

**APPENDIX DATED 14 APRIL 2020**

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

This Appendix is circulated to the shareholders (the “**Shareholders**”) of AnnAik Limited (the “**Company**”) together with the Company’s Annual Report 2019 (as defined herein). The purpose of this Appendix is to explain to the Shareholders the rationale and to provide information pertaining to the proposed renewal of the Share Buy-Back Mandate (as defined herein), and to seek Shareholders’ approval of the same at the Annual General Meeting to be held on 29 April 2020 at 10.00 a.m. at 52 Tuas Avenue 9, Singapore 639193.

The Notice of AGM (as defined herein) and the Proxy Form are enclosed with the Annual Report 2019.

**If you are in any doubt as to the course of action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.**

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward the Annual Report 2019 (including the Notice of AGM (as defined herein), and the accompanying Proxy Form) and this Appendix to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, Hong Leong Finance Limited (the “**Sponsor**”). The Appendix has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Appendix including the correctness of any of the information, statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, Telephone: (65) 6415 9886.



(Incorporated in the Republic of Singapore)  
(Company Registration Number: 197702066M)

**APPENDIX TO THE ANNUAL REPORT 2019**

**IN RELATION TO**

**THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE**

*This page has been intentionally left blank.*

## CONTENTS

DEFINITIONS .....	2
LETTER TO SHAREHOLDERS .....	7
1. INTRODUCTION .....	7
2. THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE .....	7
3. INTERESTS OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS .....	30
4. DIRECTORS' RECOMMENDATIONS .....	31
5. ABSTENTION FROM VOTING .....	31
6. ACTION TO BE TAKEN BY SHAREHOLDERS .....	31
7. COMPLIANCE WITH GOVERNING LAWS, REGULATIONS AND CONSTITUTION ...	32
8. DIRECTORS' RESPONSIBILITY STATEMENT .....	32
9. DOCUMENTS FOR INSPECTION .....	32

## DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:–

<b>“ACRA”</b>	:	Accounting and Corporate Regulatory Authority of Singapore
<b>“Affected Parties”</b>	:	Has the meaning ascribed to it in Section 2.11.4 of this Appendix
<b>“AGM”</b>	:	The annual general meeting of the Company to be held on 29 April 2020 at 10.00 a.m.
<b>“Annual Report 2019”</b>	:	The Company’s annual report for the financial year ended 31 December 2019
<b>“Appendix”</b>	:	This appendix to the Annual Report 2019
<b>“Associate”</b>	:	(a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:–  (i) his immediate family;  (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and  (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;  (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
<b>“Average Closing Price”</b>	:	Has the meaning given to it in Section 2.3.5 of this Appendix
<b>“Board of Directors” or “Board”</b>	:	The board of Directors of the Company as at the date of this Appendix
<b>“Catalist”</b>	:	The sponsor-supervised listing platform of the SGX-ST
<b>“Catalist Rules”</b>	:	Section B: Rules of the Catalist of the Listing Manual of the SGX-ST, as amended or modified or supplemented from time to time

<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Company”</b>	:	AnnAik Limited
<b>“Companies Act” or “Act”</b>	:	The Companies Act, Chapter 50 of Singapore, as amended or modified or supplemented from time to time
<b>“Concert Party Group”</b>	:	Has the meaning ascribed to it in Section 2.11.4 of this Appendix
<b>“Constitution”</b>	:	The constitution of the Company, as amended or modified from time to time
<b>“Controlling Shareholder”</b>	:	A person who (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company (unless the SGX-ST determines that such a person is not a controlling shareholder of the Company); or (b) in fact exercises control over the Company
<b>“Directors”</b>	:	The directors of the Company as at the date of this Appendix, and from time to time, as the case may be
<b>“EPS”</b>	:	Earnings per Share
<b>“FY”</b>	:	The financial year ended or ending 31 December, as the case may be
<b>“Group”</b>	:	The Company and its subsidiaries, collectively as at the date of this Appendix
<b>“Latest Practicable Date”</b>	:	17 March 2020, being the latest practicable date prior to the printing of this Appendix
<b>“Listing Manual”</b>	:	The Listing Manual (Section B: Rules of Catalist) of the SGX-ST, as amended or modified or supplemented from time to time
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading of securities
<b>“Market Purchases”</b>	:	Has the meaning given to it in Section 2.3.3(a) of this Appendix
<b>“Maximum Price”</b>	:	Has the meaning given to it in Section 2.3.5 of this Appendix
<b>“Notice of AGM”</b>	:	The notice of AGM dated 14 April 2020
<b>“NTA”</b>	:	Net tangible assets
<b>“Off-Market Purchases”</b>	:	Has the meaning given to it in Section 2.3.3(b) of this Appendix

<b>“Proxy Form”</b>	:	The proxy form in respect of the AGM
<b>“Purchase Price”</b>	:	Has the meaning ascribed to it in Section 2.7.2 of this Appendix
<b>“Relevant Period”</b>	:	The period commencing from the date on which the last annual general meeting was held and expiring on the date on which the next annual general meeting is held or is required by law to be held, whichever is the earlier, after the date the resolution relating to the Share Buy-Back Mandate is passed
<b>“Rule 14”</b>	:	Rule 14 of the Take-over Code
<b>“Securities Account”</b>	:	A securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
<b>“Securities and Futures Act” or “SFA”</b>	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended or modified or supplemented from time to time
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Share Buy-Back”</b>	:	Purchase of Shares by the Company pursuant to the Share Buy-Back Mandate
<b>“Share Buy-Back Mandate”</b>	:	A general mandate given by Shareholders to authorise the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Appendix and the rules and regulations set forth in the Companies Act and the Catalist Rules
<b>“Shareholders”</b>	:	Registered holders of Shares in the Register of Members of the Company except that where the registered holder is CDP, the term <b>“Shareholders”</b> shall, in relation to such Shares, and where the context so admits, mean the persons to whose Securities Accounts maintained with CDP are credited with the Shares. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Accounts
<b>“Shares”</b>	:	Ordinary Shares in the share capital of the Company and <b>“Share”</b> shall be construed accordingly
<b>“SIC”</b>	:	Securities Industry Council of Singapore
<b>“Sponsor”</b>	:	Hong Leong Finance Limited
<b>“Subsidiary”</b>	:	Has the meaning ascribed to it in Section 5 of the Companies Act

<b>“Subsidiary Holdings”</b>	:	Shares referred in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act
<b>“Substantial Shareholder”</b>	:	A person who has a direct or indirect interest of five (5)% or more of the aggregate of the nominal amount of all the Shares of the Company
<b>“Take-over Code”</b>	:	The Singapore Code on Take-overs and Mergers, as amended or modified or supplemented from time to time
<b>“Treasury Shares”</b>	:	Has the meaning ascribed to it in Section 4 of the Companies Act
<b>“2019 AGM”</b>	:	The AGM of the Company held on 30 April 2019
<b>“2019 Mandate”</b>	:	Has the meaning ascribed to it in Section 2.1.4 of this Appendix
<b>“S\$” and “cents”</b>	:	Singapore dollars and cents, respectively
<b>“%” or “per cent”</b>	:	Percentage or per centum

Except where specifically defined, the terms **“we”**, **“us”** and **“our”** in this Appendix refer to the Group.

