, or instruments convertible into rights to subscribe for and options in respect of the Shares as at the Latest Practicable Date.

In respect of sub-section (f)(iii) and (iv) above, details can be found in paragraph 7 of this Circular.

In respect of sub-section (f)(v) and (vi) above, the specific paragraphs are appended below in this section in bold print.

Independent Shareholders are therefore asked to vote, on a poll, on the Whitewash Resolution as set out in Resolution 6 of the Notice of EGM on pages 38 to 40 of this Circular.

The Directors (as Independent Directors) have, on behalf of the Company, appointed DTCF as the independent financial adviser to advise the Directors on the Whitewash Resolution. The recommendation of DTCF is outlined in paragraph 11 of this Circular. The letter from DTCF, setting their advice to the Independent Directors on the Whitewash Resolution is set out in Appendix 3 of this Circular.

In connection with the Whitewash Resolution, UOB has confirmed that, they and parties acting in concert with them (i) have not acquired any Shares in the 6 month period prior to (a) the announcement of the EIL Scheme; and (b) the despatch of the EIL Scheme documents to the Creditors on 12 March 2004, and (ii) will not purchase any Shares up to the date on which Independent Shareholders' approval is obtained for the Whitewash Resolution.

**By voting in favour of the Whitewash Resolution, Shareholders (i) will be waiving their rights to receive a General Offer under Rule 14 of the Code from UOB, at the highest price paid by UOB and parties acting in concert with them for the Shares in the past 6 months preceding the commencement of the General Offer, which UOB would otherwise have been obliged to make for the Shares; and (ii) could be foregoing the opportunity to receive a General Offer from another person who may be discouraged from making a General Offer in view of the potential dilution effect of the issue of the Scheme Shares in respect of the Non-Crystallised Claims. In the event of the passing of the Whitewash Resolution, the Scheme Shares to be issued to UOB pursuant to the EIL Scheme will represent more than 30% of the Company's issued capital.**

Shareholders should note that the issue of the Scheme Shares is conditional upon, *inter alia*, the Whitewash Resolution being passed. In view of this, in the event that the Whitewash Resolution is not passed by the Independent Shareholders, the Company will not proceed with the issue of the Scheme Shares, and accordingly, the EIL Scheme cannot be implemented.

## 9. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Details of the Directors' and substantial shareholders' interests in the Shares as at the Latest Practicable Date are set out in Appendix 1 of this Circular.

## 10. RESPONSIBILITY STATEMENT

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

Where information has been extracted from published or otherwise publicly available sources, the Directors have ensured that such information has been accurately and correctly extracted from these sources.

## 11. RECOMMENDATION OF THE INDEPENDENT FINANCIAL ADVISER

DTCF has been appointed to advise the Independent Directors on the Whitewash Resolution and its advice is set out in Appendix 3 of this Circular.

Having taken into account, reviewed and examined all the factors, which it considered to be pertinent and to have a significant bearing in its assessment of the Whitewash Resolution, subject to the assumptions and qualifications set out in its advice set out in Appendix 3 of this Circular, **DTCF advises the Independent Directors to recommend that Independent Shareholders vote in favour of the Whitewash Resolution.**

## 12. DIRECTORS' RECOMMENDATION

As stated in paragraph 3.2 above, two Directors, Mr Heng Chiang Meng and Mr Sydney Michael Hwang, are respectively to be regarded as being interested in Resolution 2 (being the ordinary resolution relating to the issue of the Scheme Shares) by reason of their also being Participating Creditors. Each of them has thus refrained from making a recommendation in respect of Resolution 2. Additionally, Mr Heng Chiang Meng has refrained from making any recommendation in respect of Resolution 3 (being the ordinary resolution relating to the Heng Allotment) and Mr Sydney Michael Hwang has refrained from making a recommendation in respect of Resolution 4 (being the ordinary resolution relating to the Hwang Allotment).

Subject as aforesaid, after having considered the rationale for the Capital Reduction Exercises and the issue and allotment of the Scheme Shares, the Directors are of the opinion that the Capital Reduction Exercises and the issue and allotment of Scheme Shares are in the best interests of the Company. Accordingly, the Directors (save for Mr Heng Chiang Meng, who has refrained from making any recommendation in respect of Resolutions 2 and 3, and Mr Sydney Michael Hwang who has refrained from making any recommendation in respect of Resolutions 2 and 4) recommend that Shareholders vote in favour of Resolutions 1, 2, 3, 4 and 5 being the special and ordinary resolutions relating to the Capital Reduction Exercises, the issue of the Scheme Shares, the Heng Allotment and the Hwang Allotment respectively as set out in the Notice of EGM on pages 38 to 40 of this Circular.

Except for Mr Heng Chiang Meng who will abstain from voting on Resolutions 2 and 3 and Mr Sydney Michael Hwang who will abstain from voting on Resolutions 2 and 4 at the EGM, the Directors who are also Shareholders will vote in favour of Resolutions 1, 2, 3, 4 and 5 at the EGM.

Based on the recommendation of DTCF, the Independent Directors are of the view that the issue of the Scheme Shares to UOB and the Whitewash Resolution are in the interests of Independent Shareholders. They accordingly recommend that Independent Shareholders vote in favour of Resolution 6 being the ordinary resolution relating to the Whitewash Resolution as set out in the Notice of EGM on pages 38 to 40 of this Circular. The Directors who are also Shareholders will vote in favour of Resolution 6 at the EGM.

The Directors recommend that any individual Independent Shareholder who may require specific advice in relation to his or her investment portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

### **13. CONSENTS**

DTCF has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, its letter to the Independent Directors dated 28 January 2005 and all references thereto in the form and context in which they respectively appear in this Circular.

The Scheme Administrator has given and not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and all references to it in the form and context in which they appear in the Circular.

### **14. ADDITIONAL INFORMATION**

Shareholders' attention is also drawn to the additional information set out in the appendices to this Circular.

### **15. EXTRAORDINARY GENERAL MEETING**

The EGM, notice of which is set out on pages 38 to 40 of this Circular, will be held at 2 Ang Mo Kio Street 64, Ang Mo Kio Industrial Park 3, Singapore 569084 on 23 February 2005 at 9.30 a.m. for the purpose of considering and, if thought fit, passing the special and ordinary resolutions (with or without modifications) set out in the Notice of EGM.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

### **16. ACTION TO BE TAKEN BY SHAREHOLDERS**

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 2 Ang Mo Kio Street 64, Ang Mo Kio Industrial Park 3, Singapore 569084 by not later than 9.30 a.m. on 21 February 2005. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes.

