

CIRCULAR DATED 5 JUNE 2020

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold or transferred all your shares in the capital of Hafary Holdings Limited, you should immediately forward this Circular, the enclosed Notice of Extraordinary Meeting and Proxy Form 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 the transferee.

The Singapore Exchange Securities Trading Limited ("SGX-ST") assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular.



合發利控股有限公司
HAFARY HOLDINGS LIMITED
Incorporated in the Republic of Singapore
Company Registration Number 200918637C

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED ADOPTION OF THE SHARE PURCHASE MANDATE

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	: 20 June 2020 at 10.00 a.m.
Date and time of Extraordinary General Meeting	: Monday, 22 June 2020 at 10.00 a.m. (or as soon after the conclusion or adjournment of the Annual General Meeting of the Company to be held at 9.00 a.m. on the same day by electronic means)
Place of Extraordinary General Meeting	: The Extraordinary General Meeting will be held by way of electronic means

DEFINITIONS

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

"ACRA"	: The Accounting and Corporate Regulatory Authority of Singapore
"Act"	: The Companies Act (Chapter 50) of Singapore
"Annual Report"	: The annual report of the Company for the financial year ended 31 December 2019
"CDP"	: The Central Depository (Pte) Limited
"Company"	: Hafary Holdings Limited
"Constitution"	: The constitution of the Company as amended or modified from time to time
"Directors"	: The directors of the Company for the time being
"EGM"	: The Extraordinary General Meeting of the Company to be held by way of electronic means at 10:00 a.m. on Monday, 22 June 2020, (or as soon after the conclusion or adjournment of the Annual General Meeting of the Company to be held at 9.00 a.m. on the same day by electronic means), notice of which is set out on pages 36 - 39 of this Circular
"EPS"	: Earnings per Share
"FY"	: The financial year ended 31 December
"FY2019"	: The financial year ended 31 December 2019
"Group"	: The Company and its subsidiaries
"Latest Practicable Date"	: The latest practicable date prior to the printing of this Circular, being 22 May 2020.
"Listing Manual"	: The listing manual of the SGX-ST
"Market Day"	: A day on which the SGX-ST is open for trading in securities
"NAV"	: Net asset value
"Notice of EGM"	: The notice of EGM set out on pages 36 – 39 of this Circular
"Off-Market Purchase"	: Off-market share acquisition
"On-Market Purchase"	: On-market share acquisition
"Proxy Form"	: The proxy form in respect of the EGM as set out in this Circular

DEFINITIONS

"Relevant Period"	: The period commencing from the date on which the Annual General Meeting is held and the resolutions on the Share Purchase Mandate are passed and expiring on the date the next Annual General Meeting of the Company is held or is required by law to be held, or the date on which the purchases of the Shares are carried out to the full extent mandated, whichever is earlier, unless prior to that, it is varied or revoked by resolution of the Shareholders of the Company in general meeting
"Rule 14"	: Rule 14 of the Take-over Code
"Securities Account"	: A securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
"SFA"	: Securities and Futures Act (Chapter 289) of Singapore
"SGXNET"	: The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies
"SGX-ST"	: The Singapore Exchange Securities Trading Limited
"Shareholders"	: The registered holders of the Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors in the Depository Register and whose Securities Accounts maintained with CDP are credited with those Shares
"Share Purchase"	: The purchase of Shares by the Company pursuant to the Share Purchase Mandate
"Share Purchase Mandate"	: The proposed general and unconditional mandate to authorise the Directors to exercise all the powers of the Company to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Circular
"Shares"	: Ordinary shares in the issued and paid-up share 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 Act
"S\$" and "cents"	: Singapore dollars and cents respectively, being the lawful currency of Singapore
"Take-over Code"	: The Singapore Code on Take-overs and Mergers
"%" or "per cent."	: Percentage or per centum

DEFINITIONS

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

The terms "**associate**" and "**controlling shareholders**" shall have the meanings ascribed to them in the Listing Manual.

The terms "**subsidiaries**", "**substantial Shareholders**", "**related corporations**" and "**treasury share**" shall have the meanings ascribed to them respectively in the Act.

Except where specifically defined, the terms "**we**", "**us**" and "**our**" in this Circular refer to the Company.