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them, respectively, in Section 81SF of the Securities and Futures Act.

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

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

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

All discrepancies in the tables included herein between the listed amounts and 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.

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

Certain statements contained in this Appendix, which are not statements of historical fact, constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would”, “could” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Group’s expected financial position, business strategy, plans and prospects are forward-looking statements and accordingly involve

known and unknown risks, uncertainties and other factors that may cause the Group's actual results, performance and achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given the risks and uncertainties which may cause the Group's actual future results, performance or achievements to be materially different from those expected, expressed or implied by forward-looking statements in this Appendix, undue reliance must not be placed on those statements. The Company does not represent or warrant that the Group's actual future results, performance or achievements will be as discussed in those statements. Further, the Company disclaims any responsibility and undertakes no obligation to update or revise any forward-looking statements contained in this Appendix to reflect any change in the Group's expectations with respect to such statements after the date of this Appendix or to reflect any change in events, conditions or circumstances on which the Company based any such statements subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any regulatory or supervisory body or agency.



# LETTER TO SHAREHOLDERS

## ANNAIK LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 197702066M)

### Registered Office:

52 Tuas Avenue 9  
Singapore 639193

### Directors:

Mr. Ow Chin Seng	Executive Chairman cum Chief Executive Officer
Mr. Ow Eei Meng Benjamin	Executive Director cum Deputy Chief Executive Officer
Mr. Ng Kim Keang	Executive Director cum Chief Operating Officer
Mr. Lim Geok Peng	Independent Director
Ms. Tan Poh Hong	Independent Director
Mr. Gan Thiam Poh	Independent Director

14 April 2020

To: The Shareholders of AnnAik Limited

Dear Sir/Madam,

## THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

### 1. INTRODUCTION

- 1.1 The Board intends to seek the approval of the Shareholders for the proposed renewal of the Share Buy-Back Mandate at the forthcoming AGM to be held on 29 April 2020. The proposed renewal of the Share Buy-Back Mandate is set out as an ordinary resolution in the Notice of AGM accompanying the Annual Report 2019.
- 1.2 The purpose of this Appendix is to provide Shareholders with information relating to the abovementioned proposed renewal of the Share Buy-Back Mandate, and to seek the approval of the Shareholders for the abovementioned proposed renewal of the Share Buy-Back Mandate at the forthcoming AGM.
- 1.3 This Appendix has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) or for any other purpose.
- 1.4 The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix. If any Shareholder is in doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

## 2. THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

### 2.1 Background

- 2.1.1 Under the Companies Act, Singapore-incorporated companies are allowed to purchase or otherwise acquire their own ordinary shares, stocks and preference shares if their constitution expressly permits them to do so, provided that any such purchase is made in accordance with and in the manner prescribed by the Companies Act, the Constitution and such other laws and regulations as may for

the time being be applicable. As the Company is listed on Catalist, it is also required to comply with Part XI of Chapter 8 of the Catalist Rules, which relates to the purchase or acquisition by an issuer of its own shares. Regulation 72(2) of the Constitution expressly permits the Company to purchase or otherwise acquire its issued Shares.

- 2.1.2 It is a requirement under the Companies Act and the Catalist Rules that a company which wishes to purchase or otherwise acquire its own shares must obtain the approval of its shareholders to do so at a general meeting.
- 2.1.3 The authority conferred pursuant to the Share Buy-Back Mandate is exercisable by the Directors at any time during the period commencing from the date of the general meeting approving the Share Buy-Back Mandate and expiring on the date when the next annual general meeting is held or is required by law to be held, or the day on which the Share Buy-Back is carried out to the full extent mandated, or the date on which the authority contained therein is varied or revoked, whichever is earlier.
- 2.1.4 At the 2019 AGM, the Company obtained the approval of the Shareholders for the Share Buy-Back Mandate. The rationale for, the authority and limitations on, and the financial effects of the Share Buy-Back Mandate approved at the 2019 AGM were set out in the letter to Shareholders dated 11 April 2019 (the “**2019 Mandate**”).
- 2.1.5 As the 2019 Mandate will be expiring on the date of the forthcoming AGM, the Company intends to seek the approval of the Shareholders for the proposed renewal of the Share Buy-Back Mandate at the forthcoming AGM.
- 2.1.6 The Company did not purchase or acquire any Shares in the twelve (12) months preceding the Latest Practicable Date.

## **2.2 Rationale for the Share Buy-Back Mandate**

- 2.2.1 The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:–
  - (a) The Share Buy-Back Mandate will give the Company the flexibility to undertake share purchases or acquisitions up to the 10% limit described in Section 2.3.1 below at any time, subject to market conditions, during the period when the Share Buy-Back Mandate is in force.
  - (b) In managing its business, the Group strives to increase Shareholders’ value by improving, *inter alia*, the return on equity of the Company. The purchases or acquisitions of Shares by the Company pursuant to the Share Buy-Back Mandate is one of the ways through which the return on equity of the Company may be enhanced, thereby increasing Shareholders’ value. Depending on market conditions, the Share Buy-Back Mandate may also lead to an enhancement of the EPS and NTA per Share.
  - (c) The Directors are also of the view that Share Buy-Backs may help to mitigate short-term market volatility in the price of the Shares, off-set the effects of short-term speculation and bolster the confidence of investors and Shareholders in the Company.

- (d) The Share Buy-Back Mandate will enable the Directors to utilise the Shares which are purchased or acquired thereunder and held in treasury to be sold for cash or transferred as consideration for the acquisition of shares in or assets of another company or assets of a person, which may be less dilutive than if new Shares were issued for this purpose.

If and when circumstances permit, the Directors will decide (i) whether to effect the Share Buy-Backs via Market Purchases or Off-Market Purchases; and (ii) whether the Shares purchased or acquired should be held as treasury shares or cancelled, after taking into account the relevant factors such as the financial resources available, the prevailing market conditions and the cost and timing involved.

