



## MERRILL LYNCH (SINGAPORE) PTE. LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No. 198602883D)

1 Temasek Avenue

#28-01 Millenia Tower

Singapore 039192

6 February 2009

To: Optionholders of Singapore Food Industries Limited

Dear Sir/Madam

### MANDATORY UNCONDITIONAL CASH OFFER FOR SINGAPORE FOOD INDUSTRIES LIMITED — OPTIONS PROPOSAL

#### 1. INTRODUCTION

**1.1 Offer Announcement.** On 20 January 2009 (the “**Announcement Date**”), Merrill Lynch (Singapore) Pte. Ltd. (“**Merrill Lynch**”) announced, for and on behalf of Singapore Airport Terminal Services Limited (the “**Offeror**”), a mandatory unconditional cash offer (the “**Offer**”) for all the issued ordinary shares (the “**SFI Shares**”) in the capital of Singapore Food Industries Limited (“**SFI**”), other than those already owned, controlled or agreed to be acquired by the Offeror (the “**Offer Shares**”). The Offeror is offering **S\$0.93 in cash** for each Offer Share.

**1.2 Options Proposal.** In addition to the Offer, Merrill Lynch, for and on behalf of the Offeror, intends to make a proposal (the “**Options Proposal**”) to the holders of options (the “**Optionholders**”) to subscribe for new SFI Shares (each, an “**Option**”) granted under the SFI Share Option Plan (the “**Plan**”). The purpose of this Letter is to formally make the Options Proposal to the Optionholders.

**1.3 Terms and References.** This Letter should be read and construed together with, and in the context of, the formal document dated 6 February 2009 in relation to the Offer, issued by Merrill Lynch, for and on behalf of the Offeror, to the shareholders of SFI (the “**Offer Document**”). All terms and references used in the Offer Document and in this Letter and which are defined or construed in the Offer Document but are not defined or construed in this Letter shall have the same meaning and construction as defined in the Offer Document.

#### 2. THE OFFER

##### 2.1 Terms.

**2.1.1** For and on behalf of the Offeror, Merrill Lynch has made the Offer for all the Offer Shares in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and the Singapore Code on Take-overs and Mergers, on the following basis:

**For each Offer Share : S\$0.93 in cash (the “Offer Price”)**

**The Offeror does not intend to revise the Offer Price.**

**2.1.2** The Offer Shares will be acquired:

- (i) fully paid;
- (ii) free from all mortgages, liens, charges, rights of pre-emption, third party rights, security interests and other encumbrances whatsoever; and
- (iii) **together with all rights, benefits, entitlements and advantages attached thereto as at Completion and thereafter attaching thereto, including all voting rights and the right to receive and retain all dividends, rights and other distributions:**
  - (a) **which may be announced or declared by SFI; or**
  - (b) **the entitlement to which is determined by SFI,****each, on or after Completion.**

**2.1.3** The Offer is extended on the same terms and conditions to all SFI Shares issued or to be issued pursuant to (i) the valid exercise, prior to the close of the Offer, of any Options, and (ii) the valid release, prior to the close of the Offer, of any Share Awards. For the purpose of the Offer, the expression "**Offer Shares**" shall include all such SFI Shares.

**2.2 Offer Unconditional.** The Offer is unconditional in all respects. **Therefore, the Offer is not conditional upon the level of acceptances which the Offeror may receive in respect of the Offer.**

### **3. OPTIONS**

#### **3.1 Validity of Options.**

**3.1.1 The Plan.** The rules of the Plan provide, *inter alia*, that in the event of a take-over offer being made for SFI Shares, an Optionholder shall be entitled to exercise any unexercised Options held by him, in respect of such number of SFI Shares comprised in that Option as may be determined by the committee administering the Plan (the "**Committee**") in its absolute discretion, in the period commencing on the date on which such offer is made and ending on the earlier of:

- (i) the expiry of six months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the Offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (being a date falling not later than the expiry of the exercise period relating to the Options); and
- (ii) the date of expiry of the exercise period relating to the Options,

whereupon any Option then remaining unexercised shall lapse, provided that if during such period, the Offeror becomes entitled or bound to exercise rights of compulsory acquisition of SFI Shares under the provisions of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") and being entitled to do so, gives notice to the Optionholders that it intends to exercise such rights on a specified date, the Options shall remain exercisable by the Optionholder until the expiry of such specified date or the expiry of the exercise period relating to the Option, whichever is earlier. Any Option not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be.