As indicated in paragraph 3.2 above, Mr Heng Chiang Meng will not accept appointment as proxy for any Shareholder to vote on Resolutions 2 and 3 at the EGM, and Mr Sydney Michael Hwang will not accept appointment as proxy for any Shareholder to vote on Resolutions 2 and 4 at the EGM.

Yours faithfully  
For and on behalf of  
Econ International Limited

Chew Tiong Kheng  
Chairman

## GENERAL INFORMATION

## 1. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of directors and substantial shareholders of the Company as at the Latest Practicable Date, as recorded in the Company's Register of Directors' Shareholdings and the Register of Substantial Shareholders respectively, were as follows:-

Interests of Directors

Name of Director	Shares owned by Director as at the Latest Practicable Date	Shares in which Director was deemed to have an interest as at the Latest Practicable Date
	Number of Shares	
Chew Tiong Kheng	30,897,000	7,700,000
Joseph Sin Kam Choi	384,000	110,000
Geoffrey Yeoh S. H.	1,040,000	-
Sydney Michael Hwang	72,746	-

Name of Director	Share Options under the ESOS held by Director as at the Latest Practicable Date	Share Options under the ESOS in which Director was deemed to have an interest as at the Latest Practicable Date
	Number of Share Options	
Chew Tiong Kheng	600,000	-
Joseph Sin Kam Choi	600,000	-
Geoffrey Yeoh S. H.	600,000	-
Sydney Michael Hwang	100,000	-
Heng Chiang Meng	100,000	-

Notes:-

Mr Chew Tiong Kheng is deemed to have an interest in 7,600,000 Shares held by his wife and 100,000 Shares jointly purchased with a Director.

Mr Joseph Sin Kam Choi is deemed to have an interest in 110,000 Shares held by his wife.

Pursuant to the rules of the ESOS, if the High Court sanctions a compromise and arrangement proposed by the Company for the purposes of a scheme for the reconstruction of the Company or its amalgamation with other company or companies, then, in general, each participant of the ESOS shall be entitled to exercise any Share Options then held by him during the period commencing on the date on which the compromise or arrangement is sanctioned by the High Court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Share Option exercise period relating thereto), whereupon the Share Options shall lapse and become null and void.

Interests of Substantial Shareholders

<b>Name of substantial shareholder</b>	<b>No. of Shares</b>			
	<b>Direct</b>	<b>%</b>	<b>Deemed</b>	<b>%</b>
Chew Tiong Kheng	30,897,000	5.57	7,700,000	1.39

Note:-

Mr Chew Tiong Kheng is deemed to have an interest in 7,600,000 Shares held by his wife and 100,000 Shares jointly purchased with a Director.

## 2. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries within the two (2) years preceding the date of this Circular and are or may be material:-

(i) Sale of Econ PI Pile Sdn Bhd, Econ Industries Sdn Bhd and Econ Industries Pte Ltd

The Company entered into a Sale and Purchase Agreement with PPR Technology (M) Sdn Bhd (“PPR”) on 27 September 2004 to sell all its shares in the capital of Econ PI Pile Sdn Bhd and Econ Industries Sdn Bhd (inclusive of inter-company loans) for a total consideration of RM1.75 million.

On 26 November 2004, the Company entered into another Sale and Purchase Agreement with PPR to sell all its shares of Econ Industries Pte Ltd.

(ii) Sale of Econ Overseas Investments Pte Ltd

The Company entered into an agreement with Beach International Limited on 2 August 2004 to sell all its shares in the capital of Econ Overseas Investments Pte Ltd (“EOI”) as well as all advances made by the Company to EOI. EOI is an investment holding company whose sole asset is an 85% stake in The Hanoi Club in Vietnam. The transaction was completed on 12 August 2004.

(iii) Sale of Econ Korea Investments Pte Ltd

The Company entered into a Sale and Purchase Agreement with JJK Ltd (“JJK”) on 8 January 2003 pursuant to which the Company agreed to sell a 17% interest in Econ Korea Investments Pte Ltd (“EKI”) for a consideration of Korean Won 3.06 billion and gave an option to JJK to purchase the remaining 30% interest in EKI for a consideration of Korean Won 4.05 billion. Subsequently the agreement was revised on 25 March 2004 such that JJK would purchase the entire 47% interest in EKI for a total consideration of Korean Won 7.11 billion. The Company has received Won 1.0 billion as part consideration and is in discussion with JJK for the payment of the remaining amount.

(iv) Econ Co. Ltd

The Company entered into a contract with Mr Keisuke Nishiyama (“KN”) on 21 September 2004 for the sale of 11% of its 60% shareholding in Econ Co. Ltd to KN for Yen 5 million. The sale has been completed.

(v) Appointment of Scheme Administrator

By a letter dated 22 January 2003, the Company appointed KPMG Corporate Restructuring Services, a division of KPMG Business Advisory Pte. Ltd. (“KPMG”) as business review consultants primarily to review and comment on the cashflow projection of the Group.

By a letter dated 25 April 2003, the Company appointed KPMG as Independent Financial Consultants with the primary objective of assisting Econ Corporation Limited in the implementation of a scheme of arrangement under Section 210 of the Companies Act.

By a letter dated 25 February 2004, the Company appointed KPMG to assist in the implementation of the EIL Scheme.

### **3. MATERIAL LITIGATION**

On 23 April 2004, the High Court sanctioned the EIL Scheme which was approved by Participating Creditors pursuant to Section 210 of the Companies Act. The EIL Scheme also provides for a moratorium of actions against the Company by its creditors in respect of claims existing as at the Fixed Date. In accordance with the terms of the EIL Scheme, all such claims will be discharged upon the issue of the Scheme Shares.

Prior to the EIL Scheme, the Company faced impending legal action from Participating Creditors.

On 15 March 2004, the High Court placed Econ Corporation Limited ("ECL"), a wholly-owned entity, under judicial management. On 1 July 2004, the Company entered into a conditional agreement to sell all its shares in ECL to Mr Toh Kok Swee for a total consideration of \$1.00. Subsequently, the judicial manager of ECL ("JM") obtained ECL's creditors' and the High Court's approval for a scheme of arrangement that had been proposed by the JM. The sale of ECL's shares to Mr Toh was completed on 24 November 2004.

### **4. DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected by Shareholders at the registered office of the Company at 2 Ang Mo Kio Street 64, Ang Mo Kio Industrial Park 3, Singapore 569084 during normal business hours from the date of this Circular up to and including the date of the EGM:-

- (a) the Memorandum and Articles of Association of the Company;
- (b) the material contracts referred to in paragraph 2 of Appendix 1 of this Circular;
- (c) the Scheme Document; and
- (d) the Annual Report of the Company for the financial year ended 31 March 2004.

