

INTRODUCTION

Board of directors, managers, executives and certain employees are granted share options from their company as a form of staff reward and compensation scheme.

If your company rewards you with share options, you will have the right but not an obligation to purchase a given number of shares in the future at a predetermined price (exercise price).

Share options can be highly rewarding if your company performs well. When there is a rise in the market share price above the exercise price, you can benefit from selling the shares immediately after exercising your share options, thereby realizing a capital gain. Unfortunately, when the time comes to exercising your share options, large amounts of cash may be required.

PHILLIP'S ADVANTAGE

Phillip Securities has an **Employee Share Options Financing Service*** that allows you to **"Immediate sell with best effort"**** with no cash outlay to lock in the price of which you wish to sell without having to wait for the shares to be credited to your account when you exercise your share option. At the same time, Phillip Financial will provide you 100% financing for your option exercise at an attractive rate.

*Full financing of share options is only available with immediate sell tie-up.

HOW SHARE OPTIONS FINANCING WORKS

When employees choose to initiate an **"immediate sell with best effort"** option and at the same time exercise their share options, they are not required to put in any collateral or cash.

Example 1: Full Financing and Immediate Sell with Best Effort

An Employee exercised **10,000** shares options at an exercise price of **\$1.50** per share and sold them on the same day at a market price of **\$2.50** per share.

Description	100% Financing with "Immediate Sell"
Exercise cost (incl. CDP fee on exercise)	\$ 15,010.70
ESOS processing fee	\$ 20.00
Total ESOS Loan	\$ 15,030.70
ESOS financing interest (7% p.a.)**	\$ 57.65
Sub-to-sub transfer charges	\$ 107.00
Total ESOS exercise costs	\$ 15,195.35
Gross Sales proceeds	\$ 25,000.00
Less Sales costs:	
(1) Brokerage rate (min S\$40 or 0.5%)	\$ 125.00
(2) Clearing fee	\$ 10.00
(3) SGX access fee	\$ 1.88
GST on (1)+(2)+(3)	\$ 9.58
(4) SBL borrowing fee (10% p.a.)**	\$ 136.99
(5) SBL admin fee	\$ 20.00
(6) SBL contract settlement fee	\$ 0.50
GST on (4)+(5)+(6)	\$ 11.02
	\$ 24,685.03
Estimated net profit due to client	\$ 9,489.68

Employees can also opt for immediate sell, while self-financing the option exercise.

Example 2: Self-finance and Immediate Sell with Best Effort.

An Employee exercised **10,000** shares options at an exercise price of **\$1.50** per share and sold them on the same day at a market price of **\$2.50** per share.

Description	Self-financing with "Immediate Sell"
Exercise cost (incl. CDP fee on exercise)	\$ 15,010.70
ESOS processing fee	\$ 10.00
Sub-to-sub transfer charges	\$ 107.00
Total ESOS exercise costs payable	\$ 15,127.70
Gross Sales proceeds	\$ 25,000.00
Less Sales costs:	
(1) Brokerage rate (min S\$40 or 0.5%)	\$ 125.00
(2) Clearing fee	\$ 10.00
(3) SGX access fee	\$ 1.88
GST on (1)+(2)+(3)	\$ 9.58
(4) SBL borrowing fee (10% p.a.)**	\$ 136.99
(5) SBL admin fee	\$ 20.00
(6) SBL contract settlement fee	\$ 0.50
GST on (4)+(5)+(6)	\$ 11.02
	\$ 24,685.03
Estimated net profit due to client	\$ 9,557.33

**ESOS financing and SBL borrowing for 20 days. Actual duration depends on processing time taken.

CHARGES AND FEES*

Financing	
Financing Interest	7% p.a.
Processing Fee - SBL with financing or financing only	0.1% on each loan drawn down/option(s) exercised (min S\$20, max S\$150).
Processing Fee - Self-financing	\$10.00 per option (s) exercised.
Cancellation Fee for ESOS	S\$100 if employee withdraws, or exercises invalid options after application has been processed.
Transfer Fee (for depositing of share collateral)	1) S\$10.70 (inclusive of GST) per counter from CDP to PFPL. 2) S\$20.70 (inclusive of GST) per counter from PFPL to CDP.
Quarterly Sub-Account Maintenance Fee	\$15.00. Waiver is on the condition of 1 trade done in that quarter.
Securities Borrowing & Immediate Sell	
SBL Borrowing Fee	10 % p.a.
SBL Admin Fee	S\$20.00
SBL Contract Settlement Fee	S\$0.50
Sub-to-sub transfer charge	S\$10.70 (inclusive of GST) per counter per lot, subject to a maximum of S\$107.00 (inclusive of GST) per counter.
Sale of shares	Standard brokerage and fees apply.
Miscellaneous	
CDP Processing Fee	\$10.70 (inclusive of GST) per option exercise.
Dividend Charges (applicable for shares held in PFPL Share Financing Account)	<S\$100 - \$1.07 (inclusive of GST) >S\$100 - 1% of Net Dividend (Max of S\$53.50, inclusive of GST) GST is on dividend charges and is applicable for Singaporean and Singapore PR.

Account closure	Account closure with credit balance of S\$1.00 or below, an administrative charge of S\$1.07 (inclusive of GST) will be levied.
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* Charges subject to change. Please contact your trading representative for the latest charge schedule.

SHARE OPTIONS EXERCISING PROCEDURES

1. The Employee is to furnish Phillip Securities (PSPL) with the **Original** Option Exercise Notice Form, duly **completed and signed**.
2. Indicate to your Trading Representative if **“Immediate Sale with Best Effort”** is to be used.
3. If financing is obtained, a cheque for the full exercise amount will be issued to the Employer directly by Phillip.
4. The Employer will process the Exercise Notice in accordance with the listing requirements.

IMPORTANT NOTES

1. No Short-Selling is allowed. It is the employee's responsibility to ensure that the shares are credited into his account before a sell order is placed with his Trading Representative or via POEMS. Alternatively, the employee may sign up for the Shares Borrowing and Lending (SBL) facility to perform an **“immediate sell with best effort”**.
2. Number of share options exercised **MUST MATCH** the number of shares borrowed and sold in SBL.
3. It is recommended that the employee should only exercise his share options if they are **“in the money”**. You may wish to consult your Trading Representative on this matter.

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Valid as of 22 July 2008

INFORMATION SHEET

Employee Share Option Service (ESOS)

Brought to you by:

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AND

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