## 3.2 The Options Proposal

**3.2.1 The Plan.** Under the rules of the Plan, the Options are not transferable by the Optionholders. In view of this restriction, Merrill Lynch, on behalf of the Offeror, will not make an offer to acquire the Options (although, for the avoidance of doubt, the Offer will be extended to all SFI Shares issued or to be issued pursuant to the valid exercise of the Options on or prior to the close of the Offer). Instead, Merrill Lynch will, on behalf of the Offeror, make a proposal (the “**Options Proposal**”) to Optionholders on the terms set out in **paragraphs 3.2.2 to 3.2.4** below.

**3.2.2 Terms.** Merrill Lynch, on behalf of the Offeror, proposes that subject to the relevant Options continuing to be exercisable into new SFI Shares, the Offeror will pay such Optionholders a cash amount (determined as provided in **paragraph 3.2.3** below) (the “**Option Price**”) in consideration of such Optionholders agreeing:

- (i) not to exercise any of such Options into new SFI Shares; and
- (ii) not to exercise any of their rights as Optionholders,

in each case from the date of their acceptance of the Options Proposal to the respective dates of expiry of such Options. Further, Optionholders who have accepted the Options Proposal will also be required to surrender all of their Options for cancellation. If the Offer lapses or is withdrawn or if the relevant Options cease to be exercisable into new SFI Shares, the Options Proposal will lapse accordingly.

**3.2.3 Option Price.** The Option Price is computed on a “see-through” basis. In other words, the Option Price in relation to any Option is the amount by which the Offer Price is in excess of the exercise price of that Option. Where the exercise price of an Option is equal to or in excess of the Offer Price, the Option Price for each Option will be fixed at S\$0.001.

**3.2.4 Offer and Options Proposal Mutually Exclusive.** For the avoidance of doubt, the Offer is not conditional upon acceptances received in relation to the Options Proposal. The Offer and the Options Proposal are separate and are mutually exclusive. The Options Proposal does not form part of the Offer, and *vice versa*. Without prejudice to the foregoing, if Optionholders exercise their Options in order to accept the Offer in respect of the new SFI Shares to be issued pursuant to such exercise, they may not accept the Options Proposal in respect of such Options. Conversely, if Optionholders wish to accept the Options Proposal in respect of their Options, they may not exercise those Options in order to accept the Offer in respect of the new SFI Shares to be issued pursuant to such exercise.

## 4. CHOICES

**4.1 Choices.** An Optionholder can, in relation to all or part of his Options, either:

**4.1.1** exercise such Options (the “**Exercising Optionholder**”) and participate in the Offer in respect of the new SFI Shares to be issued pursuant to such exercise prior to the close of the Offer; or

**4.1.2** accept the Options Proposal in respect of such Options (the “**Accepting Optionholder**”).

## 5. EXERCISING OPTIONHOLDER

**5.1 Documents Enclosed.** The Offer Document is enclosed with this Letter and the accompanying acceptance letter for the Options Proposal (the “**Options Proposal Acceptance Letter**”).

**5.2 Acceptance of the Offer.** An Exercising Optionholder should do the following:

**5.2.1** give the relevant exercise notice(s) and other relevant documents, accompanied by the aggregate subscription monies for the relevant number of new SFI Shares in accordance with the rules of the Plan to the Committee at 234 Pandan Loop Singapore 128422, so as to arrive **more than 10 market days (as the term is defined in the Plan) before 5.30 p.m. on 9 March 2009 or such later date(s) as may be announced from time to time by or on behalf of the Offeror (the “Closing Date”)**;

**5.2.2** complete and sign the Form of Acceptance and Authorisation (“**FAA**”) which will be provided by The Central Depository (Pte) Limited (“**CDP**”) in accordance with the Offer Document and the instructions printed on the FAA; and

**5.2.3** deliver the completed and signed FAA:

(i) **by hand** to Singapore Airport Terminal Services Limited c/o The Central Depository (Pte) Limited, 4 Shenton Way #02-01 SGX Centre 2 Singapore 068807; or

(ii) **by post**, in the enclosed pre-addressed envelope at his own risk, to Singapore Airport Terminal Services Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office P.O. Box 1984 Singapore 903934,

in each case so as to arrive not later than 5.30 p.m. on the Closing Date.

