

APPENDIX DATED 13 JULY 2023

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Appendix is issued by Sanli Environmental Limited (the "Company", and together with its subsidiaries, the "Group"). If you are in any doubt about the contents of this Appendix or the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or professional adviser immediately.

Capitalised terms appearing on the cover of this Appendix have the same meanings as defined herein.

This Appendix is circulated to the shareholders of the Company (the "**Shareholders**") together with the Company's annual report for the financial year ended 31 March 2023 (the "**Annual Report**"). Its purpose is to explain to the Shareholders the rationale and provide information relating to, and to seek Shareholders' approval for, the proposed renewal of the Share Buy-Back Mandate to be tabled at the 2023 AGM of the Company to be held at 28 Kian Teck Drive, Singapore 628845, on 28 July 2023 at 10.00 a.m.. The Notice of AGM and the Proxy Form are enclosed with the Annual Report.

If you have sold or transferred all your ordinary shares in the capital of the Company held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Appendix and the Notice of AGM and the Proxy Form in the Annual Report to the purchaser or transferee as arrangements will be made by CDP for a separate Appendix to be sent to the purchaser or transferee. If you have sold or transferred all your ordinary shares in the capital of the Company held in the form of physical share certificate(s), you should immediately forward this Appendix and the Notice of AGM and the Proxy Form in the Annual Report 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 Appendix has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix. The contact person for the Sponsor is Mr David Yeong (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.



SANLI ENVIRONMENTAL LIMITED
(Company Registration No. 201705316M)
(Incorporated in the Republic of Singapore)

APPENDIX IN RELATION TO
THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

DEFINITIONS

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Appendix:

- "2023 AGM"** : The AGM of the Company to be held on 28 July 2023 at 10.00 a.m. (or any adjournment thereof) by electronic means.
- "ACRA"** : Accounting and Corporate Regulatory Authority of Singapore.
- "Act"** : The Companies Act 1967 of Singapore, as amended, modified or supplemented from time to time.
- "AGM"** : Annual general meeting of the Company.
- "Annual Report"** : The Company's annual report for the financial year ended 31 March 2023.
- "Appendix"** : This Appendix to Shareholders dated 13 July 2023 in relation to the proposed renewal of the Share Buy-Back Mandate.
- "Approval Date"** : The date of the 2023 AGM at which approval for the proposed renewal of the Share Buy-Back Mandate is sought.
- "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.
- "Board"** : The board of directors of the Company as at the date of this Appendix.
- "Catalist"** : The Catalist Board of the SGX-ST.
- "Catalist Rules"** : The SGX-ST Listing Manual Section B: Rule of Catalist, as may be amended, modified or supplemented from time to time.

DEFINITIONS

"CDP"	:	The Central Depository (Pte) Limited.
"Company"	:	Sanli Environmental Limited.
"Constitution"	:	The constitution of the Company, as amended or modified from time to time.
"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company, unless determined by SGX-ST that such person is not a Controlling Shareholder; or (b) in fact exercises control over the Company.
"Directors"	:	The directors of the Company as at the date of this Appendix.
"EPS"	:	Earnings per Share.
"FY"	:	The financial year of the Company ended or ending 31 March (as the case may be).
"Group"	:	The Company and its subsidiaries, collectively.
"Latest Practicable Date"	:	23 June 2023, being the latest practicable date prior to the issue of this Appendix.
"Market Day"	:	A day on which the SGX-ST is open for trading in securities.
"month"	:	A calendar month.
"Notice of AGM"	:	The notice of the 2023 AGM dated 13 July 2023 attached to the Annual Report.
"NTA"	:	Net tangible assets.
"Off-Market Share Purchase"	:	A Share Purchase by the Company effected pursuant to an equal access scheme, which is in accordance with Section 76C of the Act, for the purchase of Shares from the Shareholders.
"On-Market Share Purchase"	:	A Share Purchase by the Company effected on the SGX-ST or, as the case may be, any other stock exchange on which the Shares may for the time being listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purchase.
"Proxy Form"	:	The proxy form accompanying the Notice of AGM.
"Relevant Period"	:	The period commencing from the date on which the resolution relating to the renewal of the Share Buyback Mandate is passed and expiring on the earlier of the date of the next AGM or the date by which such AGM is required by law to be held.

