



LION ASIAPAC LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 196800586R)

Directors:

Sam Chong Keen (Chairman)
Loh Kgai Mun (Executive Director)
Tan Sri Cheng Heng Jem
Cheng Theng How
Dr Chua Siew Kiat
Lee Whay Keong

Registered Office:

10 Arumugam Road
#10-00 LTC Building A
Singapore 409957

7 October 2020

To: The Shareholders of Lion Asiapac Limited

Dear Sir/Madam,

LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE

All capitalised terms herein shall bear the meanings ascribed to them in the schedule titled "Definitions" to this Letter.

1. INTRODUCTION

- 1.1 The Directors wish to refer Shareholders to the Notice of AGM convening the AGM, and in particular, Ordinary Resolution 8 as set out in the Notice of AGM in relation to the proposed adoption of the Share Buyback Mandate.
- 1.2 The purpose of this Letter is to provide Shareholders with information relating to the proposed adoption of the Share Buyback Mandate, and to seek Shareholders' approval for the same at the AGM.

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

If you have sold or transferred all your Shares, you should immediately forward this Letter to the purchaser or the transferee or to the stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

- 1.3 The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.
- 1.4 WongPartnership LLP is the Singapore legal adviser to the Company for this Letter.

2. THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE

2.1 The Proposed Adoption of the Share Buyback Mandate

It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at a general meeting of its shareholders. In this regard, the Company proposes to adopt the Share Buyback Mandate, subject to Shareholders' approval at the AGM, to enable the Directors to exercise all powers of the Company to purchase or otherwise acquire the Shares on the terms of the Share Buyback Mandate.

The Company proposes to adopt the Share Buyback Mandate for the Company to make market and off-market buybacks of Shares from time to time of up to 10% of the total number of Shares (excluding treasury shares and subsidiary holdings) in accordance with the terms set out below. It is presently intended that the Share Buyback Mandate will be put to Shareholders for renewal at each subsequent annual general meeting of the Company.

2.2 Rationale for the Share Buyback Mandate

The approval of the adoption of the Share Buyback Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake Share purchases or acquisitions up to the 10% limit described in paragraph 2.3.1 below at any time, subject to market conditions, during the period when the Share Buyback Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

- (a) in managing the business of the Group, the management team strives to increase shareholder value by improving, *inter alia*, the return on equity of the Group. A Share purchase is one of the ways in which the return on equity of the Group may be enhanced; and
- (b) the Share Buyback Mandate is an expedient, effective and cost-efficient way for the Company to return to Shareholders surplus cash/funds which is/are over and above its ordinary capital requirements and in excess of the financial and possible investment needs of the Group, if any. In addition, the Share Buyback Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure.

While the Share Buyback Mandate would authorise a purchase or acquisition of Shares up to the said 10% limit during the period referred to in paragraph 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full 10% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate will be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial condition of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

2.3 Authority and Limits on the Share Buyback Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate 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. The total number of Shares which may be purchased or acquired pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares as at the date of the AGM (excluding treasury shares and subsidiary holdings) at which the adoption of the Share Buyback Mandate is approved, unless the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Companies Act, or the Court has, at any time during the Relevant Period, made an order under Section 78I of the Companies Act confirming the reduction of share capital of the Company, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered by the special resolution of the Company or the order of the Court, as the case may be. Any Shares which are held as treasury shares or subsidiary holdings will be disregarded for the purposes of computing the 10% limit.

For illustrative purposes only, based on the general rule in the foregoing paragraph, on the basis of 81,104,539 Shares in issue (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the AGM, and that the Company does not reduce its share capital, not more than 8,110,453 Shares (representing not more than 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate during the Relevant Period.

2.3.2 Duration of Authority

Purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may be made, at any time and from time to time, on and from the date of the AGM at which the Share Buyback Mandate is approved, up to:

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

whichever is the earliest.

