

CIRCULAR DATED 9 OCTOBER 2020

THIS CIRCULAR TO SHAREHOLDERS (“CIRCULAR”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by Sapphire Corporation Limited (the “Company”). If you are in any doubt about the contents of this Circular or the action 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 ordinary shares in the capital of the Company (“**Shares**”) held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares represented by physical share certificate(s) which are not deposited with the CDP, you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form (as defined herein) to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular has been prepared by the Company. The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the contents of this Circular, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Circular.

SAPPHIRE

盛世企业

SAPPHIRE CORPORATION LIMITED

(Company Registration Number: 198502465W)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED SHARE BUY-BACK MANDATE

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form : 21 October 2020 2020 at 3.30 p.m.

Date and time of Extraordinary General Meeting : 24 October 2020 at 3.30 p.m. (or as soon thereafter following the conclusion or adjournment of the Proposed Transaction EGM (as defined herein) to be held on the same day and by electronic means)

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DEFINITIONS

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

“Board” or “Directors”	:	The directors of the Company as at the date of this Circular
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 9 October 2020
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
“Company”	:	Sapphire Corporation Limited
“Constitution”	:	The constitution of the Company, as amended, modified or supplemented from time to time
“CPF”	:	The Central Provident Fund
“EGM”	:	The extraordinary general meeting of Shareholders to be held on by electronic means on 24 October 2020 at 3.30 pm. (or as soon thereafter following the conclusion or adjournment of the Proposed Transaction EGM to be held on the same day and by electronic means), notice of which is set out on pages N-1 to N-3 of this Circular
“EPS”	:	Earnings per Share
“FY”	:	The financial year commenced or, as the case may be, commencing, on 1 January and ended, or as the case may be, ending 31 December
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	7 October 2020, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST and its relevant rules, as amended, modified or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Market Purchase”	:	Has the meaning ascribed to it in Section 3.3(a) of this Circular
“Maximum Price”	:	Has the meaning ascribed to it in Section 3.4 of this Circular

DEFINITIONS

“Maximum Share Buy-back”	:	Has the meaning ascribed to it in Section 9.4(a) of this Circular
“Notice of EGM”	:	The notice of the EGM as set out on pages N-1 to N-3 of this Circular
“NTA”	:	Net tangible assets
“Off-Market Purchase”	:	Has the meaning ascribed to it in Section 3.3(b) of this Circular
“Proposed Transaction EGM”	:	The extraordinary general meeting to be held by electronic means on 24 October 2020 at 2.30 p.m. in relation to the proposed sale of equity interests in, and material dilution of effective equity interests in, Ranken Railway Construction Group Co., Ltd. (“Ranken Railway”), resulting in Ranken Railway ceasing to be a subsidiary of the Company
“Proxy Form”	:	The proxy form in respect of the EGM as attached to this Circular
“Register of Members”	:	Register of members of the Company
“Relevant Parties”	:	Has the meaning ascribed to it in Section 9.4 of this Circular
“Securities Account”	:	Securities account maintained by a Depositor with CDP (but does not include a securities sub-account maintained with a Depository Agent)
“SFA”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Buy-back”	:	The purchase or acquisition of Shares by the Company pursuant to the Share Buy-back Mandate
“Share Buy-back Mandate”	:	Has the meaning ascribed to it in Section 1 of this Circular
“Shareholders”	:	Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited

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“Shares”	:	Ordinary shares in the capital of the Company
“SIC”	:	Securities Industry Council
“subsidiary holdings”	:	Shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act
“Substantial Shareholder”	:	A person who has an interest or interests in one (1) or more voting 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 in the Company
“S\$” or “cents”	:	Singapore dollars and cents, respectively
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“Treasury Share”	:	A share of the Company that was or is treated as having been acquired and held by the Company and has been held continuously by the Company since it was so acquired and has not been cancelled
“%” or “per cent.”	:	Percentage or per centum

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

The term “**subsidiary**” shall have the same meaning ascribed to it in Section 5 of the Companies Act.

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

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 gender and *vice versa*. References to persons shall, where applicable, include corporations.

The words “**written**” and “**in writing**” include, where the context requires, any means of visible reproduction.

Any reference in this Circular to any 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 SFA, the Listing Manual, or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Listing Manual, or any statutory modification thereof, as the case may be, unless otherwise provided.

Any discrepancies in tables included herein between the amounts in the columns of the tables and the 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.

DEFINITIONS

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

Cautionary Note on Forward-looking Statements

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and 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. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and the Company disclaims any responsibility and does not undertake any obligation to update publicly or revise any forward-looking statements contained in this Circular to reflect any change in the Group’s expectations with respect to such statements after the date of this Circular 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.

Dentons Rodyk & Davidson LLP has been appointed as the legal adviser to the Company as to Singapore law in respect of the Share Buy-back Mandate.

LETTER TO SHAREHOLDERS

SAPPHIRE CORPORATION LIMITED

(Company Registration Number: 198502465W)
(Incorporated in the Republic of Singapore)

Board of Directors

Mr. Cheung Wai Suen (*Executive Chairman*)
Ms. Wang Heng (*Chief Executive Officer and Executive Director*)
Mr. Oh Eng Bin (*Non-Executive Lead Independent Director*)
Mr. Duan Yang, Julien (*Non-Executive Independent Director*)
Mr. Tay Eng Kiat Jackson (*Non-Executive Independent Director*)

Registered Office:

1 Robinson Road #17-00
AIA Tower
Singapore 048542

9 October 2020

To: The Shareholders of Sapphire Corporation Limited

Dear Sir/Madam

THE PROPOSED SHARE BUY-BACK MANDATE

1. INTRODUCTION

The Directors are convening an EGM to be held by electronic means on 24 October 2020 at 3.30 p.m. (or as soon thereafter following the conclusion or adjournment of the Proposed Transaction EGM to be held on the same day and by electronic means) to seek Shareholders' approval for a general and unconditional mandate to be given to the Directors to exercise all powers of the Company to purchase or otherwise acquire its issued Shares (the "**Share Buy-back Mandate**") upon and subject to the terms of the Share Buy-back Mandate, details of which are set out in this Circular.

The purpose of this Circular is to provide the Shareholders with relevant information pertaining to the proposed Share Buy-back Mandate, which will be tabled at the EGM. The Notice of EGM is set out on pages N-1 to N-3 of this Circular.

Shareholders are advised that the SGX-ST assumes no responsibility for the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Circular.