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

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

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the SFA, the Listing Manual, the Take-over Code or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning assigned to it under the Act, the SFA, the Listing Manual, the Take-over Code or any statutory modification thereof, as the case may be.

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

LETTER TO SHAREHOLDERS

HAFARY HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 200918637C)

Directors:

Mr. Ong Beng Chye (*Independent Non-Executive Chairman*)
Mr. Low Kok Ann (*Executive Director and CEO*)
Datuk Edward Lee Ming Foo, JP (*Non-Independent Non-Executive Director*)
Mr. Low See Ching (*Non-Independent Non-Executive Director*)
Ms. Cheah Yee Leng (*Non-Independent Non-Executive Director*)
Mr. Yong Teak Jan @ Yong Teck Jan (*Non-Independent Non-Executive Director*)
Mr. Terrance Tan Kong Hwa (*Independent Director*)
Mr. Chow Wen Kwan Marcus (*Independent Director*)

**Registered
Office:**

105 Eunos
Avenue 3
Hafary
Centre
Singapore
409836

5 June 2020

To: The Shareholders of Hafary Holdings Limited

Dear Sir/Madam

THE PROPOSED ADOPTION OF THE SHARE PURCHASE MANDATE

1. INTRODUCTION

- 1.1 The Directors propose to convene an EGM on Monday, 22 June 2020 at 10.00 a.m. to be held by electronic means (or as soon after the conclusion or adjournment of the Annual General Meeting to be held at 9.00 a.m. on the same day by electronic means) to seek the approval of Shareholders in relation to the proposed adoption of the Share Purchase Mandate.
- 1.2 The purpose of this Circular is to provide Shareholders with information relating to, and to seek Shareholders' approval for, the above proposal to be tabled at the EGM. This Circular has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched to by the Company) or for any other purpose.
- 1.3 The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular. If any Shareholder is in doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

LETTER TO SHAREHOLDERS

2. THE PROPOSED ADOPTION OF THE SHARE PURCHASE MANDATE

2.1 Introduction

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

It is a requirement of the Act that before a company purchases or acquires its own shares, its Constitution must expressly permit the company to purchase or otherwise acquire the shares issued by it. Article 6 of the Constitution provides that the Company may purchase or otherwise acquire Shares subject to and in accordance with the provisions of the Act and any other applicable rule, law or regulation enacted or promulgated by any relevant competent authority from time to time, on such terms and subject to such conditions as the Company may in general meeting prescribe in accordance with applicable laws.

It is also a requirement that a company which wishes to purchase or acquire its own shares should obtain approval from its shareholders to do so at a general meeting of its shareholders. Accordingly, approval is being sought from the Shareholders for the Share Purchase Mandate. An ordinary resolution will be proposed, pursuant to which the Share Purchase 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 Purchase Mandate, as well as the rules and regulations set forth in the Act and the Listing Manual.

2.2 Rationale for the Share Purchase Mandate

The Company proposes to seek Shareholders' approval for the proposed renewal of the Share Purchase Mandate to give Directors the flexibility to purchase the Shares if and when circumstances permit, with the objective of increasing Shareholders' value and to improve, *inter alia*, the return on equity of the Group. Share Purchases are one of the ways through which Shareholders' value may be enhanced.

The Directors believe that the Share Purchase Mandate provides the Company with a mechanism to facilitate the return of surplus cash over and above the Group's working capital requirements, in an expedient and cost-efficient manner. Share Purchases also allow the Directors to exercise control over the Company's capital structure, dividend pay-out and cash reserves and, depending on market conditions, may lead to an enhancement of the EPS and/or NAV per Share. The Directors further believe that Share Purchases may also help to buffer short-term market volatility and offset the effects of share price speculation.

If and when circumstances permit, the Directors will decide whether to effect the Share Purchases, after taking into account factors such as the amount of surplus cash available and the prevailing market conditions.

The Share Purchases will only be undertaken as and when the Directors consider it to be in the best interests of the Company and/or Shareholders. No Share Purchases will be made in circumstances which the Directors believe will have or may have a material adverse effect on the financial position, liquidity and/or listing status of the Company and the Group, and the working capital requirements and gearing level of the Company and the Group.