The authority conferred on the Directors by the Share Buyback Mandate to purchase or acquire Shares may be renewed by the Shareholders in any general meeting of the Company, such as at the next annual general meeting or at an extraordinary general meeting to be convened immediately after the conclusion or adjournment of the next annual general meeting. When seeking the approval of the Shareholders for the renewal of the Share Buyback Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares

pursuant to the proposed Share Buyback Mandate made during the previous 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

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

- (a) on-market purchases ("**Market Purchases**"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose, in accordance with Section 76E of the Companies Act; and/or
- (b) off-market purchases ("**Off-Market Purchases**") effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate, the Listing Manual, the Companies Act and the Constitution, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all of the following conditions:

- (i) 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;
- (ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements, differences in consideration attributable to the fact that offers may relate to Shares with different amounts remaining unpaid, and differences in offers introduced solely to ensure that each Shareholder is left with a whole number of Shares.

Pursuant to the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;
- (3) the reasons for the proposed purchase or acquisition of Shares;
- (4) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (5) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (6) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether by way of Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the

purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for the purchases or acquisitions; and

- (7) whether the Shares purchased or acquired by the Company will be cancelled or kept as treasury shares.

2.3.4 **Maximum Price**

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses (“**related expenses**”)) to be paid for a Share will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares 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 pursuant to an equal access scheme, 105% of the Average Closing Price (as defined hereinafter),

(the “**Maximum Price**”), in either case, excluding related expenses.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of the Shares traded on the SGX-ST over the last five Market Days, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five Market Days and the day on which the Market Purchase is made or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase; and

“**day of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase of Shares from 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**

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. At the time of each purchase or acquisition of Shares by the Company, the Directors will decide whether the Shares purchased or acquired will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time. The total number of issued Shares will be diminished by the number of issued Shares purchased or acquired by the Company which are not held as treasury shares. It is presently intended by the Company that all or a significant portion of the Shares which are purchased or acquired by the Company under the Share Buyback Mandate will be cancelled.

All Shares purchased or acquired by the Company (unless held as treasury shares by the Company to the extent permitted under the Companies Act) will be automatically delisted by the SGX-ST, and certificates (if any) in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase or acquisition.

2.5 Treasury Shares

Under 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 below:

2.5.1 Maximum Holdings

The aggregate number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

2.5.2 Voting and Other Rights

The Company cannot exercise any rights in respect of treasury shares and any purported exercise of such right is void. 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, 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. Also, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is allowed if the total value of the treasury shares after the subdivision or consolidation, is the same as the total value of the treasury shares before the subdivision or consolidation, as the case may be.

2.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, Directors or other persons;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; 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 the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares

which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed before and after such sale, transfer, cancellation and/or use and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.6 Reporting Requirements

Within 30 days of the passing of a Shareholders' resolution to approve the purchase or acquisition of Shares by the Company, the Directors shall lodge a copy of such resolution with the Registrar.

The Directors shall notify the Registrar within 30 days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchase or acquisition including the date of the purchase or acquisition, the number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase or acquisition, the amount of consideration paid by the Company for the purchase or acquisition, whether the Shares were purchased or acquired out of the profits or the capital of the Company, and such other information as required by the Companies Act.

The Listing Manual specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (b) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptances of the offer for the Off-Market Purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

The Company, upon undertaking any sale, transfer, cancellation and/or use of treasury shares, will comply with Rule 704(28) of the Listing Manual, which provides that an issuer must make an immediate announcement thereof, stating the following:

- (i) date of the sale, transfer, cancellation and/or use;
- (ii) purpose of such sale, transfer, cancellation and/or use;
- (iii) number of treasury shares sold, transferred, cancelled and/or used;
- (iv) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (v) 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
- (vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.7 Source of Funds

The Company may only apply funds for the purchase or acquisition of Shares as provided in the Constitution and in accordance with the applicable laws in Singapore. The Company may not purchase or acquire 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.

The Company may use internal sources of funds or external borrowings or a combination of both to finance the Company's purchase or acquisition of Shares pursuant to the Share Buyback Mandate. The Directors do not propose to exercise the Share Buyback Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group.