Optionholders should note that CDP will credit the Securities Accounts of the Exercising Optionholders with the number of new SFI Shares only after receiving the new share certificates in respect of such SFI Shares from M & C Services Private Limited, and after the new SFI Shares have been approved for listing on the SGX-ST. Optionholders should also note that if the Securities Account of any Exercising Optionholder is not credited with the relevant number of new SFI Shares by the date of receipt of the FAA by CDP, on behalf of the Offeror (provided the date of receipt is on or before 5.30 p.m. on the Closing Date), the acceptance of the Offer by the Exercising Optionholder will be rejected.

Please refer to the Offer Document for further details on the Offer and acceptance procedures for the Offer.

**5.3 Closing Date.** The Offer shall remain open for acceptance until 5.30 p.m. on the Closing Date, being 9 March 2009 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

**5.4 Settlement.** Settlement of the consideration to be made to the Exercising Optionholder will be made on the basis set out in Appendix 1 to the Offer Document.

**5.5 Overseas Shareholders.** The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the Register (each, an “**Overseas Shareholder**”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about, and observe, any applicable requirements in their own jurisdictions. For the avoidance of doubt, the Offer shall be made to all Shareholders including those to whom the Offer Document and the relevant acceptance forms have not been, or will not be, sent.

**5.6 Overseas Jurisdiction.** It is the responsibility of any Overseas Shareholder who wishes to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. If any Overseas Shareholder is in doubt of his position, he should consult his professional adviser in the relevant jurisdiction.

## **6. ACCEPTING OPTIONHOLDER**

**6.1 Options Proposal Acceptance Letter.** The Options Proposal Acceptance Letter is enclosed together with this Letter.

**6.2 Acceptance of the Options Proposal.** An Accepting Optionholder should do the following:

**6.2.1** complete and sign the Options Proposal Acceptance Letter, in accordance with the Offer Document and this Letter; and

**6.2.2** deliver the completed and signed Options Proposal Acceptance Letter,

to Singapore Airport Terminal Services Limited c/o Singapore Food Industries Limited, 234 Pandan Loop Singapore 128422 so as to arrive not later than 5.30 p.m. on the Closing Date.

**6.3 Closing Date.** The Options Proposal shall remain open for acceptance until 5.30 p.m. on the Closing Date, being 9 March 2009 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

**6.4 Settlement.** Subject to the receipt by the Offeror from the Accepting Optionholder of the Options Proposal Acceptance Letter, remittances in the form of cheques or cashier's orders for the appropriate amounts will be despatched to the Accepting Optionholder at the address specified in the Options Proposal Acceptance Letter and at the risk of such Accepting Optionholder as soon as practicable and in any case in respect of acceptances of the Options Proposal which are received before the Offer closes, within 10 days of the date of such receipt.

**6.5 Overseas Optionholders.** The availability of the Options Proposal to Optionholders whose addresses are outside Singapore may be affected by the laws of the relevant overseas jurisdictions. Accordingly, all Optionholders not resident in Singapore should inform themselves about and observe any applicable requirements in their own jurisdictions. For the avoidance of doubt, the Options Proposal is made to all Optionholders including those to whom this Letter and the Options Proposal Acceptance Letter have not been, or will not be, sent.

**6.6 Overseas Jurisdiction.** It is the responsibility of any Optionholder whose address is outside Singapore who wishes to accept the Options Proposal to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. If any Optionholder is in doubt of his position, he should consult his professional adviser in the relevant jurisdiction.

## **7. GENERAL**

**7.1 Valid Acceptances.** The Offeror and Merrill Lynch reserve the right to treat acceptances of the Options Proposal as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated herein or in the Options Proposal Acceptance Letter, or if made otherwise than in accordance with the provisions herein or in the Options Proposal Acceptance Letter.

**7.2 Governing Law and Jurisdiction.** The Offer, the Offer Document, the FAA, the FAT, the Options Proposal, this Letter and the Options Proposal Acceptance Letter, and all contracts made pursuant thereto and actions taken or made or deemed to be taken or made thereunder shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Offeror and each Exercising Optionholder and/or Accepting Optionholder, as the case may be, submit to the non-exclusive jurisdiction of the Singapore courts.

**7.3 No Third Party Rights.** Unless expressly provided to the contrary, a person who is not a party to any contracts made pursuant to the Offer, the Offer Document, the FAA, the FAT, the Options Proposal, this Letter and the Options Proposal Acceptance Letter has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any term of such contracts. Notwithstanding any term herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts. Where third parties are conferred rights under such contracts, those rights are not assignable or transferable.