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2.3 Authority and Limits of the Share Purchase Mandate

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

(a) Maximum Number of Shares

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

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate during the Relevant Period or within any one (1) financial year of the Company, whichever is the earlier, is limited to that number of Shares representing not more than ten per cent. (10.0%) of the issued ordinary share capital of the Company excluding treasury shares and subsidiary holdings as at the date of the general meeting at which the Share Purchase Mandate is approved, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered. Any of the Shares held by the Company as treasury shares shall be disregarded for purposes of computing the ten per cent. (10.0%) limit.

For illustrative purposes only, based on 430,550,000 issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the forthcoming EGM, the purchase or acquisition by the Company pursuant to the Share Purchase Mandate of up to ten per cent. (10.0%) of its issued Shares will result in the purchase or acquisition of 43,055,000 Shares (excluding treasury shares and subsidiary holdings).

(b) Duration of Authority

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

- (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
- (ii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Company in general meeting, whichever is the earlier; or
- (iii) the date on which the Share Purchases are carried out to the full extent of the Share Purchase Mandate.

(c) Manner of purchase or acquisition of Shares

The Shares may be purchased or acquired by way of:-

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- (i) an On-Market Purchase transacted on the SGX-ST trading system, through one or more duly licensed stockbrokers appointed by the Company for such purpose; and/or
- (ii) an Off-Market Purchase pursuant to an equal access scheme(s) as may be determined or formulated by the Directors in their discretion, which scheme(s) shall satisfy all the conditions prescribed by the Act, and otherwise be in accordance with all other laws, the Listing Manual and other regulations and rules of the SGX-ST.

(d) Information on Off-Market Purchases

As prescribed by the Act, Off-Market Purchases pursuant to an equal access scheme must satisfy all the following conditions:-

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

In addition, the Listing Manual requires that in the making of an Off-Market 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 the proposed Share Purchase that will arise under the Take-over Code or other applicable take-over rules;
- (v) whether the proposed Share Purchase, if made, could affect the listing of the Company's Shares on the SGX-ST;
- (vi) details of any Share Purchase made by the Company in the previous 12 months (whether On-Market Purchases or Off-Market Purchases in

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accordance with an equal access scheme), specifying the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Share Purchases, where relevant, and the total consideration paid for such Share Purchases; and

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

(e) **Maximum Price to be paid for the Shares**

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

However, the purchase price to be paid for the Shares as determined by the Directors must not exceed:-

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

in each case, excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses of the purchase or acquisition (the "**Maximum Price**").

For the purpose of determining the Maximum Price:-

"**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 date of the Share Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action which occurs after the relevant 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 purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme(s) for effecting the Off-Market Purchase.

2.4 **Status of Purchased Shares**

The Shares purchased by the Company may be held in treasury as treasury shares. Upon the purchase of the treasury shares, the Company will be registered as a member in respect of the treasury shares but will not have the right to attend or vote at meetings or receive dividends in respect to them. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

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The Act currently restricts the maximum permitted holding, as treasury shares, of the number of Shares of the relevant class of shares to ten per cent. (10%) of the total number of issued Shares. Any treasury share which exceeds this must either be disposed of or cancelled within six (6) months after the limit is first exceeded.

Disposal options (exercisable at any time) available to the Company holding treasury shares are as follows:-

- (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 any share scheme, whether for employees, directors or other persons;
- (c) transfer the treasury shares (or any of them) as consideration for acquisitions of shares or other 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 the Minister of Finance may by order prescribe.

As at the Latest Practicable Date, the Company does not hold any of its Shares as treasury shares.

Under Rule 704(28) of the Listing Manual, the Company must make an immediate announcement via SGXNET if there is any sale, transfer, cancellation and/or use of treasury shares. Such announcement must state 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.

Pursuant to the Act, Shares bought back by the Company, unless kept as treasury shares, shall be cancelled. Where the Shares are cancelled, the Company shall:-

- (a) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;
- (b) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or

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

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

Any Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted by the Act) and cancelled will be automatically de-listed by the SGX-ST and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase. Accordingly, in the event that the Shares purchased or acquired by the Company are cancelled, the total number of issued Shares will be reduced by the number of Shares so cancelled.

2.5 Source of Funds

In undertaking Share Purchases, the Company shall only apply funds legally available in accordance with its Constitution and the applicable laws in Singapore.

The Company may not purchase its Shares 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 respectively.

The Act provides that purchases and acquisitions of Shares may be made out of the Company's capital or profits so long as the Company is solvent (as defined in Section 76F(4) of the Act).