- 2.2.2 The Share Buy-Back will only be undertaken as and when the Directors consider it to be in the best interests of the Company and/or the Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate may not be carried out to the full limit as authorised. No Share Buy-Backs will be made in circumstances which the Directors believe will have or may have a material adverse effect on the financial position, liquidity and/or listing status of the Company and the Group, and the working capital requirements and gearing level of the Company and the Group.

## **2.3 Authority and Limits of the Share Buy-Back Mandate**

The authority and limitations placed on the Share Buy-Back Mandate for which the proposed renewal is sought are summarised below:–

### **2.3.1 Maximum Number of Shares**

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

In accordance with Rule 867 of the Catalist Rules, the total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate shall not exceed 10% of the issued ordinary shares in the capital of the Company as at the date on which the resolution authorising the Share Buy-Back Mandate is passed, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered after such capital reduction. The following shall be disregarded for the purposes of computing the 10% limit:–

- (i) Shares held by the Company as Treasury Shares; and
- (ii) Subsidiary Holdings.

As at the Latest Practicable Date, the Company has 4,202,100 Treasury Shares and no Subsidiary Holdings.

**For illustrative purposes only**, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date comprising 288,530,874<sup>1</sup> Shares, and assuming that no further Shares are issued or repurchased, or held by the Company as Treasury Shares, on or prior to the forthcoming AGM, not more than 28,853,087 Shares (representing 10% of the Shares as at that date excluding Treasury Shares and Subsidiary Holdings) may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate.

While the Share Buy-Back Mandate would authorise a purchase or acquisition of Shares up to the 10% limit, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate may not be carried out up to the full 10% limit as authorised. In particular, the Board will not effect the purchase or acquisition of the Shares to be made in circumstances which would have an adverse effect on the free float, liquidity, orderly trading of the Shares and/or financial position of the Group.

### 2.3.2 **Duration of Authority**

Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company on and from the date of the forthcoming AGM (at which the Share Buy-Back Mandate is approved) up to the earliest of:–

- (a) the date on which the next annual general meeting of the Company is held or required by law or the Constitution to be held;
- (b) the date on which the authority conferred by the Share Buy-Back Mandate is varied or revoked by Shareholders in a general meeting; or
- (c) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated.

The Share Buy-Back Mandate may be renewed at each annual general meeting or such other general meeting of the Company. When seeking the approval of Shareholders for such proposed renewal, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate made during the previous twelve (12) months, including the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for such purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions.

### 2.3.3 **Manner of Purchase or Acquisition of Shares**

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

- (a) on-market purchases transacted on the SGX-ST through the SGX-ST's trading system, and which may be transacted through one (1) or more duly licensed stockbrokers appointed by the Company for such purpose ("**Market Purchases**"); and/or

---

<sup>1</sup> Excluding the 4,202,100 Shares purchased by the Company via Market Purchases, and held as treasury shares as at the date of this Appendix.

- (b) off-market purchases effected pursuant to an equal access scheme(s) (as defined in Section 76C of the Companies Act) as may be determined or formulated by the Directors as they consider fit, of which such scheme(s) shall satisfy all the conditions prescribed by the Companies Act (“**Off-Market Purchases**”),

and otherwise in accordance with all other laws, the Constitution, the Catalist Rules and other rules and regulations of the SGX-ST.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy-Back Mandate, the Catalist Rules and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

#### 2.3.4 **Information on Off-Market Purchases of Shares**

An Off-Market Purchase effected in accordance with an equal access scheme must, however, satisfy the following conditions:–

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

In addition, in accordance with Rule 870 of the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders containing at least the following information:–

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed Share Buy-Back;
- (d) the consequences, if any, of share purchases by the Company that will arise under the Take-over Code or any other applicable take-over rules;
- (e) whether the Share Buy-Back, if made, could effect the listing of the Shares on the SGX-ST;

- (f) details of any Share Buy-Back made by the Company in the previous twelve (12) months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as Treasury Shares.

#### 2.3.5 **Maximum Purchase Price**

The purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the Share Buy-Back must not exceed:–

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase, 105% of the Average Closing Price (as defined hereinafter),

(the “**Maximum Price**”) in either case, excluding related expenses of the Share Buy-Back.

For the above purposes:–

“**Average Closing Price**” means:–

- (a) the average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, preceding the day of the making of the offer pursuant to the Off-Market Purchase; and
- (b) deemed to be adjusted, in accordance with the Catalist Rules, for any corporate action that occurs during the relevant five (5) day period and the day on which the purchases are made; and

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

#### 2.4 **Status of Purchased or Acquired Shares**

Under Section 76B of the Companies Act, any Share purchased or acquired by the Company shall, unless held as a Treasury Share, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to such Shares shall expire on such cancellation. The total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as Treasury Shares.

All Shares purchased or acquired by the Company (other than Treasury Shares held by the Company to the extent permitted under the Companies Act) will be automatically de-listed by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

At the time of each Share Buy-Back, the Company may decide whether the Shares purchased or acquired will be cancelled or held as Treasury Shares, depending on the needs of the Company and as the Directors deem fit in the interests of the Company to do so at that time.

## **2.5 Treasury Shares**

Pursuant to the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as Treasury Shares. Some of the provisions on Treasury Shares under the Companies Act are summarised as follows:–

### **2.5.1 Maximum Holdings**

The number of Shares held as Treasury Shares cannot at any time exceed 10% of the total number of issued Shares, and the Company shall be entered in the Register of Members or the Depository Register, as the case may be, as the member holding those Shares.

In the event that the Company holds more than 10% of the total number of Shares as Treasury Shares, the Company shall cancel or dispose of the excess Treasury Shares in the manner set out under Section 2.5.3 below within six (6) months beginning with the day on which that contravention occurs, or such further period as ACRA may allow.

As at the Latest Practicable Date, the number of issued Shares is 288,530,874. The Company has 4,202,100 Treasury Shares as of the Latest Practicable Date. The Company also assumes that no further Shares are issued and no Shares are purchased or acquired by the Company on or prior to the forthcoming AGM. As such, the Company may pursuant to the purchase or acquisition of shares under the Share Buy-Back Mandate, hold up to 28,853,087 Shares as Treasury Shares.

### **2.5.2 Voting and Other Rights**

The Company cannot exercise any right in respect of Treasury Shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the Treasury Shares shall be treated as having no voting rights.

In addition, no dividend may be paid (whether in cash or otherwise), and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding-up) may be made to the Company in respect of Treasury Shares. However, the allotment of shares as fully paid bonus shares in respect of Treasury Shares is allowed.

A subdivision or consolidation of any treasury share into Treasury Shares of a smaller or larger amount is also allowed so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before.