2.8 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Buyback Mandate on the NTA per Share and EPS as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund the purchase or acquisition and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The Company's total number of issued Shares will be diminished by the total number of Shares purchased by the Company and which are not held as treasury shares. The NTA of the Group will be reduced by the aggregate purchase price (including any expenses such as brokerage and commission) paid by the Company for the Shares.

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 consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

The purchase or acquisition of Shares will only be effected by the Company after the Directors have considered relevant factors such as the working capital requirements, the availability of financial resources and the expansion and investment plans of the Group, and the prevailing market conditions.

For illustrative purposes only, the financial effects of the Share Buyback Mandate on the Company and the Group, based on the audited financial statements of the Group for the financial year ended 30 June 2020 are based on the assumptions set out below:

- (a) based on 81,104,539 Shares in issue (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date and assuming no further Shares are issued and no reduction of share capital of the Company takes place, not more than 8,110,453 Shares (representing 10% of the total number of issued Shares as at the date of the AGM (excluding treasury shares and subsidiary holdings)) may be purchased by the Company pursuant to the Share Buyback Mandate (if adopted);

- (b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires 8,110,453 Shares at the Maximum Price of \$0.392 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 8,110,453 Shares (excluding related expenses) is approximately \$3,179,297.58; and
- (c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 8,110,453 Shares at the Maximum Price of \$0.392 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 8,110,453 Shares (excluding related expenses) is approximately \$3,179,297.58.

For illustrative purposes only, and based on the assumptions set out in sub-paragraphs (a), (b) and (c) above and assuming that:

- (i) such purchase or acquisition of Shares is made entirely out of capital and financed solely by internal sources of funds;
- (ii) the Share Buyback Mandate had been effective on 1 July 2019;
- (iii) the Company had purchased or acquired 8,110,453 Shares on 1 July 2019; and
- (iv) related expenses incurred directly in the purchases or acquisitions by the Company of the Shares at the relevant time are not taken into account,

the financial effects of:

- (1) the purchase or acquisition of 8,110,453 Shares by the Company in a Market Purchase or Off-Market Purchase, where such Shares are held as treasury shares; and
- (2) the purchase or acquisition of 8,110,453 Shares by the Company in a Market Purchase or Off-Market Purchase, where such Shares are cancelled,

on the audited financial statements of the Group and the Company for the financial year ended 30 June 2020 pursuant to the Share Buyback Mandate, are summarised in the following tables:

(A) Market Purchase or Off-Market Purchase of 8,110,453 Shares and 8,110,453 Shares are held as treasury shares

	Group			Company		
	Before Share Purchase \$'000	After Market Purchase \$'000	After Off-Market Purchase \$'000	Before Share Purchase \$'000	After Market Purchase \$'000	After Off-Market Purchase \$'000
As at 30 June 2020						
Issued capital and reserves	72,491	72,491	72,491	70,041	70,041	70,041
Treasury shares	–	(3,179)	(3,179)	–	(3,179)	(3,179)
NTA ⁽¹⁾	71,269	68,090	68,090	70,041	66,862	66,862
Total equity	72,491	69,312	69,312	70,041	66,862	66,862
Current assets	73,318	70,139	70,139	10,402	7,223	7,223
Current liabilities	2,926	2,926	2,926	1,252	1,252	1,252
Working capital	70,040	66,861	66,861	9,147	5,968	5,968
Total borrowings	–	–	–	–	–	–
Cash and cash equivalents	65,052	61,873	61,873	10,318	7,139	7,139
Profit after tax and non-controlling interests	541	541	541	228	228	228
Number of Shares (excluding treasury shares) ('000)	81,105	72,995	72,995	81,105	72,995	72,995
Treasury shares ('000)	–	8,110	8,110	–	8,110	8,110
Financial ratios						
NTA per Share (\$)	0.88	0.93	0.93	0.86	0.92	0.92
EPS (cents) ⁽²⁾	0.67	0.74	0.74	0.28	0.31	0.31
Current ratio (times) ⁽³⁾	25	24	24	8	6	6
Net gearing ratio (%) ⁽⁴⁾	–	–	–	–	–	–

Notes:

- (1) NTA equals total equity less minority interest less intangible assets.
- (2) For illustrative purposes, EPS is computed based on profit after tax and the number of Shares as shown in the corresponding row in the table above.
- (3) Current ratio equals current assets divided by current liabilities.
- (4) Net gearing ratio equals total debts net of cash and cash equivalents, divided by total equity.