2. INFORMATION ON THE PROPOSED SHARE BUY-BACK MANDATE

2.1 The proposed Share Buy-back Mandate

Any purchase or acquisition of Shares by the Company would have to be made in accordance with, and in the manner prescribed by, the Constitution, the Companies Act, the SFA, the Listing Manual, and such other laws and regulations as may, for the time being, be applicable.

Rule 881 of the Listing Manual provides that a company may purchase its own shares if it has obtained the prior specific approval of its shareholders in a general meeting. Accordingly, approval is being sought from the Shareholders at the EGM for the Share Buy-back Mandate. An ordinary resolution will be proposed, pursuant to which the Share Buy-back Mandate will be given to the Directors to exercise all powers of the Company to purchase or otherwise acquire Shares according to the terms of the Share Buy-back Mandate.

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If approved by the Shareholders at the EGM, the authority conferred by the Share Buy-back Mandate will take effect from the date of the EGM and continue in force until the date on which the next annual general meeting is held or required by law to be held, unless prior thereto, purchases or acquisitions of Shares by the Company pursuant to the Share Buy-back Mandate have been carried out to the full extent mandated, or the authority conferred by the Share Buy-back Mandate is revoked or varied by Shareholders in a general meeting.

2.2 Rationale for the Share Buy-back Mandate

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

- (a) the Share Buy-back Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds which are in excess of the Group's financial needs, taking into account its growth and expansion plans, the Share Buy-back Mandate will facilitate the return to Shareholders of surplus funds in an expedient, effective and cost-efficient manner;
- (b) share buy-backs are one of the ways in which the return on equity of the Company may be improved, thereby increasing shareholder value;
- (c) share buy-backs allow the Board to exercise control over the Company's Share structure with a view to enhancing the EPS and/or NTA value per Share;
- (d) share buy-backs may help mitigate short-term market volatility in the price of the Shares, offset the effects of short-term speculation and bolster Shareholders' confidence; and
- (e) the Share Buy-back Mandate will enable the Directors to utilise the Shares which are purchased or acquired thereunder and held as treasury shares to be sold for cash, transferred as consideration for the acquisition of shares in or assets of another company or assets of a person, or issued to employees as a form of compensation, which may be less dilutive than if new Shares were issued for this purpose.

The Company will only purchase or acquire Shares pursuant to the Share Buy-back Mandate if it can benefit the Company and 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 purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the liquidity and capital adequacy position of the Group as a whole and/or affect the listing status of the Company on the SGX-ST.

Nonetheless, Shareholders should note that there is no assurance that the proposed Share Buy-back will achieve the desired effect, nor is there assurance that such effect (if achieved) can be sustained in the longer term.

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3. AUTHORITY AND LIMITATIONS OF THE SHARE BUY-BACK MANDATE

The authority and limitations placed on purchases or acquisitions of Shares by the Company pursuant to the Share Buy-back Mandate, if approved at the EGM, are summarised below:

3.1 Maximum number of Shares

(a) Share Buy-back limit

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. Pursuant to Rule 882 of the Listing Manual, the total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buy-back Mandate is limited to that number of Shares representing not more than 10% of the total number of Shares of the Company (excluding Treasury Shares and subsidiary holdings, if any) as at the date of the EGM at which the Share Buy-back Mandate is approved. Treasury Shares will be disregarded for the purposes of computing this 10% limit.

For illustrative purposes only, on the basis that there are 407,589,893 issued Shares as at the Latest Practicable Date, and assuming that (i) no further Shares are issued between the Latest Practicable Date and the date of the EGM; and (ii) no Shares are held as Treasury Shares or subsidiary holdings, the Company can purchase or acquire up to a maximum of 40,758,989 Shares (representing 10% of the total number of Shares of the Company as at that date) pursuant to the Share Buy-back Mandate during the period referred to in Paragraph 3.2 below.

However, purchases or acquisitions pursuant to the Share Buy-back Mandate need not be carried out to the full extent mandated, and in any case, will not be carried out to such an extent that would result in the Company losing the minimum public float required to maintain the listing status of the Company's Shares on the SGX-ST.

(b) Listing status on the SGX-ST

The Listing Manual provides that an issuer must ensure that at least 10% of a class of the total number of issued shares in a class that is listed (excluding treasury shares, preference shares and convertible equity securities) is at all times held by the public.

In order to maintain the listing status of the Shares on the SGX-ST and pursuant to Rule 723 of the Listing Manual, the Company must ensure that there is at all times a public float of not less than 10% of the issued Shares (excluding Treasury Shares). The Company will not carry out any Share Buy-back to such extent that it would result in the number of Shares remaining in the hands of the public to fall below the minimum level required under the Listing Manual without adversely affecting the listing status of the Company.

As at the Latest Practicable Date, 177,471,962 Shares (or approximately 43.54% of the total number of issued Shares) are held in the hands of the public. In the event that the Company purchases the maximum of 10% of its issued ordinary share capital from such public Shareholders, the resultant percentage of the issued Shares (excluding Treasury Shares and subsidiary holdings, if any) held by the public Shareholders would be reduced to approximately 37.27%. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which

LETTER TO SHAREHOLDERS

would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit 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 affect orderly trading.

The Company is seeking Shareholders' approval to enable the Company to purchase or acquire Shares up to a maximum of 10% of the total number of Shares (excluding Treasury Shares and subsidiary holdings, if any) for greater flexibility. **If approved, the Company will be able to purchase or acquire up to a maximum of 10% of the total number of Shares of the Company (excluding Treasury Shares and subsidiary holdings, if any).** Nevertheless, before deciding to effect a Share Buy-back, the Directors will ensure that, notwithstanding such purchase, a sufficient float in the hands of the public will be maintained to comply with Listing Manual requirements.

As at the Latest Practicable Date, the Company does not hold any Treasury Shares and has no subsidiary holdings.

3.2 Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the EGM at which the Share Buy-back Mandate is approved, up to the earliest of:

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

The authority conferred on the Directors to purchase Shares pursuant to the Share Buy-back Mandate may be renewed by the Shareholders at each subsequent annual general meeting or other general meeting of the Company.

3.3 Manner of purchases or acquisitions of Shares

Pursuant to Rule 882 of the Listing Manual, purchases or acquisitions of Shares may be made by way of:

- (a) on-market purchases transacted through the SGX-ST's trading system ("**Market Purchase**"); and/or
- (b) off-market purchases in accordance with an equal access scheme as defined in Section 76C of the Companies Act ("**Off-Market Purchase**").