### 2.5.3 Disposal and Cancellation

Where Shares are held as Treasury Shares, the Company may at any time conduct the following:–

- (a) sell the Treasury Shares (or any of them) for cash;
- (b) transfer the Treasury Shares (or any of them) for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the Treasury Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the Treasury Shares (or any of them); or
- (e) sell, transfer or otherwise use the Treasury Shares for such other purposes as may be prescribed by the Minister for Finance.

In addition, under Rule 704(31) of the Catalist Rules, the Company must immediately announce any sale, transfer, cancellation and/or use of Treasury Shares, stating the following:–

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of Treasury Shares sold, transferred, cancelled and/or used;
- (d) number of Treasury Shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of Treasury Shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (f) value of the Treasury Shares if they are used for a sale or transfer, or cancelled.

## 2.6 Source of Funds

2.6.1 In the purchasing of the Shares, the Company shall only apply funds legally available in accordance with its Constitution and the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than in cash, or in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

2.6.2 The Company intends to use its internal resources or external borrowings or a combination of both to finance its Share Buy-Backs pursuant to the Share Buy-Back Mandate. In considering the use of external funding, the Company will take into consideration the availability of external financing and the resulting impact on the prevailing gearing level of the Company and the Group. The Directors do not propose to exercise the Share Buy-Back Mandate in a manner and to such extent that the Group's liquidity and capital adequacy position would be materially adversely affected.



2.6.3 Under the Companies Act, any purchase or acquisition of the Shares may be made out of the Company's capital or profits so long as the Company is solvent. The Companies Act further stipulates that a payment for such purchase of shares shall include any expenses (including brokerage or commission) incurred directly in the purchase or acquisition of Shares. It is an offence for a director of a Company to approve or authorise the purchase or acquisition of shares, knowing that the Company is not solvent.

For this purpose, pursuant to Section 7A of the Companies Act, a company is solvent if the following conditions are satisfied:–

- (a) there is no ground on which the company could be found to be unable to pay its debts;
- (b) if:–
  - (i) it is intended to commence winding up of the company within the period of twelve (12) months immediately after the date of the payment, the company will be able to pay its debts in full within the period of twelve (12) months after the date of commencement of the winding up; or
  - (ii) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of twelve (12) months immediately after the date of the payment; and
- (c) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

In determining, for the above purposes, whether the value of the Company's assets is less than the value of its liabilities (including contingent liabilities), the Directors or the Company's management (a) must have regard to the most recent financial statements of the Company and all other circumstances that the Directors or the management know or ought to know affect, or may affect, the value of the Company's assets and the value of the Company's liabilities (including contingent liabilities); and (b) may rely on valuation of assets or estimates of liabilities that are reasonable in the circumstances. Where the value of contingent liabilities are required to be determined, the Directors or the Company's management may take into account the likelihood of the contingency occurring and any claim that the Company is entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability.

## 2.7 Financial Effects

2.7.1 The financial impact on the Company and the Group arising from the Share Buy-Backs pursuant to the Share Buy-Back Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases, whether the Share Buy-Back is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled. It is accordingly not possible for the Company to realistically or accurately calculate or quantify the exact impact that the Share Buy-Back Mandate might have on the NTA value, EPS and gearing of the Company and the Group at this juncture. The financial effects is on an illustrative basis (more information is set out in Section 2.7.5 of this Circular).

### 2.7.2 **Purchase or acquisition made out of capital and/or profits**

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the total amount of the purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax, clearance fees and other related expenses) (the "**Purchase Price**") paid by the Company for the purchase or acquisition of Shares is made out of profits, such Purchase Price will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

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

Where the Company chooses not to hold the purchased Shares in treasury, such Shares shall be cancelled. The Company shall:–

- (a) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;
- (b) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or
- (c) reduce the amount of its share capital and profits proportionately where the Shares are purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled. Where the purchased Shares are held in treasury, the total number of issued Shares will remain unchanged.

### 2.7.3 **Number of Shares purchased or acquired**

**For illustrative purposes only**, on the basis of 288,530,874 Shares (excluding the 4,202,100 Treasury Shares and no Subsidiary Holdings held by the Company) in issue as at the Latest Practicable Date, the purchase or acquisition of Shares by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 28,853,087 Shares.

### 2.7.4 **Maximum Price paid for Shares purchased or acquired**

In the case of a Market Purchase by the Company, and assuming the Company purchases or acquires 28,853,087 Shares at the Maximum Price of S\$0.0659 per Share (being the price equivalent to 105% of the Average Closing Price of the Shares traded on the Catalist for the last five (5) Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 28,853,087 Shares (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties and clearance fees) is approximately S\$1,903,000.

In the case of Off-Market Purchase by the Company and assuming that the Company purchases or acquires 28,853,087 Shares at the Maximum Price of S\$0.0659 per Share (being the price equivalent to 105% of the Average Closing Price of the Shares traded on the Catalist for the last five (5) Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 28,853,087 Shares (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties and clearance fees) is approximately S\$1,903,000.

## 2.7.5 Illustrative financial effects

**For illustrative purposes only**, and on the basis of the assumptions set out in Sections 2.7.3 and 2.7.4 above and the following assumptions,

- (i) the transaction costs incurred for the Share Buy-Backs are insignificant and have been ignored for the purpose of computing the financial effects,

the financial effects of the Market Purchase and Off-Market Purchase:–

- (a) made entirely out of working capital and held as Treasury Shares;
- (b) made entirely out of accumulated profits and held as Treasury Shares;
- (c) made entirely out of working capital and cancelled; and
- (d) entirely out of accumulated profits and cancelled,

based on the latest audited financial statements of the Company for FY2019, are set out below.