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"Securities Account"	: The securities account maintained by a Depositor with CDP, but does not include a securities sub-account.
"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 Mandate"	: The general mandate given by the Shareholders to authorise the Directors to exercise all the powers of the Company to purchase or otherwise acquire, on behalf of the Company, its issued Shares in accordance with the terms of such mandate and regulations set out in the Companies Act and Catalist Rules.
"Share Purchase"	: The purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate.
"Shareholders"	: The registered holders of Shares in the register of members of the Company, except that where the registered holder is the CDP, the term " Shareholders " shall, in relation to such Shares, mean the Depositors into whose Securities Accounts those Shares are credited.
"Shares"	: Ordinary shares in the capital of the Company.
"SIC"	: Securities Industry Council of Singapore.
"Substantial Shareholder"	: A person who has an interest in the Shares, the total votes attached to which are not less than 5% of the total votes attached to all the voting Shares of the Company.
"Take-over Code"	: The Singapore Code on Take-overs and Mergers, and all practice notes, rules and guidelines thereunder, as may be issued, amended or modified from time to time.
"treasury shares"	: Issued Shares of the Company which were (or are treated as having been) repurchased by the Company in circumstances where Section 76H of the Act applies and have since purchase been held by the Company continuously.
"S\$" and "cents"	: Singapore dollars and cents respectively, unless otherwise stated.
"%"	: Per centum or percentage.

The expression "**acting in concert**" shall have the meaning ascribed to it in the Take-over Code.

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the respective meanings ascribed to them in Section 81SF of the SFA.

The term "**subsidiary**" has the meaning ascribed to it in Section 5 of the Act. The term "**subsidiary holdings**" is defined in the Catalist Rules to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Act.

DEFINITIONS

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 corporations.

Any reference in this Appendix to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any term defined under the Act, the SFA, the Catalist Rules or any statutory modification thereof and used in this Appendix shall have the meaning assigned to it under the Act, the SFA, the Catalist Rules or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day and date in this Appendix is made by reference to Singapore time and date respectively, unless otherwise stated.

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

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

LETTER TO SHAREHOLDERS

SANLI ENVIRONMENTAL LIMITED

(Company Registration No. 201705316M)
(Incorporated in the Republic of Singapore)

Directors:

Mr Ng Lip Chi, Lawrence	(Non-Executive Chairman and Independent Director)
Mr Kew Boon Kee	(Deputy Chairman and Executive Director)
Mr Sim Hock Heng	(Chief Executive Officer and Executive Director)
Mr Lee Tien Chiat	(Executive Director)
Mr Chan Hock Leong	(Independent Director)
Mr Latiff Bin Ibrahim	(Independent Director)

Registered Office:

28 Kian Teck Drive
Singapore 628845

13 July 2023

TO: THE SHAREHOLDERS OF SANLI ENVIRONMENTAL LIMITED

Dear Madam / Sir,

THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

1. INTRODUCTION

1.1. 2023 AGM

The Directors wish to refer to (i) the Notice of AGM dated 13 July 2023, accompanying the Company's Annual Report to convene the 2023 AGM; and (ii) Resolution 7 being the ordinary resolution for the proposed renewal of the Share Buy-Back Mandate to allow the Company to purchase or otherwise acquire shares in the capital of the Company. The Directors propose to seek the approval of Shareholders for the proposed renewal of the Share Buy-Back Mandate at the 2023 AGM.

1.2. Appendix

The purpose of this Appendix is to provide Shareholders with the relevant information in relation to the above, and to seek the approval of Shareholders at the 2023 AGM for the matters set out in this Appendix.

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

2.1. Background

The Act allows a Singapore-incorporated company to purchase or otherwise acquire its issued ordinary shares, stocks and preference shares if such purchase or acquisition is permitted under its constitution. Any purchase or acquisition of shares by the company would also have to be made in accordance with, and in the manner prescribed by, the Act, its constitution and the Catalist Rules (in particular Part XI of Chapter 8 of the Catalist Rules which relates to share buybacks) and such other laws and regulations as may for the time being be applicable.

LETTER TO SHAREHOLDERS

Regulation 19(1) of the Company's Constitution expressly permits the Company to purchase or otherwise acquire its issued Shares.

It is a requirement under the Act and the Catalist Rules that the Company obtain approval of Shareholders at a general meeting to purchase or otherwise acquire its own shares. Accordingly, the Shareholders had approved the adoption of the Share Buy-Back Mandate at the AGM held on 28 July 2022 to enable the Company to purchase or otherwise acquire its issued Shares. The Share Buy-Back Mandate will expire on the date of the forthcoming 2023 AGM and the Directors propose that the Share Buy-Back Mandate be renewed at the 2023 AGM.