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

The Company intends to use its internal resources and/or external borrowings, taking into consideration the financial position of the Group, to undertake its Share Purchases.

2.6 Financial effects of the Share Purchase Mandate

Pursuant to the Act, Shares purchased or acquired by the Company, are deemed cancelled immediately on purchase or acquisition unless such Shares are held by the Company as treasury shares. All rights and privileges attached to the purchased Shares shall expire upon cancellation.

Where the consideration paid by the Company for the purchase or acquisition of the Shares (excluding related brokerage, goods and services tax, stamp duties and clearance fees) is paid for using

LETTER TO SHAREHOLDERS

- (a) the Company's capital, it will correspondingly reduce the amount available for the Company's operations permitted under the Act; or
- (b) the Company's profits, it will correspondingly reduce the amount available for distribution of dividends by the Company.

The NAV of the Company and the consolidated NAV of the Group will be reduced by the dollar value of the Shares bought.

For illustrative purposes only, assuming the Company had exercised the Share Purchase Mandate and purchased 43,055,000 Shares at the Maximum Price of S\$0.147 and S\$0.168 for each Share (based on the average of the last dealt prices 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 financial effects of the purchase or acquisition of the Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made:-

- (a) *Scenario 1*: entirely out of capital and held as treasury shares;
- (b) *Scenario 2*: entirely out of capital and cancelled;
- (c) *Scenario 3*: entirely out of profits and held as treasury shares; and
- (d) *Scenario 4*: entirely out of profits and cancelled,

based on the latest audited financial statements of the Company for FY2019 are set out in the following pages.

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LETTER TO SHAREHOLDERS

Scenario 1

Purchase of 43,055,000 Shares by the Company pursuant to the Share Purchase Mandate made entirely out of capital and held as treasury shares

	GROUP			COMPANY		
	As at 31 December 2019 S\$'000	After On-Market Purchase ⁽⁶⁾ S\$'000	After Off-Market Purchase ⁽⁷⁾ S\$'000	As at 31 December 2019 S\$'000	After On-Market Purchase ⁽⁶⁾ S\$'000	After Off-Market Purchase ⁽⁷⁾ S\$'000
As at 31 December 2019						
Share Capital	26,930	26,930	26,930	26,930	26,930	26,930
Retained earnings/(accumulated losses)	43,549	43,549	43,549	2,413	2,413	2,413
Other reserves	(1,516)	(1,516)	(1,516)	-	-	-
Treasury shares	-	(6,329)	(7,233)	-	(6,329)	(7,233)
Shareholders' funds	68,963	62,634	61,730	29,343	23,014	22,110
Non-controlling Interests	2,024	2,024	2,024	-	-	-
Total Equity	70,987	64,658	63,754	29,343	23,014	22,110
NAV ⁽¹⁾	68,963	62,634	61,730	29,343	23,014	22,110
Current Assets	99,112	99,112	99,112	29,598	29,598	29,598
Current Liabilities	79,524	85,853	86,757	10,220	16,549	17,453
Total borrowings ⁽²⁾	133,303	139,632	140,536	193	6,522	7,426
Cash and cash equivalents	7,559	7,559	7,559	60	60	60
Profit / (Loss) net of tax ⁽³⁾	10,087	10,087	10,087	4,466	4,466	4,466

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Number of Shares (In '000)

Issued and paid-up capital
(excluding treasury
shares and subsidiary
holdings)

430,550	387,495	387,495	430,550	387,495	387,495
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Financial Ratios

NAV per Share

(Singapore cents)

16.02	16.16	15.93	6.82	5.94	5.71
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Net gearing ratio (times)⁽⁴⁾

1.77	2.04	2.09	0.00	0.28	0.33
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Current ratio (times)⁽⁵⁾

1.25	1.15	1.14	2.90	1.79	1.70
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Earnings / (Loss) per

Share (Singapore cents)

2.34	2.60	2.60	1.04	1.15	1.15
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Notes:-

- (1) NAV is computed based on total assets less total liabilities (excluding non-controlling interest).
- (2) Assuming the purchase of the Shares by the Company will be funded entirely by external borrowings.
- (3) Profit / (Loss) net of tax equals profit or loss after tax attributable to owners of the parent.
- (4) Net gearing ratio equals to total borrowings less cash and cash equivalents divided by total equity.
- (5) Current ratio equals to current assets divided by current liabilities.