**APPENDIX 2**

**AUDITED AND PROFORMA BALANCE SHEETS OF THE GROUP AS AT 31 MARCH 2004**

	Audited as at 31.3.2004 \$'000	Proforma as at 31.3.2004 \$'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	4,289	4,289
Investments	50	50
Associates	2,317	2,317
Joint Venture	1,840	1,840
	8,496	8,496
<b>Current Assets</b>		
Work-in-progress	2,104	1,114
Inventory	4,969	3,944
Trade and other receivables	11,762	11,559
Marketable securities	1,059	1,059
Assets held for sale	11,190	4,908
Cash and cash equivalents	3,141	2,923
	34,225	25,507
<b>Total Assets</b>	42,721	34,003
<b>EQUITY/(DEFICIT) AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Share Capital	110,937	4,382
Reserves	71,732	16,576
Accumulated Losses	(222,783)	(1,366)
	(40,114)	19,592
<b>Minority interests</b>	466	466
<b>Non-Current Liabilities</b>		
Deferred taxation	67	67
<b>Current Liabilities</b>		
Work-in-progress	126	126
Trade and other payables	67,286	11,861
Borrowings	14,869	1,870
Provision for taxation	21	21
	82,302	13,878
<b>Total equity/(deficit) and liabilities</b>	42,721	34,003

Note:- The Proforma Balance Sheet is after adjusting for the deconsolidation of EIPL, the Capital Reduction Exercises and the issue of the Scheme Shares.

**LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS**

**Deloitte & Touche Corporate Finance Pte Ltd**  
6 Shenton Way #32-00  
DBS Building Tower Two  
Singapore 068809

28 January 2005

To: The Independent Directors  
Econ International Limited

Dear Sirs,

**THE WHITEWASH RESOLUTION FOR THE WAIVER BY THE SHAREHOLDERS OF THE COMPANY OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM UNITED OVERSEAS BANK LIMITED ARISING FROM THE ISSUE OF THE SCHEME SHARES TO IT.**

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**1. INTRODUCTION**

This letter has been prepared for inclusion in the circular to the Shareholders of the Company to be dated 31 January 2005 in connection with, *inter alia*, the EIL Scheme pursuant to the Company's EIL Scheme and the Whitewash Resolution. Unless otherwise defined or the context otherwise requires, the definitions used in the Circular shall apply throughout this letter.

**1.1 BACKGROUND**

On 31 March 2004, the Company held a Creditors' meeting for the purpose of presenting, considering and approving a scheme of arrangement proposed to be made between the Company and its unsecured Creditors. At this meeting, the Company obtained the approval of the requisite majority of its unsecured Creditors in respect of the EIL Scheme.

The EIL Scheme was then sanctioned by the High Court of Singapore on 23 April 2004. Under the terms of the EIL Scheme, each Creditor shall be issued with the Shares at \$0.015 per Share in full satisfaction of their claims.

The issue price of \$0.015 for the Scheme Shares represents a discount of approximately 67% to the price per Share on the SGX-ST of \$0.045 which was the last transacted price at the close of trading on 27 November 2003 being the date immediately before the trading of the Shares were suspended.

As at the Latest Practicable Date, claims from Creditors, including claims for uncrystallised liabilities, amounting to an aggregate of approximately \$60.62 million had been admitted by the Scheme Administrator. The Company will be required to issue 4,041,246,251 Scheme Shares to the Participating Creditors. However, the Company is seeking approval to allot and issue up to 4,500,000,000 Scheme Shares in order to provide for additional claims which may be filed by the Creditors and approved by the Scheme Administrator.

## 1.2 CAPITAL REDUCTION 1 & 2

The issue price of \$0.015 is below the par value of each ordinary share of \$0.20 per Share. Since the Companies Act prohibits a company from issuing its shares below their par value (subject to certain conditions), Capital Reduction 1 will be carried out to reduce the par value of each ordinary share from \$0.20 to \$0.001, thus allowing the Company to undertake the issue of the Shares to Creditors under the terms of the EIL Scheme.

The overall effect of Capital Reduction 1 will be to reduce the present and paid-up capital of the Company by \$110,382,753.99, cancel an amount of \$66,462,528 standing to the credit of the share premium account in the books of the Company as at 31 March 2004 and write off \$176,845,281.99 of the accumulated losses of the Company as at 31 March 2004.

Subject to the issue of the Scheme Shares at an issue price of \$0.015 to the Participating Creditors, Capital Reduction 2 will be carried out pursuant to Section 73 of the Companies Act and will be effected by cancelling an amount of up to \$42,273,204 standing to the credit of the share premium account in the books of the Company after the issue of the Scheme Shares, and, forthwith upon Capital Reduction 2 taking effect, an amount of \$42,273,204, being the credit arising from Capital Reduction 2, will be applied to writing off the balance of the accumulated losses of the Company as at 31 March 2004.

The reduction of the share premium account of the Company, which is no longer represented by assets, would rationalise the Company's balance sheet, and upon completion of the Capital Reduction Exercises, the Company's Accumulated Losses will be reduced to nil.

As at 31 March 2004, the Company has accumulated losses of \$219,118,486 (**the "Accumulated Losses"**). Part of the purpose of Capital Reduction 1 and Capital Reduction 2, is to write off all the Accumulated Losses in the books of the Company.

## 1.3 THE WHITEWASH RESOLUTION

Accordingly, the issue of Scheme Shares pursuant to the EIL Scheme will result in UOB owning more than 30% of the issued capital of the Company. Pursuant to Chapter 14 of the Singapore Code on Takeovers and Mergers (**the "Code"**) and Section 139 of the SFA, UOB will be required to make a mandatory General Offer for all the remaining Shares not already owned by UOB and parties acting in concert with it.

UOB is a Participating Creditor with Approved Claims of up to approximately \$26.56 million (including contingent claims) and under the EIL Scheme, it could receive up to approximately 1.77 billion Scheme Shares, being equivalent to 38.52% of the Company's enlarged capital after the allotment and issue of the Scheme Shares pursuant to the EIL Scheme.

The SIC on 27 January 2005, granted UOB a waiver from having to comply with Rule 14 of the Code, subject to certain conditions set out in paragraph 7 of the Circular. The waiver is subject to, *inter alia*, a majority of the Independent Shareholders of the Company approving the Whitewash Resolution to waive their rights to receive a mandatory General Offer from UOB, and the appointment of an independent financial advisor ("**IFA**") to advise Shareholders on the Whitewash Resolution.

Deloitte & Touche Corporate Finance Pte Ltd ("**DTCF**") has been appointed to advise the Independent Directors of the Company in respect of the Whitewash Resolution. This letter has been prepared for inclusion in the Circular to Shareholders to be dated 31 January 2005 in connection with, *inter alia*, the EIL Scheme and the Whitewash Resolution.