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy-back Mandate, the Listing Manual, the SFA, the Companies Act, and all applicable laws and regulations as they consider fit in the interests of the Company, in connection with or in relation to any equal access scheme(s).

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An Off-Market Purchase must satisfy all of 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 have a reasonable opportunity to accept the offers made to them; and
- (c) the terms of all the offers shall be the same except that there shall be disregarded:
 - (i) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements;
 - (ii) 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 Shareholder is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase, 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 by the Company;
- (d) the consequences, if any, of Share purchases by the Company that will arise under the Take-over Code and/or other applicable take-over rules;
- (e) whether the proposed purchase or acquisition of Shares by the Company, if made, could affect the listing of the Company's equity securities on the SGX-ST;
- (f) details of any Share Buy-back made by the Company in the previous 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.

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3.4 Purchase price

The purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (b) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares,

in each case, excluding related expenses of the purchase or acquisition (the “**Maximum Price**”).

For the purposes of determining the Maximum Price:

- (A) “**Average Closing Price**” means 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, before the day on which the purchases are made, or as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and is deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period; and
- (B) “**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the Off-Market Purchase from the holder of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

The Listing Manual restricts a listed company from purchasing Shares by way of Market Purchases at a price per Share which is more than 5% above the Average Closing Price.

Although the Listing Manual does not prescribe a maximum price in relation to purchases of Shares by way of Off-Market Purchases, the Company has set a cap of 20% above the average closing price of a Share as the maximum price for a Share to be purchased or acquired by way of Off-Market Purchases.

4. STATUS OF THE PURCHASED OR ACQUIRED SHARES

The Shares purchased or acquired by the Company pursuant to the Share Buy-back Mandate shall be deemed to be cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless held by the Company as Treasury Shares in accordance with Section 76H of the Companies Act. At the time of each such Share Buy-back by the Company, the Directors shall decide whether the Shares purchased 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.

Where Shares purchased or acquired by the Company pursuant to the Share Buy-back Mandate are cancelled, such Shares will be automatically de-listed by the SGX-ST and certificates (if any) in respect thereof will be cancelled and destroyed by the Company as soon as is reasonably practicable following settlement of any such purchase or acquisition, and the total number of issued Shares will be diminished by such number of Shares that are cancelled.

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5. TREASURY SHARES

Under the Companies Act, Shares purchased or acquired by the Company under the Share Buy-back may be held or dealt with as Treasury Shares. Some of the provisions on Treasury Shares under the Companies Act are summarised as follows:

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 of the Company. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Companies Act.

5.2 Voting and other rights

The Company shall not exercise any right in respect of the 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 dividends may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to Shareholders on a winding up) may be made, to the Company in respect of Treasury Shares.

However, the Company may allot fully paid bonus Shares in respect of the Treasury Shares and the Treasury Shares may be subdivided or consolidated so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before the subdivision or consolidation, as the case may be. Any Shares allotted as fully paid bonus Shares in respect of the Treasury Shares shall be treated for the purposes of the Companies Act as if they were purchased by the Company at the time they were allotted, in circumstances in which Section 76H of the Companies Act applied.

5.3 Disposal and cancellation

When Shares purchased or acquired are held as Treasury Shares, the Company may at any time but subject always to the Take-over Code:

- (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 a share scheme whether for its employees, directors or any other persons;
- (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 of Finance.

LETTER TO SHAREHOLDERS

In addition, under Rule 704(28) of the Listing Manual, the Company must immediately announce any sale, transfer, cancellation and/or use of Treasury Shares held by it, 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.

6. SOURCE OF FUNDS

Any purchase or acquisition of Shares (including any expenses such as brokerage or commission incurred directly in the purchase or acquisition of such Shares) may be made out of the Company's capital or profits so long as the Company is solvent. Under the Companies Act, it is an offence for a Director or chief executive officer of the Company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent. For this purpose, pursuant to the Companies Act, a company is solvent if at the date of the payment 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 12 months immediately after the date of the payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (ii) it is not intended to commence winding up, the company will be able to pay its debts as they fall due during the period of 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 or acquisition, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal resources of funds and/or external borrowings to finance the purchase or acquisition of Shares pursuant to the Share Buy-back Mandate. The Board will principally consider the availability of internal resources, and the availability of external financing. However, in considering the option of external financing, the Board will particularly consider the prevailing gearing level of the Group. The Board will only make purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate in

LETTER TO SHAREHOLDERS

circumstances which they believe will not result in any material adverse effect on the financial condition of the Company or the Group. The purchase or acquisition of Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions.

7. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK MANDATE

The financial effects arising from a purchase or acquisition of Shares pursuant to the Share Buy-back Mandate on the Company and the Group will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the consideration paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effect on the audited financial statements of the Group and the Company will depend, *inter alia*, on the factors set out below:

7.1 Purchase or acquisition out of profits and/or capital

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 is 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. The Company does not intend to make any purchase or acquisition of Shares out of profits.

7.2 Number of Shares acquired or purchased

Based on 407,589,893 issued Shares as at the Latest Practicable Date, the purchase or acquisition of Shares by the Company up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 40,758,989 Shares.

7.3 Maximum price paid for Shares acquired or purchased

In the case of a Market Purchase by the Company and assuming that the Company purchases or acquires 40,758,989 Shares at the Maximum Price of S\$0.06636 per Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five (5) 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 40,758,989 Shares is approximately S\$2,704,767 (excluding brokerage, commission, applicable goods and services tax, and other related expenses).

In the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires 40,758,989 Shares at the Maximum Price of S\$0.07584 per Share (being the price equivalent to 20% above the Average Closing Price of the Shares for the five (5) 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 40,758,989 Shares is approximately S\$3,091,162 (excluding brokerage, commission, applicable goods and services tax, and other related expenses).

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7.4 Illustrative financial effects

For illustrative purposes only, based on the assumptions set out in Section 7.3 and assuming that (i) the purchase or acquisition of Shares are made to the extent aforesaid; (ii) such Shares are funded wholly by internal resources within the Group; and (iii) the Company had purchased 40,758,989 Shares (representing 10% of the issued Shares as at the Latest Practicable Date) on 1 January 2019, the financial effects of the purchase of 40,758,989 Shares by way of:

- (a) purchases made entirely out of capital and held as treasury shares; and
- (b) purchases made entirely out of capital and cancelled,

on the audited financial statements of the Group for FY2019 pursuant to the Share Buy-back Mandate are as follows:

Note: No illustrations will be shown for purchases made out of profits as the Company does not intend to do so.