LETTER TO SHAREHOLDERS

- (6) Assumes that the Company purchases the 43,055,000 Shares at the Maximum Price of S\$0.147 for one Share which is 5% above the Average Closing Price of a Share over the last five (5) Market Days on which the transactions in the Shares were traded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,055,000 Shares is approximately S\$6,329,085.
- (7) Assumes that the Company purchases the 43,055,000 Shares at the Maximum Price of S\$0.168 for one Share which is 20% above the Average Closing Price of a Share over the last five (5) Market Days on which the transactions in the Shares were traded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,055,000 Shares is approximately S\$7,233,240.

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Scenario 2

Purchase of 43,055,000 Shares by the Company pursuant to the Share Purchase Mandate made entirely out of capital and cancelled

	GROUP			COMPANY		
	As at 31 December 2019 S\$'000	After On-Market Purchase ⁽⁶⁾ S\$'000	After Off-Market Purchase ⁽⁷⁾ S\$'000	As at 31 December 2019 S\$'000	After On-Market Purchase ⁽⁶⁾ S\$'000	After Off-Market Purchase ⁽⁷⁾ S\$'000
As at 31 December 2019						
Share Capital	26,930	20,601	19,697	26,930	20,601	19,697
Retained earnings/(accumulated losses)	43,549	43,549	43,549	2,413	2,413	2,413
Other reserves	(1,516)	(1,516)	(1,516)	-	-	-
Treasury shares	-	-	-	-	-	-
Shareholders' funds	68,963	62,634	61,730	29,343	23,014	22,110
Non-controlling Interests	2,024	2,024	2,024	-	-	-
Total Equity	70,987	64,658	63,754	29,343	23,014	22,110
NAV ⁽¹⁾	68,963	62,634	61,730	29,343	23,014	22,110
Current Assets	99,112	99,112	99,112	29,598	29,598	29,598
Current Liabilities	79,524	85,853	86,757	10,220	16,549	17,453
Total borrowings ⁽²⁾	133,303	139,632	140,536	193	6,522	7,426
Cash and cash equivalents	7,559	7,559	7,559	60	60	60
Profit / (Loss) net of tax ⁽³⁾	10,087	10,087	10,087	4,466	4,466	4,466

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Number of Shares (In '000)

Issued and paid-up capital
(excluding treasury
shares and subsidiary
holdings)

430,550	387,495	387,495	430,550	387,495	387,495
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Financial Ratios

NAV per Share

(Singapore cents)

16.02	16.16	15.93	6.82	5.94	5.71
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Net gearing ratio (times)⁽⁴⁾

1.77	2.04	2.09	0.00	0.28	0.33
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Current ratio (times)⁽⁵⁾

1.25	1.15	1.14	2.90	1.79	1.70
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Earnings / (Loss) per

Share (Singapore cents)

2.34	2.60	2.60	1.04	1.15	1.15
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Notes:-

- (1) NAV is computed based on total assets less total liabilities and less intangible assets (excluding non-controlling interest).
- (2) Assuming the purchase of the Shares by the Company will be funded entirely by external borrowings.
- (3) Profit / (Loss) net of tax equals profit or loss after tax attributable to owners of the parent.
- (4) Net gearing ratio equals to total borrowings less cash and cash equivalents divided by total equity.
- (5) Current ratio equals to current assets divided by current liabilities.

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- (6) Assumes that the Company purchases the 43,055,000 Shares at the Maximum Price of S\$0.147 for one Share which is 5% above the Average Closing Price of a Share over the last five (5) Market Days on which the transactions in the Shares were traded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,055,000 Shares is approximately S\$6,329,085.
- (7) Assumes that the Company purchases the 43,055,000 Shares at the Maximum Price of S\$0.168 for one Share which is 20% above the Average Closing Price of a Share over the last five (5) Market Days on which the transactions in the Shares were traded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,055,000 Shares is approximately S\$7,233,240.