### (i) Scenario 1 – Market Purchase and Off-Market Purchase made entirely out of working capital and held as Treasury Shares

	Company		Group	
	As at FY2019 S\$'000	After Share Buy-Back S\$'000	As at FY2019 S\$'000	After Share Buy-Back S\$'000
Share capital	38,776	38,776	38,776	38,776
Reserves	523	523	1,588	1,588
Accumulated Profits	5,270	5,270	19,452	19,452
Minority Interests	–	–	11,490	11,490
Treasury Shares	(470)	(2,373)	(470)	(2,373)
Total Equity	44,099	42,196	70,836	68,933
NTA <sup>(1)</sup>	42,063	40,160	56,813	54,910
Current Assets	15,610	13,707	48,781	46,878
Current Liabilities	2,591	2,591	29,690	29,690
Working Capital	13,019	11,116	19,091	17,188

	Company		Group	
	As at FY2019 S\$'000	After Share Buy-Back S\$'000	As at FY2019 S\$'000	After Share Buy-Back S\$'000
Total Liabilities	2,762	2,762	51,777	51,777
Total Number of Shares ('000)	288,531	259,678	288,531	259,678
NTA per Share (Cents)	14.58	15.47	19.69	21.15
Debt Equity Ratio	0.06	0.07	0.73	0.75
Working Capital Ratio	6.02	5,29	1.64	1.58
EPS (Cents)	(0.49)	(0.55)	0.74	0.83

**(ii) Scenario 2 – Market Purchase and Off-Market Purchase made entirely out of accumulated profits and held as Treasury Shares**

	Company		Group	
	As at FY2019 S\$'000	After Share Buy-Back S\$'000	As at FY2019 S\$'000	After Share Buy-Back S\$'000
Share capital	38,776	38,776	38,776	38,776
Reserves	523	523	1,588	1,588
Accumulated Profits	5,270	3,367	19,452	17,549
Minority Interests	–	–	11,490	11,490
Treasury Shares	(470)	(2,373)	(470)	(2,373)
Total Equity	44,099	40,294	70,836	67,031
NTA <sup>(1)</sup>	42,063	38,258	56,813	53,008
Current Assets	15,610	13,707	48,781	46,878
Current Liabilities	2,591	2,591	29,690	29,690
Working Capital	13,019	11,116	19,091	17,188

	Company		Group	
	As at FY2019 S\$'000	After Share Buy-Back S\$'000	As at FY2019 S\$'000	After Share Buy-Back S\$'000
Total Liabilities	2,762	2,762	51,777	51,777
Total Number of Shares ('000)	288,531	259,678	288,531	259,678
NTA per Share (Cents)	14.58	14.73	19.69	20.41
Debt Equity Ratio	0.06	0.07	0.73	0.77
Working Capital Ratio	6.02	5.29	1.64	1.58
EPS (Cents)	(0.49)	(0.55)	0.74	0.83

**(iii) Scenario 3 – Market Purchase and Off-Market Purchase made entirely out of working capital and cancelled**

	Company		Group	
	As at FY2019 S\$'000	After Share Buy-Back S\$'000	As at FY2019 S\$'000	After Share Buy-Back S\$'000
Share capital	38,776	36,403	38,776	36,403
Reserves	523	523	1,588	1,588
Accumulated Profits	5,270	5,270	19,452	19,452
Minority Interests	–	–	11,490	11,490
Treasury Shares	(470)	–	(470)	–
Total Equity	44,099	42,196	70,836	68,433
NTA <sup>(1)</sup>	42,063	40,160	56,813	54,910
Current Assets	15,610	13,707	48,781	46,878
Current Liabilities	2,591	2,591	29,690	29,690
Working Capital	13,019	11,116	19,091	17,188

	Company		Group	
	As at FY2019 S\$'000	After Share Buy-Back S\$'000	As at FY2019 S\$'000	After Share Buy-Back S\$'000
Total Liabilities	2,762	2,762	51,777	51,777
Total Number of Shares ('000)	288,531	259,678	288,531	259,678
Net Tangible Assets per Share (Cents)	14.58	15.47	19.69	21.15
Debt Equity Ratio	0.06	0.07	0.73	0.75
Working Capital Ratio	6.02	5.29	1.64	1.58
EPS (Cents)	(0.49)	(0.55)	0.74	0.83

**(iv) Scenario 4 – Market Purchase and Off-Market Purchase made entirely out of accumulated profits and cancelled**

	Company		Group	
	As at FY2019 S\$'000	After Share Buy-Back S\$'000	As at FY2019 S\$'000	After Share Buy-Back S\$'000
Share capital	38,776	38,776	38,776	38,776
Reserves	523	523	1,588	1,588
Accumulated Profits	5,270	2,897	19,452	17,079
Minority Interests	–	–	11,490	11,490
Treasury Shares	(470)	–	(470)	–
Total Equity	44,099	42,196	70,836	68,933
NTA <sup>(1)</sup>	42,063	40,160	56,813	54,910
Current Assets	15,610	13,707	48,781	46,878
Current Liabilities	2,591	2,591	29,690	29,690
Working Capital	13,019	11,116	19,091	17,188

	Company		Group	
	As at FY2019 S\$'000	After Share Buy-Back S\$'000	As at FY2019 S\$'000	After Share Buy-Back S\$'000
Total Liabilities	2,762	2,762	51,777	51,777
Total Number of Shares ('000)	288,531	259,678	288,531	259,678
NTA per Share (Cents)	14.58	15.47	19.69	21.15
Debt Equity Ratio	0.06	0.07	0.73	0.75
Working Capital Ratio	6.02	5.29	1.64	1.58
EPS (Cents)	(0.49)	(0.55)	0.74	0.83

**Note:-**

(1) This includes a service concession of S\$31,338,000 to construct and operate wastewater treatment plants.

The financial impact is the same whether the Shares are purchased via Market Purchases or Off-Market Purchases. The Group had a balance of S\$10,989,000 in cash and bank balances as at 31 December 2019. Assuming a Share Buy-Back Mandate of up to 28,853,087 Shares at the maximum price of S\$0.0659 per Share, the Company's cash reserves would be reduced by S\$1,903,000 and, all other things remaining the same, the working capital and net tangible assets of the Group and the Company would be reduced by the dollar value of the Shares purchased. The consolidated net tangible assets value per Share after the purchase of 28,853,087 Shares would be increased to S\$0.2115.

As illustrated in the tables above, the purchase of the Shares would reduce the current assets and Shareholders' funds of the Group and the Company accordingly. This would result in an increase in the debt equity ratio of the Group. The consolidated EPS as a result of the repurchase of 28,853,087 Shares would be increased from 0.74 cents to 0.83 cents.

The actual impact on the debt equity and working capital ratio of the Company would depend on the number of Shares purchased and the price or prices at which the Shares are purchased. The actual impact on the respective ratios will depend on the number and price of the Shares bought back.

The Directors do not propose to exercise the Share Buy-Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Company. The acquisition and purchase of Shares will only be effected after considering relevant factors such as the working capital requirements, availability of surplus cash and other financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The Share Buy-Back Mandate will be exercised with a view to enhance the EPS and/or the NTA per Share of the Group and/or the Company.