7.4.1 Purchases made entirely out of capital and held as Treasury Shares

	Group			Company		
	Before Share Buy-back	After Share Buy-back by way of Market Purchase	After Share Buy-back by way of Off-Market Purchase	Before Share Buy-back	After Share Buy-back by way of Market Purchase	After Share Buy-back by way of Off-Market Purchase
As at 31 December 2019	(RMB'000)	(RMB'000) ⁽⁶⁾	(RMB'000) ⁽⁷⁾	(RMB'000)	(RMB'000) ⁽⁶⁾	(RMB'000) ⁽⁷⁾
Share capital	466,700	466,700	466,700	466,700	466,700	466,700
Retained earnings	139,219	139,219	139,219	(4,831)	(4,831)	(4,831)
Other reserves	(26,199)	(26,199)	(26,199)	787	787	787
Treasury Shares	0	(13,505)	(15,434)	0	(13,505)	(15,434)
Total Shareholders' funds	579,720	566,215	564,286	462,656	449,151	447,222
Non-controlling interests	10,906	10,906	10,906	0	0	0
Total equity	590,626	577,121	575,192	462,656	449,151	447,222
NTA ⁽¹⁾	537,303	523,798	521,869	462,656	449,151	447,222
Current assets	1,870,467	1,870,467	1,870,467	14,818	14,818	14,818
Current liabilities	1,511,130	1,524,635	1,526,564	3,588	17,093	19,022
Working capital	359,337	345,832	343,903	11,230	(2,275)	(4,204)
Total borrowings	258,616	272,121	274,050	153	13,658	15,587
Cash and cash equivalents	169,345	169,345	169,345	134	134	134
Net profit after tax attributable to Shareholders	26,370	26,370	26,370	(10,856)	(10,856)	(10,856)
Number of Shares (excluding Treasury Shares) (in '000)	407,590	366,831	366,831	407,590	366,831	366,831
Financial Ratios						
NTA per Share (RMB cents) ⁽²⁾	131.82	142.79	142.26	113.51	122.44	121.91
Net gearing ratio (times) ⁽³⁾	0.15	0.18	0.19	0.00	0.03	0.03
Current ratio (times) ⁽⁴⁾	1.24	1.23	1.23	4.13	0.87	0.78
EPS (RMB cents) ⁽⁵⁾	6.47	7.19	7.19	(2.66)	(2.96)	(2.96)

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Notes:

- (1) NTA refers to Shareholders' funds less intangible assets.
- (2) NTA per Share is computed based on the NTA divided by the number of issued Shares (excluding Treasury Shares).
- (3) Net gearing ratio equals to total borrowings less cash and cash equivalents divided by Shareholders' funds.
- (4) Current ratio equals to current assets divided by current liabilities.
- (5) EPS equals net profit after tax attributable to Shareholders divided by the total number of issued Shares (excluding Treasury Shares) as at 31 December 2019.
- (6) Assumes that the Company undertakes a Market Purchase of 40,758,989 Shares at the Maximum Price of approximately S\$0.06636 for one (1) Share which is 5% above 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 immediately preceding the Latest Practicable Date, and accordingly, the aggregate purchase price to be paid for the Shares is approximately S\$2,704,767 or RMB13,504,899, at an exchange rate of S\$1 : RMB4.9930.
- (7) Assumes that the Company undertakes an Off-Market Purchase of 40,758,989 Shares at the Maximum Price of approximately S\$0.07584 for one (1) Share which is 20% above 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 immediately preceding the Latest Practicable Date, and accordingly, the aggregate purchase price to be paid for the Shares is approximately S\$3,091,162 or RMB15,434,170, at an exchange rate of S\$1 : RMB4.9930.

7.4.2 Purchases made entirely out of capital and cancelled

	Group			Company		
	Before Share Buy-back	After Share Buy-back by way of Market Purchase	After Share Buy-back by way of Off-Market Purchase	Before Share Buy-back	After Share Buy-back by way of Market Purchase	After Share Buy-back by way of Off-Market Purchase
As at 31 December 2019	(RMB'000)	(RMB'000) ⁽⁶⁾	(RMB'000) ⁽⁷⁾	(RMB'000)	(RMB'000) ⁽⁶⁾	(RMB'000) ⁽⁷⁾
Share capital	466,700	453,195	451,266	466,700	453,195	451,266
Retained earnings	139,219	139,219	139,219	(4,831)	(4,831)	(4,831)
Other reserves	(26,199)	(26,199)	(26,199)	787	787	787
Treasury Shares	0	0	0	0	0	0
Total Shareholders' funds	579,720	566,215	564,286	462,656	449,151	447,222
Non-controlling interests	10,906	10,906	10,906	0	0	0
Total equity	590,626	577,121	575,192	462,656	449,151	447,222
NTA ⁽¹⁾	537,303	523,798	521,869	462,656	449,151	447,222
Current assets	1,870,467	1,870,467	1,870,467	14,818	14,818	14,818
Current liabilities	1,511,130	1,524,635	1,526,564	3,588	17,093	19,022
Working capital	359,337	345,832	343,903	11,230	(2,275)	(4,204)
Total borrowings	258,616	272,121	274,050	153	13,658	15,587
Cash and cash equivalents	169,345	169,345	169,345	134	134	134
Net profit after tax attributable to Shareholders	26,370	26,370	26,370	(10,856)	(10,856)	(10,856)
Number of Shares (excluding Treasury Shares) (in '000)	407,590	366,831	366,831	407,590	366,831	366,831
Financial Ratios						
NTA per Share (RMB cents) ⁽²⁾	131.82	142.79	142.26	113.51	122.44	121.91
Net gearing ratio (times) ⁽³⁾	0.15	0.18	0.19	0.00	0.03	0.03
Current ratio (times) ⁽⁴⁾	1.24	1.23	1.23	4.13	0.87	0.78
EPS (RMB cents) ⁽⁵⁾	6.47	7.19	7.19	(2.66)	(2.96)	(2.96)

Notes:

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- (1) NTA refers to Shareholders' funds less intangible assets.
- (2) NTA per Share is computed based on the NTA divided by the number of issued Shares (excluding Treasury Shares).
- (3) Net gearing ratio equals to total borrowings less cash and cash equivalents divided by Shareholders' funds.
- (4) Current ratio equals to current assets divided by current liabilities.
- (5) EPS equals net profit after tax attributable to Shareholders divided by the total number of issued Shares (excluding Treasury Shares) as at 31 December 2019.
- (6) Assumes that the Company undertakes a Market Purchase of 40,758,989 Shares at the Maximum Price of approximately S\$0.06636 for one (1) Share which is 5% above 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 immediately preceding the Latest Practicable Date, and accordingly, the aggregate purchase price to be paid for the Shares is approximately S\$2,704,767 or RMB13,504,899, at an exchange rate of S\$1 : RMB4.9930.
- (7) Assumes that the Company undertakes an Off-Market Purchase of 40,758,989 Shares at the Maximum Price of approximately S\$0.07584 for one (1) Share which is 20% above 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 immediately preceding the Latest Practicable Date, and accordingly, the aggregate purchase price to be paid for the Shares is approximately S\$3,091,162 or RMB15,434,170, at an exchange rate of S\$1 : RMB4.9930.