## 2. TERMS OF REFERENCE

DTCF has been appointed by the Company to advise the Independent Directors in respect of the Whitewash Resolution. We note that for the purpose of the Whitewash Resolution, the directors of the Company as at the date of the Circular are all deemed to be independent. We were neither a party to the negotiations entered into by the Company in relation to the proposed EIL Scheme nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the proposed EIL Scheme, and we do not, by this letter or otherwise, advise or form any judgment on the merits of the proposed EIL Scheme or whether the financial terms of the proposed EIL Scheme are on normal commercial terms other than to form an opinion as to whether the Independent Directors should recommend that Independent Shareholders vote in favour of the Whitewash Resolution. Our terms of reference do not require us to evaluate or comment on the strategic merits, long term or otherwise, and/or on the commercial/financial merits and/or risks (if any) of the proposed EIL Scheme or on the future prospects or value of the Company. Such evaluations or comments remain the sole responsibility of the Directors and management of the Company although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion.

We were not requested nor authorized to solicit, and we have not solicited, any indications of interest from any third parties with respect to the proposed EIL Scheme. In that regard, we have not addressed the relative merits of the proposed EIL Scheme as compared to any alternative transaction previously considered by the Company, if any, or that may otherwise have been available to the Company currently or in the future, and such comparison and consideration remain the responsibility of the Directors.

In the course of our evaluation, we have held discussions with certain members of the board of Directors and management of the Company and have examined publicly available information collated by us and information provided by the Directors, management and professional advisers of the Company and their representatives. We have relied upon and assumed the accuracy of, without having independently verified, such information, whether written or verbal, provided to us by the aforesaid parties and also by the Company's auditors and solicitors and accordingly cannot and do not expressly or impliedly warrant, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information.

We have relied upon the assurances of the Directors who have accepted full responsibility for the accuracy and completeness of the information provided to us and they have confirmed to us that to the best of their knowledge, information and belief, having made due and careful enquiries, all material information available to them in connection with the proposed EIL Scheme had been disclosed to DTCF and that such information constitute full and true disclosure of all material information relating to the proposed EIL Scheme, and is true, complete and accurate in all material respects and there is no other information or fact including the expected future performance or future growth prospects of the Company after the proposed EIL Scheme, the omission of which would cause any of the information disclosed to us or relied by us in making our recommendation or giving our advice or information disclosed or opinion expressed in the Circular to be inaccurate, incomplete, untrue or misleading in any material respect. We have assumed that all statements of fact, belief, opinion and intention made by the Directors and management of the Company in the Circular have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

In addition, we have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, real property) of the Company and we have not been furnished with any such evaluation or appraisal.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Company. We have not obtained from the Company any projection of the future performance including financial performance of the Company, and further, we did not conduct discussions with the management of the Company on, and did not have access to, any business plan and financial projections of the Company. We are therefore not expressing any view herein as to the price at which the Shares may trade upon completion of the proposed EIL Scheme or on the future value, financial performance or condition of the Company after the proposed EIL Scheme.

Our views are based on market, economic, industry, monetary and other conditions (where applicable) prevailing on, and our analysis of the information made available to us as of the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion, factors or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or factors or assumptions contained herein.

We have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Independent Shareholder. As different Independent Shareholders would have different investment portfolios and objectives, we would advise the Directors to recommend that any individual Independent Shareholder who may require specific advice in relation to his or her investment portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

Our recommendation in relation to the Whitewash Resolution, as set out under Section 6 of this letter, should be considered in the context of the entirety of our advice as set out in this letter.

The Company has been separately advised by its own legal adviser in the preparation of the Circular (other than this letter). We have had no role or involvement and have not provided any advice (financial or otherwise) whatsoever in the preparation, review and verification of the Circular (other than this letter) and our responsibility is as set out above in relation to this letter. Accordingly, we take no responsibility for, and express no views, whether express or implied, on the contents of the Circular (except for this letter).

### 3. SUMMARY OF THE PROPOSED EIL SCHEME

#### 3.1 Issue of Scheme Shares

Under the EIL Scheme, which involves a debt to equity conversion, each Participating Creditor shall, subject to other provisions of the EIL Scheme, be allotted and issued such number of the Scheme Shares at an issue price of \$0.015 per Scheme Share in satisfaction of an equivalent amount of their Approved Claims.

The aggregate issue price of the Scheme Shares to be issued to the Participating Creditors is expected to represent 100% of the Approved Claims. The issue price of \$0.015 for the Scheme Shares represents a discount of approximately 67% to the price per Share on the SGX-ST of \$0.045 which was the last transacted price at the close of trading on 27 November 2003 being the date immediately before the trading of the Shares were suspended. As at 31 March 2004, the date of the latest available audited accounts, the net asset value per Share of the Group was a negative 7.2 cents.

The Scheme Shares shall be:-

- (a) issued free from all encumbrances and shall rank *pari passu* with the Shares existing as at the date of their issue except that they shall not be entitled to any rights, dividends or distributions the record date of which falls before their date of issue;
- (b) issued within one month from the Scheme Effective Date (the “**Issue Date**”);
- (c) with respect to each Approved Claim based on a contingent claim, issued within three months of the Crystallisation of such contingent claim but, unless the Company deems fit, no earlier than one month from the date on of the Scheme Effective Date, to the relevant Participating Creditor; and
- (d) prohibited from being traded via the SGX-ST over a staggered period as set out below.

Percentage of Scheme Shares issued to each Participating Creditor	Period of Prohibition
33 1/3%	no prohibition
33 1/3%	1 year from the Issue Date
33 1/3%	2 years from the Issue Date

See Circular for more details on the above table

### **3.2 EFFECT OF IMPLEMENTATION OF THE EIL SCHEME**

In consideration for the issue of the Scheme Shares by the Company to it, the claim of each Participating Creditor shall be forthwith extinguished and discharged.

As at the Latest Practicable Date, claims from Creditors, including claims for uncrystallised liabilities amounting to an aggregate of approximately \$60.62 million had been admitted by the Scheme Administrator. The Company will be required to issue 4,041,246,251 Scheme Shares to the Participating Creditors. However, the Company is seeking approval to allot and issue up to 4,500,000,000 Scheme Shares in order to provide for additional claims which may be filed by the Creditors and approved by the Scheme Administrator.

As at 31 March 2004, the Company has a negative shareholders' equity of \$41.7 million. In agreeing to the issue price of \$0.015 per Share, the Participating Creditors are in fact attributing a value of \$8.32 million to the existing 554,687,206 Shares held by existing shareholders, which represents approximately \$50 million in goodwill above the negative shareholders' equity.