If approved by Shareholders at the 2023 AGM, the renewed Share Buyback Mandate will take effect from the date of the 2023 AGM ("**Approval Date**") and continue in force until the conclusion of the next AGM of the Company or the date by which such AGM is required by law to be held, unless prior thereto, Share Purchases have been carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting. The Share Buyback Mandate will be tabled to Shareholders for renewal at each subsequent AGM of the Company.

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 help to mitigate short-term price volatility (by way of stabilising the supply and demand of Shares) and offset the effects of short-term speculation, supporting the fundamental value of the Shares, thereby bolstering Shareholders' confidence;
- (b) the Share Buy-Back Mandate would provide the Company with the flexibility to conduct Share Purchases during the period when the Share Buy-Back Mandate is in force. This would allow the Board to better manage the capital structure, dividend payout and cash reserves of the Group;
- (c) it is an expedient, effective and cost-efficient way for the Company to return surplus cash/funds over and above its ordinary capital requirements, if any, taking into account its growth and expansion plans, to its Shareholders;
- (d) in managing the business of the Group, the management team strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. In addition to growth and expansion of the business, Share Purchases may be considered as one of the ways through which the return on equity of the Group may be enhanced; and
- (e) purchased Shares which are held in treasury may be transferred for the purposes of or pursuant to share schemes that may be implemented by the Company in the future or such other manner allowed under the Act.

Shareholders should note that Share Purchases will be made only when the Board considers it to be in the best interests of the Company and the Shareholders and in circumstances which 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.

2.3. Authority and Limits on the Share Buy-Back Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buy-Back Mandate are set out below:

(a) **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 that may be purchased or acquired by the Company is limited to that number of Shares representing not more than 10% of the issued Shares (excluding treasury shares and subsidiary holdings) of the Company, ascertained as at the Approval Date, unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares of the Company as altered (excluding treasury shares and subsidiary holdings).

For illustrative purposes only, based on the issued share capital of the Company as at the Latest Practicable Date comprising 266,432,113 Shares (excluding 2,225,700 treasury shares held by the Company and no subsidiary holdings), and assuming that the number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company remains unchanged up to the 2023 AGM, not more than 26,643,211 Shares (representing approximately 10% of the issued Shares (excluding treasury shares and subsidiary holdings) as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buy-Back Mandate.

While the Share Buy-Back Mandate would authorise Share Purchases up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings) as at the Approval Date, the Share Purchases may not be carried out to the full extent mandated or at all. In particular, no Share Purchases would be made in circumstances which would have or may have a material adverse effect on the public float, market liquidity or orderly trading of the Shares and/or the financial condition of the Group.

(b) **Duration of Authority**

Share Purchases may be made, at any time and from time to time, on and from the Approval Date, up to the earliest of:

- (i) the conclusion of the next AGM or the date by which such AGM is required by law to be held;
- (ii) the date on which Share Purchases have been carried out to the full extent mandated; or
- (iii) the date on which the authority conferred in the Share Buy-Back Mandate is varied or revoked by the Shareholders in a general meeting.

The Share Buy-Back Mandate may be renewed at each AGM or other general meeting of the Company.

LETTER TO SHAREHOLDERS

(c) **Manner of Share Purchase**

Share Purchases may be made by way of:

- (i) On-Market Share Purchases, transacted on the SGX-ST through the SGX-ST's trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose of the Share Purchase; and/or
- (ii) Off-Market Share Purchases (effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Catalist Rules.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy-Back Mandate, the Catalist Rules and the Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme(s). However, an equal access scheme must satisfy all the following conditions:

- (i) the 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:
 - (A) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;
 - (B) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid (if applicable); and
 - (C) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Catalist Rules provide that, in making an Off-Market Share Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed Share Purchase;
- (iv) the consequences, if any, of Share Purchases by the Company that will arise under the Take-over Code or other applicable take-over rules;

LETTER TO SHAREHOLDERS

- (v) whether the Share Purchase, if made, would have any effect on the listing of the Shares on the SGX-ST;
 - (vi) details of any Share Purchases made by the Company in the previous twelve (12) months (whether On-Market Share Purchases or Off-Market Share Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the Share Purchases, where relevant, and the total consideration paid for the Share Purchases; and
 - (vii) whether the Shares purchased or acquired by the Company will be cancelled or kept as treasury shares.
- (d) **Maximum Purchase Price**

The purchase price per Share (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses ("**Related Expenses**")) to be paid for the Shares will be determined by the Directors.