Shareholders should note that the financial effects, based on the respective aforementioned assumptions, are for illustrative purposes only. In particular, it is important to note that it is not possible for the Company to realistically calculate or quantify the impact of the purchase or acquisition of Shares that may be made pursuant to the Share Buy-back Mandate on the NTA per Share and EPS as the resultant effect would depend on factors such as the aggregate number of Shares purchased, the purchase price paid at the relevant time and the amount (if any) borrowed by the Company to fund the purchase or acquisition of Shares. The above analysis is based on historical numbers as at 31 December 2019, and is not necessarily representative of future financial performance.

It should also be noted that the purchase or acquisition of Shares by the Company pursuant to the Share Buy-back Mandate would only be made in circumstances where it is considered to be in the best interests of the Company. Although the Share Buy-back Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares. In addition, the Directors would emphasise that they do not propose to purchase or acquire Shares pursuant to the Share Buy-back Mandate to such an extent that would, or in circumstances that might, materially and adversely affect the financial condition of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a purchase or acquisition of Shares before execution.

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8. LISTING RULES

Rule 886 of the Listing Manual requires the Company to notify SGX-ST of all purchases or acquisitions of its Shares as follows:

- (a) in the case of a Market Purchase, by 9.00 a.m. on the Market Day following the day of the Share Buy-back; and
- (b) in the case of an Off-Market Purchase, by 9.00 a.m. on the second Market Day after the close of acceptances of the offer.

Such notification (which must be in the form of Appendix 8.3.1 of the Listing Manual) must include the maximum number of Shares authorised for purchase, the date of the purchase, the total number of Shares purchased, the number of Shares cancelled, the number of Shares held as Treasury Shares, the purchase price per Share or the highest and lowest prices paid per Share, as applicable, and the total consideration (including stamp duties, clearing charges, *et cetera.*) paid or payable for the Shares, the number of Shares purchased as at the date of notification from the date the Share Buy-back Mandate is obtained (on a cumulative basis), the number of issued Shares excluding Treasury Shares and the number of Treasury Shares held after the Share Buy-back.

The Listing Manual does not expressly prohibit a listed company from purchasing or acquiring its own Shares during any particular time or times. However, as the Company would be regarded as an “insider” in relation to any proposed purchase or acquisition of Shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buy-back Mandate in any of the following circumstances:

- (A) at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or decision of the Board until the price-sensitive information has been publicly announced or disseminated in accordance with the requirements of the Listing Manual; and
- (B) during the period commencing one (1) month before the announcement of the Company’s half year and full year financial statements.

The Company is 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 Shares through Market Purchases up to the full 10% limit 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 affect orderly trading.

9. TAKE-OVER IMPLICATIONS

Appendix 2 of the Take-over Code contains the Share Buy-back guidance note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

9.1 Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of its Shares, the percentage of voting rights held by 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 group of Shareholders acting in concert could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

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9.2 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), cooperate, 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 and companies will be presumed to be acting in concert:

- (a) the following companies: (i) a company; (ii) the parent company of (i); (iii) the subsidiaries of (i); (iv) the fellow subsidiaries of (i); (v) the associated companies of any of (i), (ii), (iii) or (iv); (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and (vii) 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, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;
- (b) a company with any of its directors (together with their close relatives, related trusts as well as 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 as well as companies controlled by any of the directors, their close relatives and related trusts) 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, and 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 its ordinary course of business) to any of the above for the purchase of voting rights.

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 in Appendix 2 of the Take-over Code.

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

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that:

- (a) unless exempted, Directors and persons acting in concert with them 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 its 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 1% in any period of six (6) months; and
- (b) a Shareholder who is not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholders holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholders would increase by more than 1% in any period of six (6) months. 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.

The statements in this Circular do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. 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 their professional advisers, the SIC and/or other relevant authorities at the earliest opportunity.

9.4 Ms. Wang Heng and parties acting in concert with her

As at the Latest Practicable Date, Best Feast Limited holds 171,495,264 Shares representing 42.08% of the issued share capital of the Company. Chengdu Wu Xing Ke Trading Limited ("**Chengdu Wuxingke**") holds the entire issued and paid-up share capital of Best Feast Limited. Ms. Wang Heng, our Chief Executive Officer and Executive Director of the Company, directly holds 625,000 Shares representing 0.15% of the issued share capital of the Company, and holds direct and indirect (through Chengdu Zhong Qian Zhi Heng Management Limited ("**Chengdu Zhongqian**")) interests comprising an aggregate of 99.25% of the total shares of Chengdu Wuxingke. Accordingly, Ms. Wang Heng, Best Feast Limited and Chengdu Wuxingke are deemed to be acting in concert with each other for the purposes of the Take-over Code (the "**Relevant Parties**").

Save as disclosed above, no other concert party of Ms. Wang Heng holds Shares in the Company.