After the EIL Scheme, as a result of the Creditors converting their debts into Shares, the Company would have a positive shareholders' equity of \$15.69 million. As such, the existing 554,687,206 Shares would then have approximately \$1.89 million of positive shareholders' equity (based on total Approved Claims, including contingent claims).

## **4. WHITEWASH RESOLUTION**

The issuance of the Scheme Shares in the capital of the Company of \$0.015 each in settlement of the claims of the Participatory Creditors of the Company could result in UOB ultimately holding approximately 38.52% of the enlarged issued share capital of the Company.

As the shareholding of UOB as at the completion of the EIL Scheme would be more than 30% of the Company as enlarged by the EIL Scheme, UOB and parties acting in concert with it will, under Rule 14 of the Code, incur an obligation to make a mandatory General Offer for the remaining shares of the Company that they do not already own upon the completion of the EIL Scheme.

However, the SIC has, in its letter dated 27 January 2005, waived the requirement for UOB and parties acting in concert with it to make a mandatory General Offer for the Company following the completion of the EIL Scheme, subject to the fulfillment of certain conditions, including, *inter alia*, the approval of a majority of the Independent Shareholders for the Whitewash Resolution and the appointment of an independent financial adviser to advise Independent Shareholders on the Whitewash Resolution.

By voting in favour of the Whitewash Resolution, Shareholders (i) will be waiving their rights to receive a mandatory General Offer under Rule 14 of the Code from UOB, at the highest price paid by UOB and parties acting in concert with it for the Shares in the past 6 months prior to the announcement of the proposed issue of the Scheme Shares, which UOB would otherwise have been obliged to make for the Shares, (ii) could be foregoing the opportunity to receive a General Offer from another person who may be discouraged from making a General Offer in view of the potential dilution effect of the issue of the Scheme Shares in respect of Non-Crystallised Claims. In the event of the passing of the Whitewash Resolution, the Scheme Shares to be issued to UOB pursuant to the EIL Scheme will represent more than 30% of the Company's issued capital as enlarged by the EIL Scheme.

Shareholders should note that the issue of the Scheme Shares are conditional upon, *inter alia*, the Whitewash Resolution being passed. In view of this, in the event that the Whitewash Resolution is not passed by the Independent Shareholders, the Company will not proceed with the issue of the Scheme Shares, and accordingly, the EIL Scheme cannot be implemented.

## 5. EVALUATION OF THE WHITEWASH RESOLUTION

In our evaluation and recommendation thereon of the Whitewash Resolution, we have given due consideration to the following key factors:

- (a) financial condition facing the Company;
- (b) the rationale for the EIL Scheme;
- (c) risk factors;
- (d) the implications of the Whitewash Resolution;
- (e) the liquidation value of the Company;
- (f) the proforma financial effects of the EIL scheme ; and
- (g) other relevant factors for consideration.

### 5.1 THE FINANCIAL CONDITION FACING THE COMPANY

The financial performance of the Company was severely affected by the global economic downturn in recent years that affected many Asian countries and in particular the construction sector. In Singapore, this sector declined by 10.8% in 2002 and 10.4% in 2003 (*source: website of the Singapore Ministry of Trade and Industry*). As such many of the entities within the Group were also affected by the general economic downturn (particularly those in the construction industry) and the prevailing economic uncertainty, both of which resulted in, *inter alia*:-

- (a) increasingly lower profit margins;
- (b) higher default rate from Company's sub-contractors;
- (c) increase in bad debts and delays in payment by customers;
- (d) increasing trend of creditors insisting on cash terms for supplies; and
- (e) investments failing to achieve their expected returns and in turn negatively affecting the Company's cash flow position.

### 5.2 RATIONALE FOR THE EIL SCHEME

The Directors believe for the following reasons that Shareholders and Creditors alike will benefit if the Group is given an opportunity to trade through their current difficulties upon the implementation of the EIL Scheme:-

- (a) to preserve the listing status of the Company so that the Company can undertake to acquire new businesses, which may in turn result in a higher share price and therefore, benefit the Shareholders and Participating Creditors;
- (b) to facilitate the resumption of trading of the Company's shares on the SGX-ST;
- (c) to discharge and/or restructure, in an orderly manner, the whole of the Company's indebtedness and/or contingent liabilities as at the Fixed Date so as to ensure that the Company's creditors and prospective creditors receive a higher return than they would otherwise receive in the event of the Company going into liquidation or judicial management;

- (d) to allow the continuation of the business of the Group for the benefit of the Company's creditors and Shareholders. From the Company's point of view, the EIL Scheme, if successful, will enable the Company to compromise its debts, both existing and contingent. This, together with the likely continued support of its bankers/financial institutions, will greatly facilitate the Company and its subsidiaries in getting back on its feet; and
- (e) to allow the Company to continue to take pro-active steps to acquire a new business (**the "Acquisition"**). The Company is contemplating the issuance of new shares in consideration for the Acquisition and the sellers of the new business will become new majority shareholders of the Company. The Company believes that if such an Acquisition is viewed favourably by the market, it may result in a higher trading price for its Shares which should then benefit the Shareholders and Participating Creditors.

### **5.3 RISK FACTORS**

We note the risk factors as set out in paragraph 5 of the Circular and we are of the opinion that it is important that the Independent Shareholders be advised to read the rationale for the EIL Scheme in conjunction with the risk factors associated with the EIL Scheme.

The risk factors set out in that paragraph are, in our opinion, material in making an informed judgment in respect of the EIL Scheme. It should be noted that the risk factors might not be an exhaustive list of elaboration of the risk profile of the operations and businesses of the Company.

**We recommend that the Independent Shareholders read and evaluate each of the risk factors carefully.**

### **5.4 THE IMPLICATIONS OF THE WHITEWASH RESOLUTION**

Independent Shareholders should note that the Whitewash Resolution is a condition precedent to the EIL Scheme. If the Whitewash Resolution is not approved by Independent Shareholders, the EIL Scheme cannot be implemented and shall be terminated and the parties thereto shall be released and discharged from their respective obligations. The liabilities shall then remain owing and payable to the Participating Creditors in accordance with the terms of the agreements or loan agreements existing between the parties prior to the EIL Scheme.

However, Independent Shareholders should also note that by voting in favour of the Whitewash Resolution, they (i) will be waiving their rights to receive a mandatory General Offer under Rule 14 of the Code from UOB, at the highest price paid by UOB and parties acting in concert with it for the Shares in the past 6 months prior to the announcement of the proposed issue of the Scheme Shares, which UOB would otherwise have been obliged to make for the Shares, and (ii) could be foregoing the opportunity to receive a General Offer from another person who may be discouraged from making a General Offer in view of the potential dilution effect of the issue of the Scheme Shares in respect of the Non-Crystallised Claims.