However, the purchase price to be paid for a Share pursuant to a Share Purchase must not exceed:

- (i) in the case of an On-Market Share Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (ii) in the case of an Off-Market Share Purchase pursuant to an equal access scheme, 120% 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 a Share over the last five (5) Market Days on which transactions in the Shares were recorded, immediately preceding the day of the On-Market Share Purchase by the Company or, as the case may be, the day of the making of an offer pursuant to the Off-Market Share Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five (5) day period and the day on which the On-Market Share Purchase was made or, as the case may be, the day of the making of the offer pursuant to the Off-Market Share 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 Share Purchase.

LETTER TO SHAREHOLDERS

2.4. Status of Shares Purchased by the Company

The Shares purchased or acquired by the Company may be cancelled or kept as treasury shares.

(a) **Cancellation**

Any Share which is purchased or acquired by the Company shall, unless held as treasury shares to the extent permitted under the Act, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company which are cancelled and not held as treasury shares.

All Shares purchased or acquired by the Company which are cancelled will be automatically de-listed by the SGX-ST, and certificates in respect thereof will be cancelled by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition of Shares.

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 and as the Directors deem fit in the interests of the Company at that time.

(b) **Treasury Shares**

Under the 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 Act are summarised below:

(i) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares. Any Shares in excess of the 10% limit shall be disposed of or cancelled in accordance with Section 76K of the Act within six (6) months or such further period as the Registrar of Companies may allow.

(ii) Voting and Other Rights

The Company cannot exercise any right 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 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.

LETTER TO SHAREHOLDERS

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

(iii) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time but subject to the Take-over Code:

- (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.

The Company is required under Rule 704(31) of the Catalist Rules to immediately announce any sale, transfer, cancellation and/or use of treasury shares stating the following:

- (A) date of the sale, transfer, cancellation and/or use;
- (B) purpose of such sale, transfer, cancellation and/or use;
- (C) number of treasury shares sold, transferred, cancelled and/or used;
- (D) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (E) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (F) value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.5. Reporting Requirements

The Act and the Catalist Rules require the Company to make reports in relation to the Share Buy-Back Mandate as follows:

- (a) within thirty (30) days after the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Directors shall lodge a copy of such resolution with ACRA;

LETTER TO SHAREHOLDERS

- (b) within thirty (30) days after a purchase of Shares on the SGX-ST or otherwise, the Directors shall lodge with ACRA the notice of the purchase in the prescribed form with the following particulars:
 - (i) the date of the Share Purchase;
 - (ii) the total number of Shares purchased by the Company;
 - (iii) the total number of Shares cancelled;
 - (iv) the number of Shares held as treasury shares;
 - (v) the Company's issued share capital before and after the Shares Purchase;
 - (vi) the amount of consideration paid by the Company for the Share Purchase;
 - (vii) whether the Shares were purchased out of profits or the capital of the Company; and
 - (viii) such other particulars as may be required in the prescribed form;
- (c) within thirty (30) days of the cancellation or disposal of treasury shares in accordance with the provisions of the Act, the Directors shall lodge with ACRA the notice of cancellation or disposal of treasury shares in the prescribed form;
- (d) purchases of Shares must be reported to the SGX-ST in the forms prescribed by the Catalist Rules and announced to the public in the case of On-Market Share Purchases, not later than 9.00 a.m. on the Market Day following the day on which the Company purchased Shares and in the case of Off-Market Share Purchases, not later than 9.00 a.m. on the second Market Day after the close of acceptances of the offer made by the Company. Such announcement shall include, inter alia, the maximum number of Shares authorised for purchase or acquisition, the date of the Share Purchases, the number of Shares purchased or acquired, the number of Shares cancelled or held as treasury shares, the purchase price per Share or (in the case of On-Market Purchases) the highest price and lowest price paid per Share, the total consideration paid or payable for the Shares (including stamp duties and clearing charges), cumulative number of Shares purchased to date, the number of issued Shares after purchase or acquisition and such other information as may be prescribed from time to time. The announcement must be in the form of Appendix 8D prescribed by the Catalist Rules; and
- (e) in its annual report and financial statements, the Company shall make disclosure of details pertaining to purchases of Shares made during the year, including the total number of Shares purchased during the financial year under review, the purchase price per Share or the highest and lowest prices paid for the purchases, and where relevant, the total consideration paid.