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Scenario 3

Purchase of 43,055,000 Shares by the Company pursuant to the Share Purchase Mandate made entirely out of profits and held as treasury shares

	GROUP			COMPANY		
	As at 31 December 2019 S\$'000	After On-Market Purchase ⁽⁶⁾ S\$'000	After Off-Market Purchase ⁽⁷⁾ S\$'000	As at 31 December 2019 S\$'000	After On-Market Purchase ⁽⁶⁾ S\$'000	After Off-Market Purchase ⁽⁷⁾ S\$'000
As at 31 December 2019						
Share Capital	26,930	26,930	26,930	26,930	26,930	26,930
Retained earnings/(accumulated losses)	43,549	43,549	43,549	2,413	2,413	2,413
Other reserves	(1,516)	(1,516)	(1,516)	-	-	-
Treasury shares	-	(6,329)	(7,233)	-	(6,329)	(7,233)
Shareholders' funds	68,963	62,634	61,730	29,343	23,014	22,110
Non-controlling Interests	2,024	2,024	2,024	-	-	-
Total Equity	70,987	64,658	63,754	29,343	23,014	22,110
NAV ⁽¹⁾	68,963	62,634	61,730	29,343	23,014	22,110
Current Assets	99,112	99,112	99,112	29,598	29,598	29,598
Current Liabilities	79,524	85,853	86,757	10,220	16,549	17,453
Total borrowings ⁽²⁾	133,303	139,632	140,536	193	6,522	7,426
Cash and cash equivalents	7,559	7,559	7,559	60	60	60

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Profit / (Loss) net of tax ⁽³⁾	10,087	10,087	10,087	4,466	4,466	4,466
Number of Shares (In '000)						
Issued and paid-up capital (excluding treasury shares and subsidiary holdings)	430,550	387,495	387,495	430,550	387,495	387,495
Financial Ratios						
NAV per Share (Singapore cents)	16.02	16.16	15.93	6.82	5.94	5.71
Net gearing ratio (times) ⁽⁴⁾	1.77	2.04	2.09	0.00	0.28	0.33
Current ratio (times) ⁽⁵⁾	1.25	1.15	1.14	2.90	1.79	1.70
Earnings / (Loss) per Share (Singapore cents)	2.34	2.60	2.60	1.04	1.15	1.15

Notes:-

- (1) NAV is computed based on total assets less total liabilities (excluding non-controlling interest).
- (2) Assuming the purchase of the Shares by the Company will be funded entirely by external borrowings.
- (3) Profit / (Loss) net of tax equals profit or loss after tax attributable to owners of the parent.
- (4) Net gearing ratio equals to total borrowings less cash and cash equivalents divided by total equity.
- (5) Current ratio equals to current assets divided by current liabilities.

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- (6) Assumes that the Company purchases the 43,055,000 Shares at the Maximum Price of S\$0.147 for one Share which is 5% above the Average Closing Price of a Share over the last five (5) Market Days on which the transactions in the Shares were traded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,055,000 Shares is approximately S\$6,329,085.
- (7) Assumes that the Company purchases the 43,055,000 Shares at the Maximum Price of S\$0.168 for one Share which is 20% above the Average Closing Price of a Share over the last five (5) Market Days on which the transactions in the Shares were traded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,055,000 Shares is approximately S\$7,233,240.

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Scenario 4

Purchase of 43,055,000 Shares by the Company pursuant to the Share Purchase Mandate made entirely out of profits and cancelled

	GROUP			COMPANY		
	As at 31 December 2019 S\$'000	After On-Market Purchase ⁽⁶⁾ S\$'000	After Off-Market Purchase ⁽⁷⁾ S\$'000	As at 31 December 2019 S\$'000	After On-Market Purchase ⁽⁶⁾ S\$'000	After Off-Market Purchase ⁽⁷⁾ S\$'000
As at 31 December 2019						
Share Capital	26,930	26,930	26,930	26,930	26,930	26,930
Retained earnings/(accumulated losses)	43,549	37,220	36,316	2,413	(3,916)	(4,820)
Other reserves	(1,516)	(1,516)	(1,516)	-	-	-
Treasury shares	-	-	-	-	-	-
Shareholders' funds	68,963	62,634	61,730	29,343	23,014	22,110
Non-controlling Interests	2,024	2,024	2,024	-	-	-
Total Equity	70,987	64,658	63,754	29,343	23,014	22,110
NAV ⁽¹⁾	68,963	62,634	61,730	29,343	23,014	22,110
Current Assets	99,112	99,112	99,112	29,598	29,598	29,598
Current Liabilities	79,524	85,853	86,757	10,220	16,549	17,453
Total borrowings ⁽²⁾	133,303	139,632	140,536	193	6,522	7,426
Cash and cash equivalents	7,559	7,559	7,559	60	6	60
Profit / (Loss) net of tax ⁽³⁾	10,087	10,087	10,087	4,466	4,466	4,466