### **5.5 THE LIQUIDATION VALUE OF THE COMPANY**

As at 31 March 2004, the Company had a negative shareholder's equity of \$41,718,517. In the event that the Company does not continue as a going concern and is not able to pay all of its liabilities, Creditors of the Company may be entitled to proceed with actions against the Company to commence winding up proceedings.

The Company's latest audited financial statements as at 31 March 2004 indicate that there will be insufficient assets available for distribution to Independent Shareholders in the event of a liquidation of the Company. The Directors have also confirmed that the EIL Scheme offers better prospects for the Independent Shareholders having regard to the fact that in the event the EIL Scheme fails and the Company is wound up and its assets liquidated for repayment to the Creditors and prospective creditors, based on the existing financial status of the Company they do not expect any assets to be available for distribution to Independent Shareholders.

## **5.6 THE PROFORMA FINANCIAL EFFECTS OF THE EIL SCHEME**

The proforma financial effects of the EIL Scheme, based on audited financial statements of the Company as of 31 March 2004 and assuming the Scheme Shares were issued at 1 April 2003 for the computation of earnings per Share and on 31 March 2004 for the computation of NAV per Share and gearing, are as set out in paragraph 6 of the Circular under “Financial Effects Of The Capital Reduction Exercises and the EIL Scheme”. We recommend that Independent Directors advise Independent Shareholders to read this section carefully and to advise them that the proforma financial effects are for illustrative purposes only.

The implementation and the issue of the Scheme Shares pursuant to the EIL Scheme will have a positive effect on the NAV and gearing of the Company and of the Group, as approximately \$60.62 million of debts (including contingent liabilities and based on the amount of debt admitted by the Scheme Administrator under the EIL Scheme) will be capitalised in the books of the Company.

### **(a) NAV per Share**

The EIL Scheme would result in an improvement in NAV per Share, from a negative 7.5 cents per Share as of 31 March 2004 to 0.4 cents per Share after the completion of the EIL Scheme. The improvement is due mainly to the debt to equity conversion.

### **(b) Earnings per Share**

The EIL Scheme would result in a reduction in earnings per Share, from 0.98 cents per Share as of 31 March 2004 to 0.12 cents per Share after the completion of the EIL Scheme. The decrease is mainly due to the increase in the number of issued shares. However it is important to note that the Group had a loss from operations as of 31 March 2004 of \$1.778 million and the profits of 0.98 cents per Share for that fiscal year was mainly due to exceptional items.

### **(c) Gearing**

As the Company had negative shareholders' equity of \$41.7 million as of 31 March 2004, there was no applicable gearing calculation that could have been applied. After the completion of the EIL Scheme, the gearing of the Company will be 0.03 times.

## **5.7 OTHER RELEVANT FACTS FOR CONSIDERATION**

We highlight below the following factors to the Independent Shareholders which should also be considered together with other comments and issues raised in this letter and the contents of the Circular.

### **(a) Dilution Impact**

It would be pertinent to note that pursuant to the EIL Scheme the shareholding structure of the Company will change significantly and existing shareholders will be diluted following the issue of the Scheme Shares.

Pursuant to the EIL Scheme, the shareholding structure of the Company will change significantly and existing Shareholders will be diluted following the issue of the Scheme Shares. Based on the issued share capital of the Company as at the Latest Practicable Date, the following table sets out the impact of the shareholding following the issue of the Scheme Shares based on claims from Creditors amounting to an aggregate of approximately \$60.62 million which had been admitted by the Scheme Administrator.

Shareholders	Immediately After EIL Scheme					
	Before EIL Scheme		Based on Approved Claims (exclude contingent liabilities which have not Crystallised)		Based on all Approved Claims	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Chew Tiong Kheng	38,597,000	6.96	38,597,000	1.01	38,597,000	0.84
Joseph Sin Kam Choi	494,000	0.09	494,000	0.01	494,000	0.01
Geoffrey Yeoh S. H.	1,040,000	0.19	1,040,000	0.03	1,040,000	0.02
Sydney Michael Hwang	72,746	0.01	1,739,412	0.05	1,739,412	0.04
Heng Chiang Meng	-	-	2,000,000	0.05	2,000,000	0.04
UOB	-	-	1,237,018,949	32.34	1,770,498,949	38.52
Oversea-Chinese Banking Corporation Ltd	-	-	493,003,132	12.89	493,003,132	10.73
SHC Capital Limited	-	-	442,367,533	11.56	501,930,685	10.92
ECICS Limited	-	-	376,118,523	9.83	448,886,789	9.77
Malayan Banking Berhad	-	-	272,379,970	7.12	280,244,549	6.10
Federal Insurance Company	-	-	239,177,843	6.25	335,863,549	7.31
Existing public Shareholders	514,483,460	92.75	514,483,460	13.45	514,483,460	11.19
Other Participating Creditors	-	-	207,151,932	5.41	207,151,932	4.51
<b>Total</b>	<b>554,687,206</b>	<b>100.00</b>	<b>3,825,571,754</b>	<b>100.00</b>	<b>4,595,933,457</b>	<b>100.00</b>

Notes:

- (1) Messrs Chew Tiong Kheng, Joseph Sin Kam Choi, Geoffrey Yeoh S.H., Heng Chiang Meng and Sydney Michael Hwang are Directors of the Company.
- (2) Mr Chew Tiong Kheng is deemed to have an interest in 7,600,000 Shares held by his wife and 100,000 Shares jointly purchased with a Director.
- (3) Mr Joseph Sin Kam Choi is deemed to have an interest in 110,000 Shares held by his wife.

As at 31 March 2004, being the date of the announcement of the EIL Scheme, the Independent Shareholders hold an aggregate interest of 92.75% in the share capital of the Company. Following the completion of the EIL Scheme, the Independent Shareholders will hold an aggregate interest of 13.45% in the enlarged share capital of the company (excluding contingent claims) or 11.19% (based on total claims including contingent claims).

**(b) No assurance of future profitability**

Independent Shareholders of the Company should note that there is no assurance that the Company will be profitable after the EIL Scheme is successfully implemented and the steps taken or to be taken by the Company to, improve the viability of the Company, including *inter alia*, the future acquisition of new businesses, will be successful.

**(c) No immediate impact on cash flow**

The restructuring of the Company under the EIL Scheme pursuant to EIL Scheme is to be fully satisfied by the issuance of new Shares. There will be no cash payable as consideration towards the EIL Scheme. As such, the EIL Scheme will not immediately affect the Company's cash flow. In addition, as the consideration is fully satisfied by the allotment and issue of the Scheme Shares, no debt or borrowings has to be raised by the Company as a result of the EIL Scheme.