2.6. Source of Funds

The Company may only apply funds legally available for such Share Purchases in accordance with its Constitution, and the applicable laws in Singapore. The Act permits the Company to make Share Purchases out of the Company's capital or profits so long as the Company is

LETTER TO SHAREHOLDERS

solvent and any payments for the Share Purchases by the Company shall include the relevant expenses incurred directly in the Share Purchase. The Company may not purchase Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Pursuant to Section 76F(4) of the Act, the Company is solvent if the following conditions are satisfied:

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

When Shares are purchased or acquired, and cancelled:

- (a) if the Shares are purchased or acquired entirely out of the capital of the Company, the Company shall reduce the amount of its share capital by the total amount of the consideration paid by the Company for the Shares (including any relevant expenses);
- (b) if the Shares are purchased or acquired entirely out of profits of the Company, the Company shall reduce the amount of its profits available for distribution by the total amount of the consideration paid by the Company for the Shares (including any relevant expenses); or
- (c) where the Shares are purchased or acquired out of both the capital and the profits of the Company, the Company shall reduce the amount of its share capital and profits proportionately by the total amount of the consideration paid by the Company for the Shares (including any relevant expenses).

The Company may use internal resources and/or external borrowings to finance Share Purchases pursuant to the Share Buy-Back Mandate. The Directors do not propose to exercise the Share Buy-Back Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Group would be materially adversely affected.

2.7. Financial Impact

(a) General

Shareholders should note that the financial effects illustrated below are for illustration purposes only. In particular, it is important to note that the financial analysis set out

LETTER TO SHAREHOLDERS

below are based on the historical audited financial statements of the Company for FY2023 and are not necessarily representative of the future financial performance of the Group. Although the proposed Share Buy-Back Mandate would authorise the Company to purchase up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or be able to purchase such amount in full.

(b) **Financial Effects of the Share Buy-Back Mandate**

It is not possible for the Company to realistically calculate or quantify the financial effects of purchases or acquisitions that may be made pursuant to the Share Buy-Back Mandate, as it would depend on factors such as the aggregate number of Shares purchased or acquired, the purchase price paid at the relevant time, the amount (if any) borrowed by the Company to fund the purchases, whether the Share Purchase is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled.

The Directors do not propose to exercise the Share Buy-Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Company or the financial condition of the Company or the Group. The purchase of the 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 Company, the prevailing market conditions and the financial position of the Group. The Share Buy-Back Mandate will be exercised with a view to enhance the earnings and/or the NTA value per Share of the Company. The financial effects presented in this Section 2.7 of this Appendix are based on the assumptions set out below.

(i) **Information as at the Latest Practicable Date**

As at the Latest Practicable Date, the Company has 266,432,113 issued Shares (excluding 2,225,700 treasury shares and no subsidiary holdings).

(ii) **Illustrative Financial Effects**

Purely for illustrative purposes, on the basis of 266,432,113 Shares in issue (excluding 2,225,700 treasury shares and no subsidiary holdings) as at the Latest Practicable Date, and assuming no further Shares are issued or purchased, the Company may purchase up to 26,643,211 Shares (representing approximately 10% of the issued Shares (excluding treasury shares)).

In the case of On-Market Share Purchases by the Company and assuming that the Company purchases or acquires 26,643,211 Shares at the Maximum Price of S\$0.1098 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five (5) 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 26,643,211 Shares is S\$2,925,425.

In the case of Off-Market Share Purchases by the Company and assuming that the Company purchases or acquires 26,643,211 Shares at the Maximum Price

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of S\$0.1255 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five (5) 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 26,643,211 Shares is S\$3,343,723.

For illustrative purposes only and on the basis of the assumptions set out above as well as the following:

- (A) the Share Buy-Back Mandate has been effective on 1 April 2022;
- (B) the Share Purchases are funded solely by internal resources; and
- (C) transaction costs incurred for the Share Purchases are assumed to be insignificant and have been disregarded for the purpose of computing the financial effects,

the financial effects of (i) Share Purchases of 26,643,211 Shares by the Company made entirely out of capital and with the purchased Shares held in treasury; and (ii) Share Purchases of 26,643,211 Shares by the Company made entirely out of capital and with the purchased Shares cancelled, on the audited consolidated financial statements of the Company and the Group for FY2023 are set out below:

Scenario 1 – Purchases made entirely out of capital and with purchased Shares held as treasury shares

Group(S\$'000)	On-Market Share Purchase		Off-Market Share Purchase	
	Before	After	Before	After
As at 31 March 2023				
Share capital	21,297	21,297	21,297	21,297
Retained earnings	16,412	16,412	16,412	16,412
Other reserves	(6,436)	(6,436)	(6,436)	(6,436)
Treasury shares	(165)	(3,090)	(165)	(3,509)
Equity attributable to owners of the Company	31,108	28,183	31,108	27,764
NAV ⁽¹⁾	31,108	28,183	31,108	27,764
Cash and cash equivalents	19,802	16,877	19,802	16,458
Current assets	85,322	82,397	85,322	81,978
Current liabilities	59,922	59,922	59,922	59,922
Working capital	25,400	22,475	25,400	22,056
Total borrowings	14,216	14,216	14,216	14,216
Profit attributable to owners of the Company	4,349	4,349	4,349	4,349
Number of Shares	268,657,813	242,014,602	268,657,813	242,014,602

