

- **PROPOSED INVESTMENT IN CITIRAYA INDUSTRIES LTD BY NEWSMITH CAPITAL PARTNERS (ASIA) PTE LTD, KOH BOON HWEЕ AND OTHERS**
- **NEW CEO, CFO AND DIRECTORS**

The Board of Directors of Citiraya Industries Ltd (the “**Company**”) is pleased to announce that the Company has today entered into an Investment Agreement (the “**Agreement**”) with Venture One Finance Ltd (the “**Investor**”), for the proposed subscription by the Investor of 1,475,793,155 new ordinary shares of par value S\$0.025 each (the “**New Shares**”), which will represent approximately 70% of the enlarged issued and paid up capital of the Company after the issue of the New Shares (the “**Share Issue**”).

THE INVESTOR

The Investor will be the investment vehicle of a consortium of investors led by NewSmith Capital Partners (Asia) Pte Ltd and Koh Boon Hwee.

NewSmith Capital Partners is an independent investment management and corporate advisory partnership, with offices in London and Singapore.

Wholly owned and financed by its equity partners, the partnership provides asset management services via NewSmith Asset Management LLP which has US\$3.5 billion of funds under management, and corporate finance advice through NewSmith Financial Solutions Ltd.

MANAGEMENT

Under the terms of the Agreement, the Investor shall nominate up to five persons (each, a “**Nominee Director**”) to be appointed to the Board of Directors of the Company.

It is agreed that Hengky Oeni shall be appointed the Chief Executive Officer and Lee Kim Bock be appointed as an Executive Director of the Company.

Two of the other nominated non-executive Directors will be Koh Boon Hwee and Low Check Kian.

The Investor will also have the right to nominate a new Chief Financial Officer of the Company.

Hengky Oeni spent 16 years with Hewlett Packard (“HP”) and held a number of management positions in a variety of functions. In 1996, he left HP to start up Ascent Logistics Pte Ltd, an integrated logistics service provider. In 2001, Ryder Systems Inc, a leading transportation and integrated logistics company listed on the New York Stock Exchange acquired Ascent Logistics. He continued to serve as Vice President for Sales and Marketing for Ryder till February 2004.

Lee Kim Bock was with HP for 13 years and held a number of management positions in a variety of functions. He became the Chief Executive Officer of Omni Industries, a global Singapore based listed electronics contract manufacturing (“ECM”) company serving a large multi-national customer base. The company was acquired by Celestica Inc., the world's fourth largest ECM service provider, and he joined Celestica Inc. as its senior vice president

till June 2003 when he left to pursue his personal interests. Kim Bock was recently appointed as non executive chairman of Norelco Centreline Ltd

Koh Boon Hwee is the Executive Director of MediaRing Ltd and Tech Group Asia Ltd. He is currently the Chairman of Singapore Airlines Limited and Chairman of SIA Engineering Company Limited and also serves as Director on the boards of Agilent Technologies, Inc, and BroadVision, Inc, in the United States. He was previously Chairman of the Singapore Telecom Group, Chairman of Omni Industries Ltd, Executive Chairman of the Wuthelam Group, and before that Managing Director of Hewlett Packard Singapore.

Low Check Kian is one of the founding partners of NewSmith Capital Partners, an independent partnership providing corporate finance advice and investment management services, with its headquarters based in London. Its Asian business is located in Singapore and is chaired by him. He was previously a Senior Vice-President and Member of the Executive Management Committee of Merrill Lynch & Co., as well as their Chairman for Merrill Lynch Asia Pacific. He also sits on the boards of the Singapore Exchange, the Singapore Workforce Development Agency, the Infocomm Development Authority of Singapore and FibreChem Technologies.

As the Company's Articles of Association limits the number of Directors on the Board to nine, Richard Basil Jacob and Gan Chin Chin have agreed to step down from the Board to facilitate the appointment of the new Directors.

RATIONALE

The Board of Directors believes that the strong reputation and vast management experience of the investors and their familiarity with the electronics industry will enable the Company to quickly grow and strengthen its business and its relationships with its customers and suppliers.