**Shareholders should note that the financial effects illustrated above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the latest audited financial statements of the Company and the Group as at 31 December 2019, and is not representative of the Group's future financial performance.**

**Although the Share Buy-Back Mandate would authorise the Company to buy-back up to 10% of the Company's issued Shares, the Company may not necessarily buy-back all 10% of the issued Shares in full. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.**

**In particular, the maximum number of Shares that the Company may purchase under the Companies Act is limited by the solvency requirements set out in the Companies Act.**

## **2.8 Tax Implications**

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

## **2.9 Listing Status of Shares on the SGX-ST**

The Company is required under Rule 723 of the Catalist Rules, to ensure that at least 10% of any class of its listed securities are held by public shareholders. "Public" is defined under the Catalist Rules as persons other than the Directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company and its subsidiaries, as well as the associates of such persons.

As at the Latest Practicable Date, 153,568,772 Shares, representing approximately 53.22% of the total number of issued Shares are held by public Shareholders. In the event that the Company should pursuant to the Share Buy-Back Mandate, purchase or acquire its Shares up to the full 10% limit, about 124,715,685 Shares representing 48.03% of the Shares (excluding Treasury Shares) would continue to be in the hands of the public.

Accordingly, the Directors are of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares up to the full 10% pursuant to the Share Buy-Back Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to adversely affect orderly trading.

Accordingly, as at the Latest Practicable Date, the Company will be able to undertake the Share Buy-Back up to the full 10% limit pursuant to the Share Buy-Back Mandate without affecting the listing status of the Shares on the Catalist Board of the SGX-ST.

## **2.10 Other applicable rules under the Companies Act and the Catalist Rules**

The Companies Act and/or the Catalist Rules require the Company to make the following reports in relation to the proposed renewal of the Share Buy-Back Mandate:–

- 2.10.1 To lodge a copy of the Shareholders' resolution approving the proposed renewal of the Share Buy-Back Mandate with the ACRA within thirty (30) days of the passing of such resolution;



2.10.2 To notify the ACRA of the purchase or acquisition of Shares on the SGX-ST or otherwise within thirty (30) days. Such notification shall be in the prescribed form and shall include:–

- (a) the date of the purchase or acquisition of Shares;
- (b) the number of Shares purchased or acquired;
- (c) the number of Shares cancelled;
- (d) the number of Shares held as Treasury Shares (if applicable);
- (e) the Company's issued share capital before the purchase or acquisition;
- (f) the Company's issued share capital after the purchase or acquisition;
- (g) the amount of consideration paid by the Company for the purchase or acquisition of the Shares;
- (h) whether the Shares were purchased or acquired out of the profits or the capital of the Company; and
- (i) such other particulars as may be required in the prescribed form.

2.10.3 Pursuant to the Catalist Rules, to report purchases or acquisitions of Shares to SGX-ST in the form of Appendix 8D of the Catalist Rules or other forms prescribed:–

- (a) in the case of Market Purchases not later than 9.00 a.m. on the Market Day following the day on which the Company makes an Market Purchase; and
- (b) in the case of Off-Market Purchases under an equal access scheme, not later than 9.00 a.m. on the second Market Day after the close of acceptances of the offer made by the Company.

2.10.4 To disclose in its annual report and accounts, all details pertaining to purchases of Shares made during the year, including the total number of Shares purchased during the financial year under review, the purchase price per Share or the highest and lowest prices paid for the purchases, and where relevant, the total consideration paid.

#### 2.10.5 **Restrictions on Share Buy-Backs**

Under the Catalist Rules, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than five (5)% above the "average closing market price", being the average of the closing market prices of a share over the last five (5) Market Days on which transactions in the shares were recorded, before the day on which the purchases were made (which is deemed to be adjusted for any corporate action that occurs during such five (5) Market Day period and the day on which the purchases are made). The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 2.3.5 above, conforms to this restriction.

While the Catalist Rules do not expressly prohibit a purchase of shares by a listed company during any particular time or times, the listed company would be regarded an “insider” in relation to any purchase of its shares. As such, the Company will not purchase any Shares pursuant to the Share Buy-Back Mandate at any time after any matter or development of a price sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price sensitive information has been publicly announced or disseminated in accordance with the requirements of the Catalist Rules.

Further, in conformity with the best practices guide on securities dealings under the Catalist Rules, the Company will not purchase or acquire any Shares through Market Purchases or Off-Market Purchases pursuant to the Share Buy-Back Mandate during the period of two (2) weeks immediately preceding the announcement of the Company’s financial statements for each of the first three (3) quarters of its financial year, and one (1) month immediately preceding the announcement of the Company’s financial statement for the financial year, or one (1) month before the announcement of the Company’s half year and full year financial statements, as the case may be, ending on the date of announcement of the relevant results.

The Company’s decision to purchase or acquire Shares would only be made with an arrangement that could reasonably be expected to ensure that information that is not generally available would not be communicated or informed to the person within the Company who makes the decision to transact.

## **2.11 Take-over Code Implications**

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

### **2.11.1 Obligation to Make a Take-over Offer**

Under Appendix 2 of the Take-over Code, any increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him as a result of any Share Buy-Back will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code.

Pursuant to Rule 14 of the Take-over Code, a Shareholder and persons acting in concert with him will incur an obligation to make a mandatory take-over offer for the Company if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company’s voting rights, increase their voting rights in the Company by more than one (1)% in any period of six (6) months.

Consequently, depending on the number of Shares purchased by the Company and the Company’s total number of issued Shares at that time, a Shareholder or a group of Shareholders acting in concert could, in certain circumstances, obtain or consolidate effective control of the Company and become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

### 2.11.2 Effect of Rule 14 and Appendix 2 of the Take-over Code

The effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code if, as a result of the Company purchasing Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or, if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one (1)% in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder who is not acting in concert with the Directors, will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than one (1)% in any period of six (6) months, as a result of the company buying back its shares. Such a Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy-Back Mandate, unless so required under the Companies Act, e.g. for a shareholder whose shares are to be bought via a selective buy-back by an unlisted public company.

### 2.11.3 Persons Acting in Concert

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

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be persons acting in concert with each other under the Take-over Code:–

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, any company whose associated companies include any of the above companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser;

- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the above persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of the company will be regarded as the test of associated company status.

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

#### 2.11.4 Application of the Take-over Code

Mr Ow Chin Seng and Mr Ow Eei Meng, Benjamin are Directors of the Company (together, the “**Affected Parties**”). Mr Ow Eei Meng, Benjamin is the son of Mr Ow Chin Seng. As at the Latest Practicable Date, each of the Affected Parties are deemed interested in approximately 40.43% of the issued Shares.

As at the Latest Practicable Date, the Affected Parties and their concert parties (the “**Concert Party Group**”), as well as the Shares they are interested in, are set out in the table below. The table below also sets out, assuming that the Company exercises the Share Buy-Back Mandate in full, the shareholdings of the Concert Party Group before and after the assumed repurchase of 28,853,087 Shares by the Company.