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Financial ratios

NAV per Share (cents) ⁽²⁾	11.58	11.64	11.58	11.47
Current ratio (times) ⁽³⁾	1.42	1.38	1.42	1.37
Basic EPS (cents) ⁽⁴⁾	1.62	1.80	1.62	1.80

Notes:-

- (1) NAV represents total assets less total liabilities.
(2) NAV per share is computed based on NAV divided by the number of Shares in issue.
(3) Current ratio equals current assets divided by current liabilities.
(4) Basic EPS is computed based on profit attributable to owners of the Company divided by the number of Shares in issue.

Company(S\$'000)	On-Market Share Purchase		Off-Market Share Purchase	
	Before	After	Before	After

As at 31 March 2023

Share capital	21,297	21,297	21,297	21,297
Retained earnings	603	603	603	603
Other reserves	-	-	-	-
Treasury shares	(165)	(3,090)	(165)	(3,509)
Equity attributable to owners of the Company	21,735	18,810	21,735	18,391

NAV ⁽¹⁾	21,735	21,735	21,735	21,735
Cash and cash equivalents	81	81	81	81
Current assets	209	209	209	209
Current liabilities	229	3,154	229	3,573
Working capital	(20)	(2,945)	(20)	(3,364)
Total borrowings ⁽²⁾	-	2,925	-	3,344

Profit attributable to owners of the Company	983	983	983	983
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Number of Shares	268,657,813	242,014,602	268,657,813	242,014,602
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Financial ratios

NAV per Share (cents) ⁽³⁾	8.09	8.98	8.09	8.98
Current ratio (times) ⁽⁴⁾	0.91	0.07	0.91	0.06
Basic EPS (cents) ⁽⁵⁾	0.37	0.41	0.37	0.41

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Notes:-

- (1) NAV represents total assets less total liabilities.
- (2) Assuming the Company will procure loans from its subsidiaries of an amount sufficient to finance the Share Purchases being S\$2.925 million for On-Market Share Purchases and S\$3.344 million for Off-Market Share Purchases.
- (3) NAV per share is computed based on NAV divided by the number of Shares in issue.
- (4) Current ratio equals current assets divided by current liabilities.
- (5) Basic EPS is computed based on profit attributable to owners of the Company divided by the number of Shares in issue.

Scenario 2 – Purchases made entirely out of capital and with purchased Shares cancelled

Group(S\$'000)	On-Market Share Purchase		Off-Market Share Purchase	
	Before	After	Before	After
As at 31 March 2023				
Share capital	21,297	18,372	21,297	17,953
Retained earnings	16,412	16,412	16,412	16,412
Other reserves	(6,436)	(6,436)	(6,436)	(6,436)
Treasury shares	(165)	(165)	(165)	(165)
Equity attributable to owners of the Company	31,108	28,183	31,108	27,764
NAV ⁽¹⁾	31,108	28,183	31,108	27,764
Cash and cash equivalents	19,802	16,877	19,802	16,458
Current assets	85,322	82,397	85,322	81,978
Current liabilities	59,922	59,922	59,922	59,922
Working capital	25,400	22,475	25,400	22,056
Total borrowings	14,216	14,216	14,216	14,216
Profit attributable to owners of the Company	4,349	4,349	4,349	4,349
Number of Shares	268,657,813	242,014,602	268,657,813	242,014,602
Financial ratios				
NAV per Share (cents) ⁽²⁾	11.58	11.64	11.58	11.47
Current ratio (times) ⁽³⁾	1.42	1.38	1.42	1.37
Basic EPS (cents) ⁽⁴⁾	1.62	1.80	1.62	1.80

Notes:-

- (1) NAV represents total assets less total liabilities.
- (2) NAV per share is computed based on NAV divided by the number of Shares in issue.
- (3) Current ratio equals current assets divided by current liabilities.
- (4) Basic EPS is computed based on profit attributable to owners of the Company divided by the number of Shares in issue.