**7.4 Accidental Omission.** Accidental omission to despatch the Offer Document, the FAA, the FAT, this Letter and the Options Proposal Acceptance Letter or any notice or announcement required to be given under the terms of the Offer or the Options Proposal or any failure to receive the same by any person to whom the Offer or the Options Proposal is made or should be made, shall not invalidate the Offer or the Options Proposal in any way.

**7.5 Independent Advice.** If any Shareholder or Optionholder is in any doubt about the Offer and/or the Options Proposal, as the case may be, he should consult his stockbroker, bank manager, solicitor or other professional adviser immediately.

**8. RESPONSIBILITY STATEMENT**

The directors of the Offeror (including any who may have delegated detailed supervision of this Letter) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Letter are fair and accurate and that no material facts have been omitted from this Letter, and they jointly and severally accept responsibility accordingly. Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, in relation to SFI) or obtained from SFI, the sole responsibility of the directors of the Offeror has been to ensure through reasonable enquiries that such information is accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Letter.

The information in this Letter is a summary of the Offer and is qualified by, and should be read in conjunction with, the more detailed information contained in the Offer Document.

Yours faithfully  
**Merrill Lynch (Singapore) Pte. Ltd.**  
for and on behalf of  
**Singapore Airport Terminal Services Limited**

**Keith Magnus**  
Managing Director and Head of Singapore  
and Malaysia Investment Banking Division

**Harmeet Singh Bedi**  
Director and Co-Head South East Asia  
Corporate Finance

To: Singapore Airport Terminal Services Limited  
 c/o Singapore Food Industries Limited  
 234 Pandan Loop  
 Singapore 128422  
 Attention: The Board of Directors

Fax No.: 6777 6318  
 Email address: [sfioption@sfi.com.sg](mailto:sfioption@sfi.com.sg)

Dear Sirs

**ACCEPTANCE LETTER FOR THE OPTIONS PROPOSAL**

1. I refer to the Options Proposal set out in the letter dated 6 February 2009 from Merrill Lynch (Singapore) Pte. Ltd., for and on behalf of yourselves (the “**Options Proposal Letter**”), enclosing a copy of the offer document dated 6 February 2009 in relation to the mandatory unconditional cash offer (the “**Offer**”) for all the issued ordinary shares in the capital of Singapore Food Industries Limited, other than those already owned, controlled or agreed to be acquired by you. All terms used in this Letter which are not defined herein shall have the same meaning as defined in the Options Proposal Letter.
2. I hereby confirm my irrevocable acceptance of the Options Proposal in respect of the number of Options (the “**Relevant Options**”), the exercise period and the exercise price of which are, as follows:

Date of Grant of Options	Number of Options	Exercise Period (DD/MM/YY)		Exercise Price per Share (S\$)
		From	To	

3. I hereby confirm my understanding that the Options Proposal is subject to the Relevant Options continuing to be exercisable into new SFI Shares.
4. I hereby agree that, in consideration of you paying to me the Option Price, I will not:
  - 4.1 exercise any of the Relevant Options into new SFI Shares; and
  - 4.2 exercise any of my other rights as a holder of the Relevant Options,
 in each case, from the date of this Letter to the respective date(s) of expiry of the Relevant Options.
5. I hereby further agree that I will surrender all of the Relevant Options for cancellation. If the Offer lapses or is withdrawn or if the Relevant Options cease to be exercisable into new SFI Shares, the Options Proposal will lapse accordingly.

- 6. I further acknowledge that no representation was made by you to induce me to accept the Options Proposal.
- 7. The Options Proposal Letter and this Letter shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. I submit to the non-exclusive jurisdiction of the Singapore courts.
- 8. Unless expressly provided to the contrary, a person who is not a party to any contracts made pursuant to the Options Proposal, the Options Proposal Letter and this Letter has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any term of such contracts. Notwithstanding any term herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts. Where third parties are conferred rights under such contracts, those rights are not assignable or transferable.

Yours faithfully

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name (Block Letters): \_\_\_\_\_

Employee ID: \_\_\_\_\_ Passport No./Identity Card No.: \_\_\_\_\_

Residential Address (in full): \_\_\_\_\_

\_\_\_\_\_

Telephone No.: \_\_\_\_\_ (Office) \_\_\_\_\_ (Mobile)

Email Address: \_\_\_\_\_

In the presence of:

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Passport No./Identity Card No.: \_\_\_\_\_

Residential Address (in full): \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_