**(d) Alternative Proposal**

We have also considered whether there are any alternative proposals for the Company. Based on discussions with the Directors of the Company we were given to understand that it has been open to consider other alternative proposals from third parties. However, as at the Last Practicable Date and at the time of the consideration of the EIL Scheme, the Directors and management of the Company have confirmed to DTCF that they have not received any viable alternative proposals which they believe to be more attractive to the Independent Shareholders. DTCF has not independently verified whether there have been any alternative proposals.

**6. RECOMMENDATION**

In arriving at our recommendation in respect of the Whitewash Resolution, we have taken into account, reviewed and examined all the factors, which we consider to be pertinent and to have a significant bearing on our assessment of the Whitewash Resolution, including the following factors summarized below. Independent Shareholders should be advised to read the following in conjunction with, and in the context of, the full text of this letter. We note that:

- (a) the EIL Scheme, if completed, will result in a significant dilution of the shareholdings of the existing shareholders;
- (b) the Independent Shareholders, by voting in favour of the Whitewash Resolution, will be waiving their rights to receive a mandatory General Offer under Rule 14 of the Code from UOB, at the highest price paid by UOB and parties acting in concert with it for the Shares in the past 6 months prior to the announcement of the proposed issue of the Scheme Shares, which UOB would otherwise have been obliged to make for the Shares; and
- (c) the Independent Shareholders, by voting in favour of the Whitewash Resolution could be foregoing the opportunity to receive a General Offer from another person who may be discouraged from making a General Offer in view of the potential dilution effect of the issue of the Scheme Shares in respect of Non-Crystallised Claims.

We also note:

- (a) the rationale for the proposed EIL Scheme as stated by the Directors in paragraph 4 of the Circular;
- (b) the opinion of the Directors that the EIL Scheme is in the interest of the Company, as stated in paragraph 12 of the Circular;
- (c) the proforma financial effects of the EIL Scheme; and
- (e) that the passing of the ordinary resolutions to approve the EIL Scheme is conditional upon the passing of the Whitewash Resolution and that:
  - (i) by voting in favour of the Whitewash Resolution, Independent Shareholders should note that they would be giving up their rights to receive a mandatory general offer from UOB and parties acting in concert with them;
  - (ii) if the Whitewash Resolution is not passed by the Independent Shareholders, the EIL Scheme will not take place and there will be no obligation on the part of UOB and parties acting in concert with them to make a mandatory general offer; and
  - (iii) as at the Latest Practicable Date, there is no publicly available evidence of any alternative offers of investments in the Company from any third party.

Having considered all of the above, subject to the assumptions and qualifications set out herein and taking into account the prevailing conditions and market expectations as at the Latest Practicable Date, **we advise the Independent Directors to recommend that the Independent Shareholders vote in favour of the Whitewash Resolution.**

In arriving at our recommendations, we wish to emphasize that the Directors have not provided us with any profit projections of the Company and that we have, *inter alia*, relied on representations made by the Directors and the management of Company relating to current intentions and future directions of the Company. In addition, Independent Directors should note that we have arrived at these conclusions based on information made available to us prior to and including the Latest Practicable Date.

The Independent Directors should note that trading in the Shares is subject to possible market fluctuations and, accordingly, our advice on the Whitewash Resolution cannot and does not take into account the future trading activity or patterns or price levels that may be established for the Shares as these are governed by factors beyond the ambit of our review and would not fall within the terms of reference in connection with the Whitewash Resolution.

Our recommendations are addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the Whitewash Resolution, but any recommendations made by the Directors in respect of the EIL Scheme shall remain their responsibility.

Our recommendations may not be used and/or relied on by any other person for any purpose at any time and in any manner except with DTCF's prior written consent in each specific case. Our recommendations are governed by the laws of Singapore, and are strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
Deloitte and Touche Corporate Finance Pte Ltd

Tam Chee Chong

Director

Ong Soon Teik

Director, Corporate Finance

## **ECON INTERNATIONAL LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration No. 198700983H)

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Company will be held at 2 Ang Mo Kio Street 64, Ang Mo Kio Industrial Park 3, Singapore 569084 on 23 February 2005 at 9.30 a.m. for the purpose of considering and, if thought fit, passing (with or without any modifications) Resolutions 1 and 5 below which will be proposed as special resolutions, and Resolutions 2, 3, 4 and 6 below which will be proposed as ordinary resolutions:-

#### **RESOLUTION 1 (SPECIAL RESOLUTION)**

##### **Capital Reduction 1**

THAT pursuant to Article 10 of the Company's Articles of Association (the "Articles") and subject to the confirmation of the High Court of Singapore:

- (i) the authorised share capital of the Company be reduced from \$200,000,000 divided into 1,000,000,000 ordinary shares of \$0.20 each, of which a maximum of 558,328,206 ordinary shares have been or will be issued and are fully paid-up or credited as fully paid-up, to \$1,000,000 divided into 1,000,000,000 ordinary shares of \$0.001 each, of which a maximum of 558,328,206 ordinary shares have been or will be issued and fully paid-up or credited as fully paid-up, and that such reduction be effected by:-
  - (a) cancelling the paid-up share capital of the Company to the extent of \$0.199 on each of the maximum of 558,328,206 ordinary shares which have been or will be issued and fully paid-up or credited as fully paid-up; and
  - (b) reducing the nominal amount of all ordinary shares, both issued and unissued, from \$0.20 to \$0.001 each;
- (ii) the amount of \$66,462,528 standing to the credit of the share premium account in the books of the Company as at 31 March 2004 be cancelled;
- (iii) subject to and forthwith upon the preceding paragraphs (i) and (ii) taking effect, (the "Capital Reduction 1"), the aggregate credit arising from Capital Reduction 1 be applied to write off part of the accumulated losses of the Company as at 31 March 2004;
- (iv) subject to and contingent upon the Capital Reduction 1 taking effect, the authorised capital of the Company be increased to \$10,000,000 by the creation of an additional 9,000,000,000 new ordinary shares of par value of \$0.001 each; and
- (v) the Directors and each of them be and are hereby authorised to complete and do all such acts and things including, without limitation, to execute all such documents and to approve any amendments, alteration or modification to any documents as they or he may consider necessary, desirable or expedient to give full effect to this special resolution.

## **RESOLUTION 2 (ORDINARY RESOLUTION)**

### **Allotment And Issue Of Up To 4,500,000,000 Scheme Shares**

THAT:-

- (i) subject to Resolutions 1 and 6 being approved and the Capital Reduction 1 taking effect, the Directors be and are hereby authorised to allot and issue up to 4,500,000,000 new ordinary shares of \$0.001 each (the “Scheme Shares”) at an issue price of \$0.015, credited as fully paid-up, free from all liens, charges and other encumbrances and ranking *pari passu* in all respects with the then existing Shares, up to a maximum of 4,500,000,000 Scheme Shares to the Participating Creditors as full and final settlement of amounts owing to them by the Company pursuant to the EIL Scheme; and
- (ii) the Directors and each of them be and are hereby authorised to complete and do all such acts and things including, without limitation, to execute all such documents and to approve any amendments, alteration or modification to any documents as they or he may consider necessary, desirable or expedient to give full effect to the EIL Scheme.