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Company(S\$'000)	On-Market Share Purchase		Off-Market Share Purchase	
	Before	After	Before	After
As at 31 March 2023				
Share capital	21,297	18,372	21,297	17,953
Retained earnings	603	603	603	603
Other reserves	-	-	-	-
Treasury shares	(165)	(165)	(165)	(165)
Equity attributable to owners of the Company	21,735	18,810	21,735	18,391
NAV ⁽¹⁾	21,735	21,735	21,735	21,735
Cash and cash equivalents	81	81	81	81
Current assets	209	209	209	209
Current liabilities	229	3,154	229	3,573
Working capital	(20)	(2,945)	(20)	(3,364)
Total borrowings ⁽²⁾	-	2,925	-	3,344
Profit attributable to owners of the Company	983	983	983	983
Number of Shares	268,657,813	242,014,602	268,657,813	242,014,602
Financial ratios				
NAV per Share (cents) ⁽³⁾	8.09	8.98	8.09	8.98
Current ratio (times) ⁽⁴⁾	0.91	0.07	0.91	0.06
Basic EPS (cents) ⁽⁵⁾	0.37	0.41	0.37	0.41

Notes:-

- (1) NAV represents total assets less total liabilities.
- (2) Assuming the Company will procure loans from its subsidiaries of an amount sufficient to finance the Share Purchases being S\$2.925 million for On-Market Share Purchases and S\$3.344 million for Off-Market Share Purchases.
- (3) NAV per share is computed based on NAV divided by the number of Shares in issue.
- (4) Current ratio equals current assets divided by current liabilities.
- (5) Basic EPS is computed based on profit attributable to owners of the Company divided by the number of Shares in issue.

The financial effects set out above are for illustrative purposes only. Although the Share Buy-Back Mandate would authorise the Company to purchase up to 10% of the issued Shares, the Company may not necessarily purchase or be able to purchase the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares repurchased, or hold all or part of the Shares repurchased in treasury. The above

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analysis is based on historical numbers as at 31 March 2023, and is not necessarily representative of future financial performance.

The Company will take into account both financial and non-financial factors (including stock market conditions and the performance of the Shares) in assessing the relative impact of the Share Purchase before execution. The Directors do not intend to exercise the Share Buy-Back Mandate up to the maximum limit if such exercise would materially and adversely affect the financial position of the Company or the Group. The Directors will also not undertake Share Purchases if borrowings are required to finance the Share Purchases and will have an adverse effect on the financial position of the Company or the Group.

2.8. Taxation

Shareholders who are in doubt as to their respective tax positions or any tax implications arising from the Share Buy-Back Mandate, or who may be subject to tax in a jurisdiction other than Singapore, should consult their own professional advisers.

2.9. Interested Persons

The Company is prohibited from knowingly buying Shares on the SGX-ST from an interested person, that is, a Director, the chief executive officer or a Controlling Shareholder of the Company, or any of their Associates, and an interested person is prohibited from knowingly selling his Shares to the Company.

2.10. Catalist Rules

- (a) The Company is required under Rule 723 of the Catalist Rules to ensure that at least 10% of the total number of issued Shares (excluding treasury shares, preference shares and convertible equity securities) is at all times held by the public. The “public” is defined under “Definitions and Interpretation” of the Catalist Rules as persons other than the directors, chief executive officer, Substantial Shareholders, or Controlling Shareholders of the Company or its subsidiary companies, as well as the Associates of such persons.

As at the Latest Practicable Date, 75,198,067 Shares, representing 28.22% of the issued Shares (excluding treasury shares) of the Company, are held in the hands of the public. For illustrative purposes only, assuming that the Company purchases the maximum of 10% of its issued Shares as at the Latest Practicable Date from members of the public by way of On-Market Share Purchases, the percentage of issued Shares held by the public would be reduced to approximately 20.20% of the issued Shares (excluding treasury shares).

Accordingly, the Company is of the view that there are a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake Share 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.

The Directors will use their best efforts to ensure that the Company does not effect Share Purchases if the Share Purchases would result in the number of Shares remaining in the hands of the public falling to such a level as to cause

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market illiquidity or adversely affect the listing status and orderly trading of the Shares.

- (b) While the Catalist Rules do not expressly prohibit any purchase by a listed company of its shares during any particular time or times, in view that the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any Share Purchases at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced.

Further, in conformity with Rule 1204(19) of the Catalist Rules, the Company will observe the best practices on dealings in securities, such that the Company will not purchase or acquire any Shares during the period commencing one (1) month before the announcement of the Company's half-year financial statements and full-year financial statements.

2.11. Take-over Code Implications arising from Share Purchases

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date ("**Appendix 2**"). The take-over implications arising from any Share Purchase by the Company are set out below.