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Number of Shares (In '000)

Issued and paid-up capital
(excluding treasury
shares and subsidiary
holdings)

430,550	387,495	387,495	430,550	387,495	387,495
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Financial Ratios

NAV per Share
(Singapore cents)

16.02	16.16	15.93	6.82	5.94	5.71
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Net gearing ratio (times)⁽⁴⁾

1.77	2.04	2.09	0.00	0.28	0.33
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Current ratio (times)⁽⁵⁾

1.25	1.15	1.14	2.90	1.79	1.70
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Earnings / (Loss) per
Share (Singapore cents)

2.34	2.60	2.60	1.04	1.15	1.15
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Notes:-

- (1) NAV is computed based on total assets less total liabilities (excluding non-controlling interest).
- (2) Assuming the purchase of the Shares by the Company will be funded entirely by external borrowings.
- (3) Profit / (Loss) net of tax equals profit or loss after tax attributable to owners of the parent.
- (4) Net gearing ratio equals to total borrowings less cash and cash equivalents divided by total equity.
- (5) Current ratio equals to current assets divided by current liabilities.

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- (6) Assumes that the Company purchases the 43,055,000 Shares at the Maximum Price of S\$0.147 for one Share which is 5% above the Average Closing Price of a Share over the last five (5) Market Days on which the transactions in the Shares were traded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,055,000 Shares is approximately S\$6,329,085.
- (7) Assumes that the Company purchases the 43,055,000 Shares at the Maximum Price of S\$0.168 for one Share which is 20% above the Average Closing Price of a Share over the last five (5) Market Days on which the transactions in the Shares were traded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 43,055,000 Shares is approximately S\$7,233,240.

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The financial impact is the same whether the Shares are purchased via On-Market Purchases or Off-Market Purchases. The Group had a balance of S\$7,559,000 in cash and cash equivalents as at 31 December 2019. Assuming the purchase of up to 43,055,000 Shares at the Maximum Price of S\$0.147 or S\$0.168 per Share, which is 5% or 20% above the Average Closing Price of a Share over the last five (5) Market Days on which the transactions in the Shares were traded immediately preceding the Latest Practicable Date and accordingly, the Company's cash reserves would be reduced by S\$6,329,085 or S\$7,233,240 respectively and, all other things remaining the same, the working capital and NAV of the Group and the Company would be reduced by the dollar value of the Shares purchased. The consolidated NAV per Share after the purchase of 43,055,000 Shares would be increased to 16.16 cents and decreased to 15.93 cents respectively.

As illustrated in the tables above, the Share Purchases would reduce the current assets and shareholders' funds of the Group and the Company accordingly. This would result in an increase in the gearing ratio of the Company and the Group. The consolidated EPS as a result of the purchase of 43,055,000 Shares would be increased from 2.34 cents to 2.60 cents.

The actual impact on the gearing and working capital ratio of the Company would depend on the number of Shares purchased and the price or prices at which the Shares are purchased. The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Company and the Group.

The acquisition or purchase of Shares will only be effected after considering relevant factors such as the working capital requirements, availability of surplus cash and other financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The Share Purchase Mandate will be exercised with a view to enhancing the EPS of the Group.

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

Although the Share Purchase Mandate would authorise the Company to purchase up to ten per cent. (10.0%) of the Company's issued Shares, the Company may not necessarily purchase all ten per cent. (10.0%) of the issued Shares in full.

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

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2.7 Taxation

Shareholders are advised to obtain independent professional advice if they are uncertain about the impact of Share Purchases on their overall tax position, whether in Singapore or in other jurisdictions in the world.