For illustrative purposes, assuming that:

- (a) the Company exercises the power under the Share-Buy-back Mandate in full and purchases 40,758,989 Shares (based on the issued and paid-up share capital of the Company as at the Latest Practicable Date of 407,589,893 Shares) ("**Maximum Share Buy-back**"); and

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- (b) there is no change in the number of Shares held or deemed to be held by the Relevant Parties as at the Latest Practicable Date,

the interest in voting rights of the Relevant Parties in the Company would increase to the extent as shown in the table below:

	Direct Interest		Deemed Interest		Total	
	As at the Latest Practicable Date (%)	After the Maximum Share Buy-back (%) ⁽¹⁾	As at the Latest Practicable Date (%)	After the Maximum Share Buy-back (%) ⁽¹⁾	As at the Latest Practicable Date (%)	After the Maximum Share Buy-back (%) ⁽¹⁾
Wang Heng	0.15	0.17	42.08	46.75	42.23	46.92
Best Feast Limited	42.08	46.75	–	–	42.08	46.75
Chengdu Wuxingke	–	–	42.08	46.75	42.08	46.75
Aggregate interest of the Relevant Parties					42.23	46.92

Note:

- (1) This is based on the assumption that the Relevant Parties will not sell their respective interests in the Company and that, save for the change in their respective interests resulting directly pursuant to the Share Buy-back Mandate by the Company, there is no other change in their respective interests in the voting rights in the Company for the duration of the Share Buy-back Mandate.

Accordingly, the Relevant Parties would be obliged to make an offer under Rule 14 of the Take-over Code.

9.5 Exemption under Appendix 2 of the Take-over Code for the Relevant Parties

9.5.1 Conditions for exemption from having to make a general offer under Rule 14 of the Take-over Code

Pursuant to the Take-over Code, the Relevant Parties will be exempted from the requirement to make a general offer for the Company under Rule 14 of the Take-over Code if, as a result of any Share Buy-back carried out pursuant to the Share Buy-back Mandate, the aggregate shareholding of the Relevant Parties increases to 30% or more of the Company's voting rights, or, if the voting rights of the Relevant Parties fall between 30% and 50% of the Company's voting rights, the voting rights of the Relevant Parties would increase by more than 1% in any period of six (6) months, subject to the following conditions:

- (a) the Circular to Shareholders on the resolution to authorise the Share Buy-back Mandate contains:
- (i) advice to the effect that by voting in favour of the resolution to approve the Share Buy-back Mandate, Shareholders are waiving their right to a general offer at the required price (as determined in accordance with Appendix 2 of the Take-over Code) from the Relevant Parties; and
 - (ii) the names and voting rights of the Relevant Parties as at the date of the resolution and after the Company exercises the power under the Share Buy-back Mandate in full and purchases 10% of the issued Shares;

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- (b) the resolution to authorise the Share Buy-back Mandate is approved by a majority of the Shareholders present and voting at the EGM on a poll who could not become obliged to make a general offer for the Company as a result of the Share Buy-back pursuant to the Share Buy-back Mandate;
- (c) the Relevant Parties abstain from voting for and/or recommending Shareholders to vote in favour of the resolution to authorise the Share Buy-back Mandate;
- (d) within seven (7) days after the passing of the resolution to authorise the Share Buy-back Mandate, the Relevant Parties submit to the SIC a duly signed form as prescribed by the SIC;
- (e) the Relevant Parties together holding between 30% and 50% of the company's voting rights, have not acquired and will not acquire any Shares between the date on which they know that the announcement of the Share Buy-back Mandate is imminent and the earlier of ("**Specified Period**"):
 - (i) the date on which the authority for the Share Buy-back Mandate expires; and
 - (ii) the date on which the Company announces that it has bought back such number of Shares as authorised by the Share Buy-back Mandate, or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the Shares purchased or acquired under the Share Buy-back Mandate, would cause the aggregate voting rights held by the Relevant Parties to increase by more than 1% in the preceding six (6) months.

As such, if the aggregate voting rights increase by more than 1% solely as a result of the Company's buy-back of Shares under the Share Buy-back Mandate, and none of them has acquired any Shares during the Specified Period, then the Relevant Parties would be eligible for SIC's exemption from the requirement to make a general offer under Rule 14 of the Take-over Code, or where such exemption had been granted, would continue to enjoy the exemption.

If the Company ceases to buy back its Shares and the increase in aggregate voting rights held by the Relevant Parties at such time is less than 1% in any six (6)-month period, the Relevant Parties may acquire further voting Shares. However, any increase in the percentage of voting rights of the Relevant Parties as a result of the Company's purchase of its Shares pursuant to the Share Buy-back Mandate will be taken into account together with any Shares acquired (by whatever means) by the Relevant Parties in determining whether the Relevant Parties have increased their aggregate voting rights in the Company by more than 1% in any six (6)-month period.

9.5.2 Form 2 submission to the SIC

Form 2 (Submission by directors and their concert parties pursuant to Appendix 2) 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 as set out in Section 9.5.1(d) above from the requirement to make an offer under Rule 14 of the Take-over Code as a result of the buy-back of shares by a listed company under its share buy-back mandate.

Ms. Wang Heng has informed the Company that she will be submitting a Form 2 to the SIC within seven (7) days after the passing of the resolution authorising the Share Buy-back Mandate.

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9.5.3 Waiver

Shareholders should note that by voting in favour of the Share Buy-back Mandate, they are waiving their rights to a general offer under Rule 14 of the Take-over Code from the Relevant Parties, in cash or accompanied by a cash alternative at the required price.

Save as disclosed above, the Directors 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 in the capital of the Company should or ought to be consolidated, such that they may become obligated to make an offer under the Take-over Code in the event that the Board exercises the power to buy-back Shares pursuant to the Share Buy-back Mandate.

Appendix 2 of the Take-over Code requires that the resolution to authorise the Share Buy-back Mandate 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 under the Take-over Code as a result of the Share Buy-back. Accordingly, the resolution relating to the Share Buy-back Mandate set out in the Notice of EGM is proposed to be taken on a poll and the Relevant Parties shall abstain from voting on the resolution.

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

9.6 Shares purchased by the Company

The Company has not made any share buy-back in the 12 months (whether Market Purchases or Off-Market Purchases) before the date of this Circular.