## **RESOLUTION 3 (ORDINARY RESOLUTION)**

### **Allotment of up to 2,000,000 Scheme Shares to Mr Heng Chiang Meng**

THAT:-

- (i) subject to Resolutions 1, 2 and 6 being approved and Capital Reduction 1 taking effect, the Directors be and are hereby authorised to allot and issue to Mr Heng Chiang Meng, a Director and Participating Creditor (who shall abstain from voting on this Resolution), up to 2,000,000 Scheme Shares at an issue price of \$0.015, credited as fully paid-up free from all liens, charges and other encumbrances and ranking *pari passu* in all respects with the then existing Shares, as full and final settlement of an outstanding debt of \$30,000 owing to him by the Company pursuant to the EIL Scheme; and
- (ii) the Directors and each of them be and are hereby authorised to complete and do all such acts and things including, without limitation, to execute all such documents and to approve any amendments, alteration or modification to any documents as they or he may consider necessary, desirable or expedient to give full effect to the foregoing.

## **RESOLUTION 4 (ORDINARY RESOLUTION)**

### **Allotment of up to 1,666,666 Scheme Shares to Mr Sydney Michael Hwang**

THAT:-

- (i) subject to Resolutions 1, 2 and 6 being approved and Capital Reduction 1 taking effect, the Directors be and are hereby authorised to allot and issue to Mr Sydney Michael Hwang, a Director and Participating Creditor (who shall abstain from voting on this Resolution), up to 1,666,666 Scheme Shares at an issue price of \$0.015, credited as fully paid-up free from all liens, charges and other encumbrances and ranking *pari passu* in all respects with the then existing Shares, as full and final settlement of an outstanding debt of \$25,000 owing to him by the Company pursuant to the EIL Scheme; and
- (ii) the Directors and each of them be and are hereby authorised to complete and do all such acts and things including, without limitation, to execute all such documents and to approve any amendments, alteration or modification to any documents as they or he may consider necessary, desirable or expedient to give full effect to the foregoing.

## **RESOLUTION 5 (SPECIAL RESOLUTION)**

### **Capital Reduction 2**

THAT pursuant to Article 10 of the Company's Articles, and subject to (a) Resolutions 2 and 6 being approved and the allotment and issue of the said Scheme Shares taking effect, and (b) the confirmation of the High Court of Singapore:-

- (i) the sum standing to the credit of the share premium account in the books of the Company immediately after the issue of the Scheme Shares be reduced by a sum of up to \$42,273,204 and that such reduction be effected by applying the said sum to write off the balance of the accumulated losses of the Company as at 31 March 2004 (the "Capital Reduction 2"); and
- (ii) the Directors and each of them be and are hereby authorised to complete and do all such acts and things including, without limitation, to execute all such documents and to approve any amendments, alteration or modification to any documents as they or he may consider necessary, desirable or expedient to give full effect to this special resolution.

## **RESOLUTION 6 (ORDINARY RESOLUTION)**

### **Whitewash Resolution**

THAT contingent upon the passing of Resolutions 1 and 2, the independent Shareholders of the Company hereby (on a poll taken) waive their rights to receive a mandatory general offer in accordance with Rule 14 of the Singapore Code on Take-Overs and Mergers and under Section 139 of the Securities and Futures Act (Cap. 289) from United Overseas Bank Limited as a result of the allotment and issue of up to 1,770,498,949 Scheme Shares to United Overseas Bank Limited pursuant to Resolution 2, that would represent an interest of more than 30% of the voting rights in the Company.

By Order of the Board

Christine Chan  
Company Secretary  
31 January 2005  
Singapore

### **Notes:-**

1. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead and any such proxy need not be a member of the Company.
2. A Depositor will not be regarded as a member entitled to attend and vote at the Extraordinary General Meeting unless his name appears on the Depository Register not less than 48 hours before the time of the Extraordinary General Meeting.
3. The instrument appointing a proxy must be lodged at the registered office of the Company at 2 Ang Mo Kio Street 64, Ang Mo Kio Industrial Park 3, Singapore 569084 not later than 48 hours before the time appointed for the Extraordinary General Meeting.
4. Capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the Company's Circular to Shareholders dated 31 January 2005.

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**ECON INTERNATIONAL LIMITED**

(Incorporated in the Republic of Singapore)

**PROXY FORM – EXTRAORDINARY GENERAL MEETING****Important**

1. For investors who have used their CPF monies to buy the Company's shares, this Circular is sent to them at the request of their CPF Approved Nominees and is strictly for information only.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We \_\_\_\_\_ NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_

being a member/members of ECON INTERNATIONAL LIMITED hereby appoint:-

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Extraordinary General Meeting of the Company to be held at 2 Ang Mo Kio Street 64, Ang Mo Kio Industrial Park 3, Singapore 569084 on 23 February 2005 at 9.30 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether your wish for your vote(s) to be cast for or against the resolutions as set out in the Notice of Extraordinary General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Extraordinary General Meeting).

No.	Resolutions relating to:	To be used on a show of hands		To be used in the event of a poll	
		For *	Against *	No. of Votes For**	No. of Votes Against**
1.	To approve Capital Reduction 1 (Special Resolution)				
2.	To approve the issue of the Scheme Shares (Ordinary Resolution)				
3.	To approve the issue of Scheme Shares to Mr Heng Chiang Meng (Ordinary Resolution)				
4.	To approve the issue of Scheme Shares to Mr Sydney Michael Hwang (Ordinary Resolution)				
5.	To approve Capital Reduction 2 (Special Resolution)				
6.	Whitewash Resolution (Ordinary Resolution) <i>(Note: The vote on this resolution will be conducted by Poll)</i>				

\* Please indicate your vote "For" or "Against" with a "√" within the box provided.

\*\* If you wish to exercise all your votes "For" or "Against", please indicate with a "√" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005.

\_\_\_\_\_  
Signature(s) of Member(s) or Common Seal**(IMPORTANT: PLEASE READ NOTES OVER OVERLEAF)**

	No. of Shares
Depository Register	
Register of Members	
Total	

**Notes:-**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 2 Ang Mo Kio Street 64, Ang Mo Kio Industrial Park 3, Singapore 569084 not less than 48 hours before the time set for the meeting.
4. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings (as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorized.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Act.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting as certified by The Central Depository (Pte) Limited to the Company.