(B) Market Purchase or Off-Market Purchase of 8,110,453 Shares and 8,110,453 Shares are cancelled

	Group			Company		
	Before Share Purchase \$'000	After Market Purchase \$'000	After Off-Market Purchase \$'000	Before Share Purchase \$'000	After Market Purchase \$'000	After Off-Market Purchase \$'000
As at 30 June 2020						
Issued capital and reserves	72,491	72,491	72,491	70,041	70,041	70,041
NTA ⁽¹⁾	71,269	68,090	68,090	70,041	66,862	66,862
Total equity	72,491	69,312	69,312	70,041	66,862	66,862
Current assets	73,318	70,139	70,139	10,402	7,223	7,223
Current liabilities	2,926	2,926	2,926	1,252	1,252	1,252
Working capital	70,040	66,861	66,861	9,147	5,968	5,968
Total borrowings	–	–	–	–	–	–
Cash and cash equivalents	65,052	61,873	61,873	10,318	7,139	7,139
Profit after tax and non-controlling interests	541	541	541	228	228	228
Number of Shares ('000)	81,105	72,995	72,995	81,105	72,995	72,995
Financial ratios						
NTA per Share (\$)	0.88	0.93	0.93	0.86	0.92	0.92
EPS (cents) ⁽²⁾	0.67	0.74	0.74	0.28	0.31	0.31
Current ratio (times) ⁽³⁾	25	24	24	8	6	6
Net gearing ratio (%) ⁽⁴⁾	–	–	–	–	–	–

Notes:

- (1) NTA equals total equity less minority interest less intangible assets.
- (2) For illustrative purposes, EPS is computed based on profit after tax and the number of Shares as shown in the corresponding row in the table above.
- (3) Current ratio equals current assets divided by current liabilities.
- (4) Net gearing ratio equals total debts net of cash and cash equivalents, divided by total equity.

Shareholders should note that the financial effects set out above are purely for illustrative purposes only and based on the abovementioned assumptions. In particular, it is important to note that the above pro-forma financial analysis is based on the audited historical numbers for the financial year ended 30 June 2020, and is not necessarily representative of future financial performance.

Although the Share Buyback Mandate (if adopted) would authorise the Company to purchase up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as determined in accordance with the applicable provisions of the Companies Act, the Company may not necessarily purchase or be able to purchase the entire 10% of the total number of its issued Shares (excluding treasury shares and subsidiary holdings). In addition, the Company may cancel all or part of the purchased Shares or hold all or part of the purchased Shares in treasury.

Shareholders who are in doubt as to their tax positions or any tax implications in their respective jurisdictions should consult their own professional tax advisers.

2.9 Take-over Implications

Appendix 2 to 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.

2.9.1 Obligation to Make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of the Shares, the percentage of voting rights in the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

2.9.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert ("**concert parties**") 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 the company.

Unless the contrary is established, the following persons will be presumed to be acting in concert:

- (a) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing 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 they 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 the instructions of the individual, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities 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 a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and their concert parties 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 in Appendix 2 to the Take-over Code.

2.9.3 **Effect of Rule 14 of and Appendix 2 to the Take-over Code**

In general terms, the effect of Rule 14 of and Appendix 2 to the Take-over Code is that, unless exempted, Directors and their concert parties will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

Under Appendix 2 to the Take-over Code, a Shareholder 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 or acquiring its Shares, the voting rights of such Shareholder 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 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

Based on substantial shareholding notifications received by the Company under Part VII of the Securities and Futures Act as at the Latest Practicable Date, as set out in paragraph 3 below, none of the Substantial Shareholders of the Company would become obliged to make a mandatory offer for the Company under Rule 14 of the Take-over Code as a result of the purchase or acquisition by the Company of the maximum limit of 10% of its issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council of Singapore and/or their professional advisers at the earliest opportunity.