DETAILS OF THE SHARE ISSUE

(1) Issue Price

The issue price for each New Share (the "**Issue Price**") will be determined based on the higher of:

- (i) the Adjusted Net Tangible Asset value per Share, and
- (ii) 7 times the Adjusted Maintainable Earnings per Share,

where

- (a) "**Adjusted Net Tangible Asset value per Share**" means the adjusted net tangible asset value per share of the Company and its subsidiaries ("**Group**") (as at end of FY2004, if available on completion, and if not available, as at the end of FY2003), divided by 632,482,781 ordinary shares of the Company (the "**Shares**"), representing the number of issued Shares as at 31 December 2004; and
- (b) "**Adjusted Maintainable Earnings per Share**" means the adjusted maintainable earnings per share of the Group (on a fully diluted basis taking into account the New Shares and based on the average recurring earnings of the Group for FY2002,

FY2003 and FY2004 (if available)), divided by 2,108,275,936 Shares, representing the aggregate of the issued Shares as at 31 December 2004 and the New Shares,

after making such adjustments and/or restatements as may be deemed necessary by the reporting accountants.

(2) Conditions Precedent

The Share Issue is conditional upon the following:

- (i) the Investor having undertaken, at its own costs and expense, due diligence investigations in respect of the Group, including but not limiting to the business, affairs and the financial position of the Group, and the results of such due diligence investigations being satisfactory in all material respects to the Investor in its absolute discretion, by no later than three months after the date of the Agreement;
- (ii) the Company working with the Investor, having procured irrevocable voting undertakings from shareholders of the Company holding not less than 50.1% of the outstanding voting share capital of the Company as at the date of the Agreement, to vote in favour of the Relevant Resolutions (as defined in (iii) below), by no later than three months after the date of the Agreement;
- (iii) receipt of the approval of the shareholders of the Company of the resolutions to be proposed at an extraordinary general meeting (the “**Relevant Resolutions**”) to be convened for (a) the increase in authorised share capital of the Company (if necessary to accommodate the issue of the New Shares) and the necessary amendments to the Company's Memorandum of Association; (b) the allotment and issue of the New Shares to the Investor; (c) the amendment of the Articles of Association (if necessary) in order to enable the five Nominee Directors to be appointed to the Board of Directors of the Company; and (d) the waiver of the obligation of the Investor to make a mandatory offer for the Company under the Singapore Code on Take-overs and Mergers as a result of the allotment and issue of the New Shares to the Investor, such waiver to be on the terms and subject to the conditions which are acceptable to Investor in its sole discretion (“**Whitewash Resolution**”);
- (iv) receipt of the approval-in-principle for the listing and quotation of the New Shares on the SGX-ST being obtained from the SGX-ST and not having been revoked, suspended or amended and the same being in full force and effect as at completion, and, where such approval is subject to conditions, such conditions being acceptable to the Investor and to the Company, and to the extent that any conditions for the listing and quotation of the New Shares on the Official List of the SGX-ST are required to be fulfilled on or before completion, such conditions being so fulfilled; and (ii) the receipt of a written response from SGX-ST that it grants a waiver from compliance with Rule 825 of the Listing Manual if applicable, and where such waiver is subject to conditions, such conditions being acceptable to the Investor and to the Company;
- (v) receipt of confirmation from the Securities Industry Council that the Investor will not be required to make a mandatory offer for the Company under the Singapore Code

on Take-overs and Mergers as a result of the allotment and issue of the New Shares to the Investor by reason of the Whitewash Resolution, and where such confirmation is subject to conditions, such conditions being acceptable to the Investor and to the Company; and

- (vi) the restructuring or settlement of all claims or liabilities of the Group (including all contingent claims or liabilities) to the satisfaction of the Investor in its absolute discretion.

The Company and the Investor have the right to terminate the Agreement if any of the conditions as set out in (i) and (ii) above is not satisfied or (if applicable) waived by the Investor within three months after the date of the Agreement.

(3) Funding

Subject to the satisfaction of the conditions precedent described in paragraphs 2(i) and (ii) above, pending completion of the Share Issue, the Investor has agreed to provide the Company with such funding of no less than S\$20 million, as may be requested by the Company from time to time. Such funding will be subject to such terms and conditions as the Company and the Investor may agree.

Further, if all the conditions precedent for the Share Issue are satisfied or waived and the Issue Price has not yet been determined at that time, the Investor has agreed to provide a loan to the Company of S\$50 million (less any amount of funding which has been previously provided to the Company).

On completion of the Share Issue, the amount owing to the Investor (if any) will be applied towards payment of the subscription price for the New Shares.

INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Share Issue.

CIRCULAR TO SHAREHOLDERS

A Circular setting out the details of the Share Issue, the terms and conditions of the Share Issue and the proposed amendments to the Articles of Association of the Company, and containing the Notice of Extraordinary General Meeting, will be despatched to the shareholders in due course.