(a) **Obligation to make a take-over offer**

Pursuant to the Take-over Code, an increase in a Shareholder's proportionate interest in the voting rights of the Company resulting from a Share Purchase by the Company will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("**Rule 14**").

Under Rule 14, a Shareholder and persons acting in concert with him will incur an obligation to make a mandatory take-over offer if, amongst others, they increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company's voting rights, increase their voting rights in the Company by more than 1% in any period of six (6) months.

(b) **Persons acting in concert**

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

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

- (i) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the aforementioned companies, any company whose associated companies include any of the aforementioned companies and any person who has provided financial assistance (other than a bank in the ordinary

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course of business) to any of the aforementioned companies for the purchase of voting rights;

- (ii) 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);
- (iii) a company with any of its pension funds and employee share schemes;
- (iv) 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;
- (v) 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;
- (vi) directors of a company (together with their close relatives, related trusts and companies controlled by any of such 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;
- (vii) partners; and
- (viii) an individual with his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the aforementioned persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforementioned persons 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 after a Share Purchase by the Company are set out in Appendix 2.

(c) **Application of the Take-over Code**

In general terms, the effect of Rule 14 is that unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 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.

Under Appendix 2, a Shareholder not acting in concert with any Directors will not be required to make a take-over offer under Rule 14 if, as a result of any Share Purchase by the Company, 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 (6) months. Such a Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy-Back Mandate.

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As at the Latest Practicable Date, the Directors, Mr Sim Hock Heng, Mr Lee Tien Chiet and Mr Kew Boon Kee, and Typha Holdings Pte. Ltd., who are deemed to be acting in concert with each other, collectively hold 62.80% of the issued Shares (excluding treasury shares and subsidiary holdings). They would not be obliged to make a mandatory take-over offer under Rule 14 as a result of any Share Purchases by the Company.

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 of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a Share Purchase by the Company.

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 Share Purchase by the Company should consult the SIC and/or their professional advisers at the earliest opportunity.

2.12. Details of the Shares Bought by the Company in the preceding Twelve (12) Months

The Company has not made any Share Purchase in the twelve (12) months preceding the Latest Practicable Date.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of Directors and Substantial Shareholders of the Company in Shares, as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders, are set out below:

	Direct Interest		Deemed Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors				
Mr Ng Lip Chi, Lawrence	-	-	-	-
Mr Sim Hock Heng ⁽²⁾	21,882,675	8.21%	110,288,509	41.39%
Mr Kew Boon Kee ⁽²⁾	21,882,675	8.21%	110,288,509	41.39%
Mr Lee Tien Chiat ⁽²⁾	13,282,675	4.99%	110,288,509	41.39%
Mr Chan Hock Leong	100,000	0.04%	-	-
Mr Latiff Bin Ibrahim	-	-	-	-
Substantial Shareholders (other than Directors)				
Typha Holdings Pte. Ltd. ⁽²⁾	110,288,509	41.39%	-	-
Pek Kian Boon	23,897,512	8.97%	-	-

Notes:

- (1) The percentage shareholding interest is computed based on 266,432,113 Shares (excluding treasury shares) as at the Latest Practicable Date.
- (2) The shareholders of Typha Holdings Pte. Ltd. are Mr Sim Hock Heng, Mr Kew Boon Kee and Mr Lee Tien Chiat, each holding 33.3% of the share capital of Typha Holdings Pte. Ltd.. Accordingly, Mr Sim Hock Heng, Mr Kew Boon Kee and Mr Lee Tien Chiat are deemed to have an interest in the shares held by Typha Holdings Pte. Ltd. by virtue of Section 7 of the Companies Act.

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Save for their respective shareholding interests in the Company, none of the Directors and to the best of the Directors' knowledge, none of the Substantial Shareholders, has any direct or indirect interest in the proposed renewal of the Share Buy-Back Mandate.

4. DIRECTORS' RECOMMENDATIONS

Having considered the rationale and information relating to the proposed renewal of the Share Buy-Back Mandate, the Directors are of the opinion that the renewal of the Share Buy-Back Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the resolution relating to the renewal of the Share Buy-Back Mandate to be proposed at the 2023 AGM.

5. DIRECTORS' RESPONSIBILITY STATEMENT

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

Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

6. INSPECTION OF DOCUMENTS

Copies of the following documents are available for inspection at the registered office of the Company at 28 Kian Teck Drive Singapore 628845 during normal office hours from the date hereof up to and including the date of the 2023 AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report of the Company for FY2023.

Yours faithfully
for and on behalf of the Board of Directors of
Sanli Environmental Limited

Ng Lip Chi, Lawrence
Non-Executive Chairman and Independent Director