10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders, based on information recorded in the Register of Directors' and Substantial Shareholders' Shareholdings, respectively, maintained by the Company pursuant to Section 164 and Section 88 of the Companies Act, respectively, as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest		Total	
	No. of Shares	(%) ⁽¹⁾	No. of Shares	(%) ⁽¹⁾	No. of Shares	(%) ⁽¹⁾
Directors						
Cheung Wai Suen ⁽³⁾	–	–	–	–	–	–
Wang Heng ⁽³⁾	625,000	0.15	171,495,264	42.08	172,120,264	42.23
Oh Eng Bin	–	–	–	–	–	–
Duan Yang, Julien	–	–	–	–	–	–
Tay Eng Kiat Jackson	–	–	–	–	–	–
Substantial Shareholders (other than Directors)						
Best Feast Limited ⁽²⁾	171,495,264	42.08	–	–	171,495,264	42.08
Chengdu Wuxingke ⁽²⁾	–	–	171,495,264	42.08	171,495,264	42.08
Ou Rui Limited ⁽⁴⁾	57,997,667	14.23	–	–	57,997,667	14.23
Li Xiaobo ⁽⁴⁾	–	–	57,997,667	14.23	57,997,667	14.23

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Notes:

- (1) Based on the existing capital of the Company comprising 407,589,893 Shares.
- (2) Chengdu Wuxingke holds the entire issued and paid-up share capital of Best Feast Limited and accordingly, is treated as having an interest in the Shares held by Best Feast Limited by virtue of Section 4(4) of the SFA.
- (3) Wang Heng holds direct and indirect (through Chengdu Zhongqian) interests comprising an aggregate of 99.25% of the total shares of Chengdu Wuxingke. Based on Ms. Wang Heng's indirect interests through Chengdu Zhongqian and direct interests in Chengdu Wuxingke, Ms. Wang Heng is deemed interested in the Shares held by Best Feast Limited, a wholly-owned subsidiary of Chengdu Wuxingke by virtue of Section 7 of the Companies Act. Mr. Cheung Wai Suen holds direct interests of 0.04% of the shares of Chengdu Wuxingke and direct interests of 2.40% of the shares of Chengdu Zhongqian.
- (4) Mr. Li Xiaobo holds the entire issued and paid-up share capital of Ou Rui Limited and accordingly, is treated as having an interest in the Shares held by Ou Rui Limited by virtue of Section 4(4) of the SFA.

Mr. Oh Eng Bin, the Lead Independent Non-Executive Director of the Company, is a Senior Partner at the law firm of Dentons Rodyk & Davidson LLP. A legal team from Dentons Rodyk & Davidson led by another Senior Partner thereof is advising the Company as to Singapore law in relation to the Share Buy-back Mandate.

Save as disclosed herein, none of the Directors or Substantial Shareholders has any interest, whether direct or indirect, in the Share Buy-back Mandate, save for their respective shareholdings in the Company as disclosed above.

11. TAX IMPLICATIONS

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

12. DIRECTORS' RECOMMENDATIONS

Mr. Cheung Wai Suen, our Executive Director and Chairman of the Company, holds direct interest of 0.04% of the shares in Chengdu Wuxingke and direct interest of 2.40% of the shares of Chengdu Zhongqian. Accordingly, Mr. Cheung Wai Suen is not considered to be independent in relation to the Share Buy-back Mandate, and has abstained, along with Ms. Wang Heng, from making any recommendations on the Ordinary Resolution in relation to the Share Buy-back Mandate.

The Directors (save for Ms. Wang Heng and Mr. Cheung Wai Suen) are of the opinion that the adoption of the Share Buy-back Mandate is in the best interests of the Company. Accordingly, the Directors (save for Ms. Wang Heng and Mr. Cheung Wai Suen) recommend that Shareholders vote in favour of the ordinary resolution relating to the adoption of the Share Buy-back Mandate to be proposed at the EGM as set out in the Notice of EGM.

Shareholders are advised to read this Circular in its entirety and for those who may require advice in the context of their specific investment, to consult their respective bank manager, stockbroker, solicitor, accountant, tax adviser or other professional adviser.

LETTER TO SHAREHOLDERS

13. ABSTENTIONS FROM VOTING

Ms. Wang Heng has informed the Company that, save for the Relevant Parties, there are no other parties acting in concert (as defined under the Take-over Code) with her for the purpose of the resolution relating to the proposed adoption of the Share Buy-back Mandate.

The Relevant Parties will abstain, and will procure that their respective associates abstain, from voting, whether by representative or proxy, on the resolution relating to the proposed adoption of the Share Buy-Back Mandate.

The Relevant Parties will also decline to accept, and will procure that their respective associates decline to accept, nominations as proxy or otherwise vote at the EGM in respect of the proposed adoption of 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 their votes be cast for the said resolution.

14. EXTRAORDINARY GENERAL MEETING

An EGM, notice of which is attached to this Circular at pages N-1 to N-3 will be held by electronic means on 24 October 2020 at 3.30 p.m. (or as soon thereafter following the conclusion or adjournment of the Proposed Transaction EGM to be held on the same day and by electronic means) for the purpose of considering and, if thought fit, passing, with or without modifications, the ordinary resolution set out in the Notice of EGM.

15. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to vote at the EGM should complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at 80 Robinson Road #11-02, Singapore 068898 not less than 72 hours before the time fixed for the EGM.

A Depositor shall not be regarded as a member of the Company entitled to vote at the EGM unless his name appears in the Depository Register as at 72 hours before the EGM.

16. DIRECTORS' RESPONSIBILITY STATEMENT

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

LETTER TO SHAREHOLDERS

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection by Shareholders at the registered office of the Company at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542, during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Constitution of the Company; and
- (b) the annual report of the Company for FY2019.

Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe-distancing measures in Singapore, shareholders should provide their names, contact number, proposed date and time of inspection to the Investor Relationship consultant, Mr Alex Tan at kai@waterbrooks.com.sg at least three (3) working days' in advance to make a prior appointment to attend at the registered office of the Company to inspect the documents.

Yours faithfully

For and on behalf of the Board of Directors of
Sapphire Corporation Limited

Oh Eng Bin Kenneth
Lead Independent Non-Executive Director

NOTICE OF EXTRAORDINARY GENERAL MEETING

SAPPHIRE CORPORATION LIMITED

(Company Registration Number 198502465W)
(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of the members of Sapphire Corporation Limited (the “**Company**”) will be held by electronic means on 24 October 2020, at 3.30 p.m. (or as soon thereafter following the conclusion or adjournment of the Proposed Transaction EGM to be held on the same day and by electronic means), for the purpose of considering and, if thought fit, passing with or without amendment, the following resolution as set out below.