Concert Party Group	Before Share Buy-Back		After Share Buy-Back <sup>(1)</sup>	
	No. of Shares	Shareholding Percentage	No. of Shares	Shareholding Percentage
Ow Chin Seng (Executive Chairman)	92,953,697	32.22%	92,953,697	35.80%
Ow Eei Meng, Benjamin (Executive Director)	–	–	–	–
Low Kheng (Ow Chin Seng’s wife)	14,343,655	4.97%	14,343,655	5.52%
Elsie Low Kheng Thor (Low Kheng’s sister)	1,697,000	0.59%	1,697,000	0.65%
Low Chuan Seng (Low Kheng’s brother)	122,164	0.04%	122,164	0.05%
Kwek Geok Yong (Low Chuan Seng’s wife)	2,417,000	0.84%	2,417,000	0.93%
Low Kim Chuan (Low Kheng’s brother)	18	0.00%	18	0.00%

Concert Party Group	Before Share Buy-Back		After Share Buy-Back <sup>(1)</sup>	
	No. of Shares	Shareholding Percentage	No. of Shares	Shareholding Percentage
Peh Choon Chieh (Ow Chin Seng's nephew)	380,000	0.13%	380,000	0.15%
Lee Ah Ho (Low Kheng's mother)	228,000	0.08%	228,000	0.09%
Lau Siew Kwan (Low Kheng's sister)	60,000	0.02%	60,000	0.02%
Low Kheng Huay Joanna (Low Kheng's sister)	14,400	0.00%	14,400	0.01%
Low Bee Eng (Low Kheng's sister)	400	0.00%	400	0.00%
Koh Wee Leong, Vincent (Low Kheng's nephew)	220,000	0.08%	220,000	0.08%
Koh Beng Leong (Ow Chin Seng's nephew)	512,000	0.18%	512,000	0.20%
Low Ann Kok (Ow Chin Seng's nephew)	24,000	0.01%	24,000	0.01%
Koh Wee Beng (Ow Chin Seng's nephew)	20,000	0.01%	20,000	0.01%
Lau Gee Hong (Ow Chin Seng's nephew)	200	0.00%	200	0.00%
Phua Sin Yee (Ow Chin Seng's daughter-in-law)	2,919,400	1.01%	2,919,400	1.12%
Heng Hui Lyn (Ow Chin Seng's daughter-in-law)	497,750	0.17%	497,750	0.19%
Ow Jia Yin, Clara (Ow Chin Seng's daughter)	230,000	0.08%	230,000	0.09%
<b>Total</b>	<b>116,639,684</b>	<b>40.43%</b>	<b>116,639,684</b>	<b>44.92%</b>

**Note:–**

(1) This is based on the assumption that the Company exercises the Share Buy-Back Mandate in full, no one in the Concert Party Group will sell any of his/her interests to the Company and that, save for the change in their interests resulting directly from the share repurchases by the Company, there are no other changes in their interest in the voting rights in the Company for the duration of the Share Buy-Back Mandate.

As can be seen from the above, and on the assumption in note (1) of the table in the preceding paragraph, in the event that the Company exercises the Share Buy-Back Mandate in full, the Concert Party Group's combined shareholdings would increase from 40.43% to approximately 44.92%. The Concert Party Group would accordingly be required to make a mandatory take-over offer under Rule 14 of the Take-over Code as a result of the Share Buy-Back by the Company pursuant to the exercise of the Share Buy-Back Mandate.

Pursuant to Appendix 2 of the Take-over Code, the Concert Party Group will be exempted from the requirement to make a general offer for the Company pursuant to Rule 14 of the Take-over Code in the event that the Concert Party Group's aggregate percentage of voting rights in the Company increases by more than one (1)% in any six (6) month period as a result of the Company buying back its Shares pursuant to the Share Buy-Back Mandate, subject to the following conditions:–

- (a) the circular to Shareholders on the resolution to authorise a buy-back to contain advice to the effect that by voting for the buy-back resolution, Shareholders are waiving their right to a general offer at the required price from Directors and parties acting in concert with them who, as a result of the Company buying back its Shares, would increase their voting rights to 30% or more, or if they together hold between 30% and 50% of the Company's voting rights, would increase their voting rights by more than one (1)% in any period of six (6) months; and the names of such Directors and persons acting in concert with them, their voting rights at the time of the resolution and after the proposed buy-back to be disclosed in the same circular;
- (b) the resolution to authorise a Share Buy-Back to be approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the Share Buy-Back;
- (c) Directors and/or persons acting in concert with them to abstain from voting for and/or recommending Shareholders to vote in favour of the resolution to authorise the Share Buy-Back;
- (d) within seven (7) days after the passing of the resolution to authorise the Share Buy-Back, each of the Directors to submit to the SIC a duly signed Form 2 (*Submission by Directors and their Concert Parties pursuant to Appendix 2 of the Take-over Code*) as prescribed by the SIC;
- (e) Directors and/or persons acting in concert with them not to have acquired and not to acquire any Shares between the date on which they know that the announcement of the Share Buy-Back proposal is imminent and the earlier of:–
  - (i) the date on which the authority of the Share Buy-Back expires; and
  - (ii) the date on which the Company announces it has bought back such number of Shares as authorised by Shareholders at the latest general meeting or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the buy-back, would cause their aggregate voting rights to increase to 30% or more; and

- (f) Directors and/or persons acting in concert with them, together holding between 30% and 50% of the Company's voting rights, not to have acquired and not to acquire any Shares between the date on which they know that the announcement of the Share Buy-Back proposal is imminent and the earlier of:–
  - (i) the date on which the authority of the Share Buy-Back expires; and

- (ii) the date on which the Company announces it has bought back such number of shares as authorised by Shareholders at the latest general meeting or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the buy-back, would cause their aggregate voting rights to increase by more than one (1)% on the preceding six (6) months.

The Directors hereby confirm that the Share Buy-Back Mandate will not be exercised to assist any person (and/or his concert parties) to obtain or consolidate control of the Company. The Affected Parties have also confirmed that neither they nor their concert parties have acquired or will acquire Shares in the knowledge that the despatch of the Notice of AGM to authorise the Share Buy-Back Mandate is imminent. The Concert Party Group (including their nominees) will also abstain from voting at the forthcoming AGM in respect of the proposed Share Buy-Back Mandate and will not accept nominations as proxy or otherwise for voting at the forthcoming AGM in respect thereof.

Save as disclosed herein, the Directors have confirmed that they are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded, as parties acting in concert such that their respective interests in voting Shares should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a Share Buy-Back.

**Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Buy-Back Mandate are advised to consult their professional advisers and/or the SIC before they acquire any Shares during the period when the Share Buy-Back Mandate is in force.**

#### 2.11.5 Approval

The proposed renewal of the Share Buy-Back Mandate is subject to the approval of the Shareholders at the forthcoming AGM.

**Shareholders should note that the proposed renewal of the Share Buy-Back Mandate will constitute a waiver by the Shareholders in respect of their rights to a general offer by the Concert Party Group, at the required price, if a Share Buy-Back by the Company results in an increase in their voting rights by more than one (1)% in any six (6) month period.**

#### 2.11.6 Submission of Form 2 to the SIC

Form 2 (*Submission by Directors and their Concert Parties pursuant to Appendix 2 of the Take-over Code*) is the prescribed form to be submitted to the SIC by a Director and persons acting in concert with him pursuant to the conditions for exemption (please refer to condition (d) of Section 2.11.4 above) from the requirement to make a take-over offer under Rule 14 of the Take-over Code as a result of the Share Buy-Back Mandate.



As at the Latest Practicable Date, the Affected Parties have informed the Company that they will be submitting Form 2 (*Submission by Directors and their Concert Parties pursuant to Appendix 2 of the Take-over Code*) to the SIC within seven (7) days after the passing of the resolution approving the Share Buy-Back Mandate.

## 2.12 Share Buy-Backs during the previous 12 months

The Company has not made any Share Buy-Backs via Market and Off-Market Purchases over the past twelve (12) months immediately preceding the Latest Practicable Date.

Up until the Latest Practicable Date, the Company has purchased 4,202,100 Shares via Market Purchases pursuant to the previous share buy-back mandates obtained by the Company.

## 2.13 Limits on Shareholdings

The Company does not have any limits on the shareholding of any Shareholder.

## 3. INTERESTS OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 3.1 Interests of Directors

The interests of the Directors in the Shares, based on information as recorded in the Register of Directors' Shareholdings of the Company maintained pursuant to Section 164 of the Companies Act, as at the Latest Practicable Date, are as follows:

Name	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ow Chin Seng	92,953,697	32.22	14,343,655	4.97	107,297,352	37.19
Ow Eei Meng, Benjamin <sup>(1)</sup>	–	–	2,919,400	1.01	2,919,400	1.01
Ng Kim Keang	6,182,500	2.14	–	–	6,182,500	2.14
Gan Thiam Poh	–	–	–	–	–	–
Lim Geok Peng	–	–	–	–	–	–
Tan Poh Hong	–	–	–	–	–	–

Note:–

(1) Mr. Ow Eei Meng, Benjamin is the son of Mr. Ow Chin Seng.

### 3.2 Interests of Substantial Shareholders of the Company

The interests of the Substantial Shareholders of the Company in the Shares (excluding Directors), based on information as recorded in the Register of Substantial Shareholders of the Company maintained pursuant to Section 88 of the Companies Act, as at the Latest Practicable Date, are as follows:

Name	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Low Kheng <sup>(1)</sup>	14,343,655	4.97	92,953,697	32.22	107,297,352	37.19
Low Sim Yam <sup>(2)</sup>	11,815,950	4.10	6,516,900	2.25	18,332,850	6.35
Lian Lay Kheng <sup>(2)</sup>	6,516,900	2.25	11,815,950	4.10	18,332,850	6.35



**Notes:-**

- (1) Mdm Low Kheng is deemed to be interested in all the Shares held by Mr. Ow Chin Seng by virtue of Section 7 of the Companies Act.
- (2) Mr Low Sim Yam and Mdm Lian Lay Kheng are husband and wife.

**3.3** Save as disclosed above, none of the Directors, Substantial Shareholders and their associates have any interests, direct or indirect, in the proposed renewal of the Share Buy-Back Mandate.

**4. DIRECTORS' RECOMMENDATIONS**

Having considered, *inter alia*, the rationale and benefits of the proposed Share Buy-Back Mandate, the Directors believe that the proposed Share Buy-Back Mandate is in the best interests of the Company. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed Share Buy-Back Mandate as set out in the Notice of AGM.

**5. ABSTENTION FROM VOTING**

In compliance with paragraph 3(a)(iii) of Appendix 2 of the Take-over Code (as reflected in condition (c) of Section 2.11.4 above), the Affected Parties will abstain, and will procure that their concert parties (being members of the Concert Party Group) shall abstain from voting, whether by representative or proxy, on the ordinary resolution relating to the Share Buy-Back Mandate. In addition, the Affected Parties will not accept, and will procure that members of the Concert Party Group do not accept, nominations as proxy or otherwise vote at the forthcoming AGM in respect of the ordinary resolution relating to the Share Buy-Back Mandate, unless Shareholders appointing them as proxies give specific instructions in the relevant Proxy Forms on the manner in which they wish for their votes to be cast for the ordinary resolution relating to the Share Buy-Back Mandate.

**6. ACTION TO BE TAKEN BY SHAREHOLDERS**

**6.1 Appointment of Proxies**

A Shareholder who is unable to attend the forthcoming AGM and wishes to appoint a proxy to attend and vote on his behalf should complete, sign and return the Proxy Form attached to this Appendix 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 52 Tuas Avenue 9, Singapore 639193 not less than seventy-two (72) hours before the time fixed for the forthcoming AGM. Completion and return of the Proxy Form by a Shareholder does not preclude him from attending and voting in person at the forthcoming AGM in place of the proxy if he so wishes. However, any appointment of a proxy by such Shareholder shall be deemed to be revoked if Shareholder attends the forthcoming AGM in person, and in such event, the Company reserves the right to refuse to admit any person, appointed under the instrument of proxy, to the forthcoming AGM.

**6.2 When Depositor Regarded as Shareholder**

A Depositor shall not be regarded as a Shareholder entitled to attend the forthcoming AGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP as at seventy-two (72) hours before the forthcoming AGM.

## **7. COMPLIANCE WITH GOVERNING LAWS, REGULATIONS AND CONSTITUTION**

The Company confirms that the terms of the Share Buy-Back Mandate do not contravene any laws and regulations governing the Company and the Constitution.

## **8. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed Share Buy-Back Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

## **9. DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Company at 52 Tuas Avenue 9, Singapore 639193 during normal business hours on any weekday (except public holidays) from the date hereof up to and including the date of the forthcoming AGM:–

- (i) the Annual Report 2019 and the audited financial results for the financial period ended 31 December 2019; and
- (ii) the Constitution of the Company.

Yours faithfully,  
For and on behalf of the Board of Directors of  
**ANNAIK LIMITED**

Ow Chin Seng  
Executive Chairman cum Chief Executive Officer  
14 April 2020

*This page has been intentionally left blank.*