2.10 Listing Manual

While the Listing Manual does not expressly prohibit purchases or acquisitions of shares by a listed company during any particular time or times, the Company, in line with Rule 1207(19)(c) of the Listing Manual, will not purchase or acquire any Shares through Market Purchases during the following periods:

- (a) if the Company announces its quarterly financial statements, whether required by the SGX-ST or otherwise, two weeks immediately preceding the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements; or
- (b) if the Company does not announce its quarterly financial statements, one month immediately preceding the announcement of the Company's half year and full year financial statements.

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.

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of its listed securities (excluding treasury shares, preference shares and convertible equity securities) are in the hands of the public. The "public", as defined in the Listing Manual, are 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, 27,041,859 Shares, representing 33.34% of the total number of issued Shares (excluding treasury shares), are held in the hands of the public. Assuming that the Company purchases the aggregate of 8,110,453 Shares through Market Purchases, being the full 10% limit pursuant to the Share Buyback Mandate from the public (as defined in the Listing Manual), the number of Shares in the hands of the public would be reduced to 18,931,406 Shares, representing approximately 25.94% of the issued Shares of the Company (excluding treasury shares). Accordingly, the Company is of the view that there is a sufficient number of Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its Shares up to the full 10% limit pursuant to the Share Buyback Mandate (if adopted) 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.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.11 Previous Share Buybacks

The Company has not purchased any Shares during the 12-month period preceding the Latest Practicable Date.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

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

Director	Direct Interest		Deemed Interest*	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Mr Sam Chong Keen	–	–	–	–
Mr Loh Kgai Mun	–	–	–	–
Tan Sri Cheng Heng Jem	–	–	54,062,680	66.66
Mr Cheng Theng How	–	–	–	–
Dr Chua Siew Kiat	–	–	–	–
Mr Lee Whay Keong	–	–	–	–

Substantial Shareholder	Direct Interest		Deemed Interest*	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Omali Corporation Sdn Bhd ⁽²⁾	24,312,552	29.98	–	–
Bright Steel Sdn Bhd ⁽³⁾	–	–	24,312,552	29.98
Total Triumph Investments Limited ⁽³⁾	–	–	24,312,552	29.98
Lion Corporation Berhad ⁽⁴⁾	–	–	24,312,552	29.98
Lion Diversified Holdings Berhad (in liquidation) ⁽⁵⁾	–	–	24,312,552	29.98
AMB Venture Sdn Bhd ⁽⁶⁾	29,750,128	36.68	–	–
Lion AMB Resources Sdn Bhd ⁽⁷⁾	–	–	29,750,128	36.68
Lion Posim Berhad ⁽⁷⁾	–	–	29,750,128	36.68
Amsteel Mills Sdn Bhd ⁽⁷⁾	–	–	29,750,128	36.68
Steelcorp Sdn Bhd ⁽⁷⁾	–	–	29,750,128	36.68
LLB Steel Industries Sdn Bhd ⁽⁷⁾	–	–	29,750,128	36.68
Lion Industries Corporation Berhad ⁽⁸⁾	–	–	54,062,680	66.66
Tan Sri Cheng Heng Jem ⁽⁹⁾	–	–	54,062,680	66.66

Notes:

- * Deemed interests pursuant to Section 7 of the Companies Act.
- (1) Based on the total number of issued Shares of 81,104,539 Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date. The Company does not have any treasury shares or subsidiary holdings.
- (2) Omali Corporation Sdn Bhd ("**Omali**") is the beneficial and registered owner of 24,312,552 Shares.
- (3) Bright Steel Sdn Bhd and Total Triumph Investments Limited are deemed interested in the 24,312,552 Shares held by Omali.
- (4) Lion Corporation Berhad ("**LCB**"), as the ultimate holding company of Omali, is deemed interested in the 24,312,552 Shares held by Omali.
- (5) Lion Diversified Holdings Berhad (in liquidation) ("**LDHB**") is deemed interested in the 24,312,552 Shares held by Omali by virtue of its interest in LCB.
- (6) AMB Venture Sdn Bhd ("**AMBV**") is the beneficial and registered owner of 29,750,128 Shares.
- (7) Lion AMB Resources Sdn Bhd, Lion Posim Berhad, Amsteel Mills Sdn Bhd, Steelcorp Sdn Bhd and LLB Steel Industries Sdn Bhd are deemed interested in the 29,750,128 shares held by AMBV.
- (8) Lion Industries Corporation Berhad ("**LICB**") is deemed interested in (a) the 29,750,128 shares held by AMBV as it is the ultimate holding company of AMBV, and (b) the 24,312,552 shares held by Omali by virtue of its interest in LCB.
- (9) Tan Sri Cheng Heng Jem, by virtue of his interest in LICB, is deemed interested in (a) the 29,750,128 shares held by AMBV, and (b) the 24,312,552 shares held by Omali.

4. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed adoption of the Share Buyback Mandate is in the best interests of the Company, and accordingly, recommend that Shareholders vote in favour of Ordinary Resolution 8 as set out in the Notice of AGM in respect of the adoption of the Share Buyback Mandate to be proposed at the AGM.

5. ANNUAL GENERAL MEETING

The AGM will be conducted by electronic means in place of a physical meeting on Friday, 30 October 2020 at 11.00 a.m. for the purpose of, *inter alia*, considering and, if thought fit, passing the resolutions as set out in the Notice of AGM.

6. ACTION TO BE TAKEN BY SHAREHOLDERS

As stated in the Notice of AGM, the AGM will be conducted by electronic means in place of a physical meeting and members will NOT be able to attend the AGM in person. Instead, members may participate in the AGM by observing and/or listening to the AGM proceedings contemporaneously via a live webcast and live audio feed of the AGM proceedings ("**Live AGM Webcast**" and "**Live AGM Audio Feed**", respectively).

Please refer to the Notice of AGM for details of how to pre-register for the Live AGM Webcast and Live AGM Audio Feed, how you can submit your questions to the Company, and how you can have your votes cast on your behalf through appointing the Chairman of the AGM as proxy. The Notice of AGM also sets out separate instructions applicable to persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act), including investors who have acquired Shares using CPF and/or SRS monies, and who wish to participate in the AGM.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed adoption of the Share Buyback 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 Letter misleading. Where information in the Letter 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 Letter in its proper form and context.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 10 Arumugam Road, #10-00 LTC Building A, Singapore 409957, during normal business hours from the date of this Letter up to and including the date of the AGM:

- (a) the Annual Report; and
- (b) the Constitution.

Yours faithfully,
For and on behalf of
**THE BOARD OF DIRECTORS OF
LION ASIAPAC LIMITED**

Sam Chong Keen
Chairman

SCHEDULE

DEFINITIONS

In this Letter, the following definitions shall apply throughout unless the context otherwise requires or unless otherwise stated:

- “AGM”** : Annual general meeting of the Company to be held on 30 October 2020.
- “Annual Report”** : The annual report of the Company for the financial year ended 30 June 2020.
- “Associate”** : (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; and
- (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.
- “Average Closing Price”** : Has the meaning ascribed to it in paragraph 2.3.4 of this Letter.
- “CDP”** : The Central Depository (Pte) Limited.
- “Companies Act”** : The Companies Act (Chapter 50 of Singapore), as amended, modified or supplemented from time to time.
- “Company”** : Lion Asiapac Limited.
- “concert parties”** : Has the meaning ascribed to it in paragraph 2.9.2 of this Letter.
- “Constitution”** : The constitution of the Company, as amended, modified or supplemented from time to time.
- “Control”** : The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company.