*All capitalised terms used in this Notice which are not defined herein shall have the meanings ascribed to them in the circular to shareholders of the Company dated 9 October 2020 (the “**Circular**”).*

ORDINARY RESOLUTION – THE PROPOSED SHARE BUY-BACK MANDATE

THAT:

- (a) for the purposes of Section 76C and 76E of the Companies Act (Chapter 50) of Singapore (the “**Companies Act**”) and such other laws and regulations as may for the time being be applicable, the exercise of the directors of the Company (“**Directors**”) of all the powers of the Company to purchase or otherwise acquire issued and paid-up ordinary shares in the share capital of the Company (“**Shares**”) (excluding treasury shares) not exceeding in aggregate the Prescribed Limit (as defined herein), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined herein), whether by way of:
- (i) on-market purchases transacted through the trading system of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), or as the case may be, any other securities exchange on which the Shares may for the time being be listed on (“**Market Purchase**”); and/or
 - (ii) off-market purchases otherwise than on a securities exchange, in accordance with an equal access scheme as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Companies Act and the SGX-ST Listing Manual (“**Off-Market Purchase**”),
- and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the SGX-ST Listing Manual, be and is hereby authorised and approved generally and unconditionally (“**Share Buy-back Mandate**”);
- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buyback Mandate shall, at the discretion of the Directors, either be cancelled or held as treasury shares and dealt with in accordance with the Companies Act;
- (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors to purchase Shares pursuant to the Share Buy-back Mandate may be exercised by the Directors any time and from time to time, on and from the date of the passing of this resolution, up to the earliest of:
- (i) the date on which the next annual general meeting is held or is required by law to be held;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) 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; or
 - (iii) the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by Shareholders in a general meeting;
- (d) in this resolution:

“Average Closing Price” means 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, before the day on which the purchases are made, or as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and is deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period;

“date of the making of the offer” means the date on which the Company announces its intention to make an offer for the Off-Market Purchase from the holder of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

“Maximum Price” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax, and other related expenses) to be paid for the Shares as determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares;

“Prescribed Limit” means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this resolution (excluding any Shares which are held as treasury shares as at that date); and

- (e) the Directors and/or any of them be and are hereby authorised to do any and all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to the matters referred to in this resolution and the taking of any and all actions whatsoever, by any Director on behalf of the Company in connection with the proposed Share Buy-back Mandate prior to the date of the EGM be and are hereby approved, ratified and confirmed.

BY ORDER OF THE BOARD

Gwendolyn Gn Jong Yuh
Company Secretary
Singapore, 9 October 2020

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) Printed copies of this Notice of Extraordinary General Meeting (“**Notice**”) and the Circular will not be sent to members. Instead, this Notice and the Circular may be accessed at the Company’s website at <http://sapphirecorp.listedcompany.com/home.html>. This Notice and the Circular are also available on SGXNET at <https://www.sgx.com/securities/company-announcements>.
- (2) Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the proceedings of the EGM may be electronically accessed via live audio-visual webcast or live audio-only stream), submission of comments, queries and/or questions to the Chairman of the Meeting in advance of the EGM, addressing of substantial and relevant questions at the EGM and voting by appointing the Chairman of the Meeting as proxy at the EGM, are set out in the Company’s accompanying announcement dated 9 October 2020. This announcement may be accessed at the Company’s website at <http://sapphirecorp.listedcompany.com/home.html>. This announcement is also available on SGXNET at <https://www.sgx.com/securities/company-announcements>.
- (3) Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the EGM will be held by way of electronic means and members will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM. The Proxy Form for the EGM may be accessed at the Company’s website at the URL <http://sapphirecorp.listedcompany.com/home.html> and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid. CPF Investors and SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 3.30 p.m. on 15 October 2020.
- (4) The Chairman of the Meeting, acting as proxy, need not be a member of the Company.
- (5) The Proxy Form must be submitted to the Company in the following manner:
 - (a) if submitted by post, be deposited at the Share Registrar’s office at 80 Robinson Road, #11-02, Singapore 068898; or
 - (b) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Share Registrar at sg.is.proxy@sg.tricorglobal.com,

in either case, at least 72 hours before the time fixed for holding the EGM and/or any adjournment thereof. A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. In view of the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, which may make it difficult for members to submit the completed Proxy Forms by post, members are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.

Personal Data Privacy:

By submitting the Proxy Form appointing the Chairman of the Meeting as proxy to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

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SAPPHIRE CORPORATION LIMITED

(Company Registration No. 198502465W)
(Incorporated in the Republic of Singapore)

PROXY FORM

Extraordinary General Meeting

IMPORTANT

1. For investors who have used their CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") to buy shares in the capital of Sapphire Corporation Limited, this Circular is forwarded to them at the request of their CPF Approved Nominees and/or SRS Approved Nominees (as the case may be) and is sent for their information only.
2. This Proxy Form is not valid for use by such CPF Investors or SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 9 October 2020.
4. CPF or SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 3.30 p.m. on 15 October 2020.

I/We* _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being a member/members* of SAPPHIRE CORPORATION LIMITED (the "**Company**") appoint the Chairman of the Extraordinary General Meeting of the Company ("**EGM**") as my/our* proxy to attend and to vote for me/us* on my/our* behalf and, if necessary, to demand a poll, at the EGM of the Company to be held 24 October 2020, at 3.30 p.m. (or as soon thereafter following the conclusion or adjournment of the Proposed Transaction EGM to be held on the same day and by electronic means) and at any adjournment thereof.

I/We* direct my/our* proxy to vote for/against* the Resolution to be passed at the EGM as indicated below by way of a poll. If no specific direction as to voting is given, my/our* proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the EGM.

Ordinary Resolution	No. of votes for*	No. of votes against*
1 To approve the Share Buy-back Mandate		

* If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2020

Total number of Shares held in:	No. of Shares
CDP Register	
Register of Members	

Signature(s) of Member(s) or Common Seal

***Delete accordingly**

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
- (2) Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the EGM will be held by way of electronic means and members will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM. The Proxy Form for the EGM may be accessed at the Company's website at the URL <http://sapphirecorp.listedcompany.com/home.html> and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid. CPF Investors and SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 3.30 p.m. on 15 October 2020.
3. The Chairman of the Meeting, acting as proxy, need not be a member of the Company.
4. The Proxy Form must be submitted to the Company in the following manner:
 - (a) if submitted by post, be deposited at the Share Registrar's office at 80 Robinson Road, #11-02, Singapore 068898; or
 - (b) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Share Registrar at sg.is.proxy@sg.tricorglobal.com,in either case, at least 72 hours before the time fixed for holding the EGM and/or any adjournment thereof. A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. In view of the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, which may make it difficult for members to submit the completed Proxy Forms by post, members are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.
6. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
7. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by CDP to the Company.
8. Terms not defined herein have the meanings ascribed to them in the circular to the shareholders of the Company dated 9 October 2020.
9. A Depositor's name must appear on the Depository Register maintained by CDP not less than 72 hours before the time appointed for holding the EGM in order for him to be entitled to vote at the EGM.
10. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM.