<u>“Controlling Shareholder”</u>	:	A person who: (a) holds directly or indirectly 15% or more of the total voting rights in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or (b) in fact exercises Control over the Company.
<u>“Court”</u>	:	The High Court of the Republic of Singapore or a judge thereof.
<u>“day of the making of the offer”</u>	:	Has the meaning ascribed to it in paragraph 2.3.4 of this Letter.
<u>“Director”</u>	:	A director of the Company for the time being.
<u>“EPS”</u>	:	Earnings per Share.
<u>“Group”</u>	:	The Company and its subsidiaries.
<u>“Latest Practicable Date”</u>	:	16 September 2020, being the latest practicable date prior to the finalisation of this Letter.
<u>“Letter”</u>	:	This letter to Shareholders dated 7 October 2020.
<u>“Listing Manual”</u>	:	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time.
<u>“Live AGM Audio Feed”</u>	:	Has the meaning ascribed to it in paragraph 6 of this Letter.
<u>“Live AGM Webcast”</u>	:	Has the meaning ascribed to it in paragraph 6 of this Letter.
<u>“Market Day”</u>	:	A day on which the SGX-ST is open for trading in securities.
<u>“Market Purchases”</u>	:	Has the meaning ascribed to it in paragraph 2.3.3 of this Letter.
<u>“Maximum Price”</u>	:	Has the meaning ascribed to it in paragraph 2.3.4 of this Letter.
<u>“Notice of AGM”</u>	:	The notice of AGM as set out on pages 88 to 96 of the Annual Report.
<u>“NTA”</u>	:	Net tangible assets.
<u>“Off-Market Purchases”</u>	:	Has the meaning ascribed to it in paragraph 2.3.3 of this Letter.
<u>“Registrar”</u>	:	The Registrar of Companies.
<u>“related expenses”</u>	:	Has the meaning ascribed to it in paragraph 2.3.4 of this Letter.

<u>“Relevant Period”</u>	:	The period commencing from the date on which the adoption of the Share Buyback Mandate is approved by the Shareholders and expiring on the date the next annual general meeting is held or is required by law to be held, whichever is the earlier.
<u>“Securities Account”</u>	:	A securities account maintained by a depositor with CDP but not including a securities sub-account maintained with a depository agent.
<u>“Securities and Futures Act”</u>	:	The Securities and Futures Act (Chapter 289 of Singapore), as amended, modified or supplemented from time to time.
<u>“SGX-ST”</u>	:	Singapore Exchange Securities Trading Limited.
<u>“Share Buyback Mandate”</u>	:	General and unconditional mandate given by Shareholders to authorise the Directors to purchase Shares in accordance with the terms set out in Ordinary Resolution 8 as set out in the Notice of AGM, as more particularly described in this Letter and in accordance with the rules and regulations set forth in the Companies Act and the Listing Manual.
<u>“Shareholders”</u>	:	Persons who are registered as holders of Shares in the Register of Members of the Company except that where the registered holder is CDP, the term “Shareholders” shall mean the depositors who have Shares credited to their Securities Accounts.
<u>“Shares”</u>	:	Ordinary shares in the capital of the Company.
<u>“subsidiary holdings”</u>	:	Shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act.
<u>“Substantial Shareholder”</u>	:	A shareholder who has an interest or interests in one or more voting shares (excluding treasury shares) in the Company, and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares (excluding treasury shares) in the Company.
<u>“Take-over Code”</u>	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time.
<u>“\$”</u> and <u>“cents”</u>	:	Singapore dollars and cents, respectively.
<u>“%”</u>	:	Per centum or percentage.

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 or any statutory modification thereof, as the case may be.

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

Any reference in this Letter to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any term defined under the Companies Act, the Listing Manual, the Take-over Code or any modification thereof and used in this Letter shall have the meaning assigned to it under the Companies Act, the Listing Manual, the Take-over Code or any modification thereof, as the case may be, unless otherwise provided.

Summaries of the provisions of any laws and regulations (including the Take-over Code and the Listing Manual) contained in this Letter are of such laws and regulations (including the Take-over Code and the Listing Manual) as at the Latest Practicable Date.

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

Any reference to a time of day in this Letter is made by reference to Singapore time unless otherwise stated.

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