2.8 Reporting Requirements

The Act and the Listing Manual require the Company to make the following reports in relation to the Share Purchase Mandate:-

- (a) to lodge a copy of the Shareholders' resolution approving the Share Purchase Mandate with ACRA within 30 days of the passing of such resolution;
- (b) to notify ACRA of an acquisition or purchase of Shares on the SGX-ST or otherwise within 30 days. Such notification shall be in the prescribed form and shall include:-
 - (i) the date of the acquisition or purchase of Shares;
 - (ii) the total number of Shares acquired or purchased;
 - (iii) the number of Shares cancelled;
 - (iv) the number of Shares held as treasury shares;
 - (v) the Company's issued share capital before the acquisition or purchase and after such acquisition or purchase;
 - (vi) the amount of consideration paid by the Company for the acquisition or purchase;
 - (vii) whether the Shares were purchased or acquired out of the profits or the capital of the Company; and
 - (viii) such other information as required by the Act.

Pursuant to the Listing Manual, the Company will report purchases of Shares to the SGX-ST in the forms prescribed which shall include details including, *inter alia*, the date of purchase, the price paid and the number of issued shares remaining in the share capital of the Company after the Share Purchases, and to make an announcement to the public:-

- (a) in the case of On-Market Purchases, not later than 9.00 a.m. on the trading day following any day on which the Company makes an On-Market Purchase; and
- (b) in the case of Off-Market Purchases, not later than 9.00 a.m. on the second trading day following the close of acceptance of offers made by the Company.

Such announcement should be made in compliance with Appendix 8.3.1 of the Listing Manual and must include details of, *inter alia*, the total number of Shares purchased and the purchase price per Share or the highest and lowest prices paid for such Shares, as applicable.

2.9 Suspension of purchase of Shares

As the Company would be considered an "insider" in relation to any purchase of Shares, the Company will not purchase Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been

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publicly announced. In particular, the Company will not purchase or acquire any of its Shares during the period commencing one (1) month before the announcement of the Company's half year and full year financial results.

2.10 Listing Status on SGX-ST

The Listing Manual requires a listed company to ensure that at least ten per cent. (10%) of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public. As defined in the Listing Manual, the "public" refers to persons other than the directors, chief executive officer, substantial shareholders, or controlling shareholders of the Company and its subsidiaries, as well as the associates (as defined in the Listing Manual) of such persons.

As at the Latest Practicable Date, there are 57,252,260 Shares held in the hands of the public (as defined above), representing 13.30% of the issued share capital of the Company.

In order to maintain the listing status and orderly trading of the Shares on the SGX-ST, the Company must ensure (pursuant to Rule 723 of the Listing Manual) 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 Purchases to such extent that it would result in the number of Shares remaining in the hands of the public falling below the minimum level required under the Listing Manual.

Accordingly, **purely for illustrative purposes only** and assuming that the 57,252,260 Shares (or approximately 13.30% of the issued Shares (excluding treasury shares)) are held in public hands as at the Latest Practicable Date, in order to maintain the public float of not less than 10.0% of the issued Shares (excluding treasury shares), the Company would not purchase or acquire from public Shareholders more than 14,197,260 Shares pursuant to the Share Purchase Mandate as at the Latest Practicable Date. **For the avoidance of doubt, the above illustration should not in any way bind the Company or be construed to imply that the Company can only purchase up to 14,197,260 Shares.**

Notwithstanding the current level of the public float, the Company believes that having the flexibility to conduct Share Purchases pursuant to the Share Purchase Mandate (if adopted) under appropriate circumstances will be beneficial to the Company. It is also possible that the public float may also change from time to time and such flexibility will be reduced if the Company seeks a lower limit based on the current level of the public float. Accordingly, for greater flexibility, the Company is seeking Shareholders' approval to enable the Company to purchase or acquire up to a maximum of ten per cent. (10.0%) of the total number of Shares of the Company (excluding treasury shares and subsidiary holdings). Nevertheless, the Directors will ensure that the Company will not undertake any Share Purchases if the public float is below 10.0%, or if this will result in the public float falling below 10.0%.

2.11 Take-over Implications under the Take-over Code

Pursuant to Appendix 2 of the Take-over Code, an increase of 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.

Under Rule 14, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory take-over offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they,

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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.

Persons acting in concert

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 the Company to obtain or consolidate effective control of the Company. Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:-

- (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;
- (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 persons controlling, controlled by or under the same control as the adviser;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of 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;
- (g) partners; and
- (h) the following persons and entities:-
 - (i) an individual;
 - (ii) the close relative of (i);
 - (iii) the related trusts of (i);
 - (iv) any person who is accustomed to act in accordance with the instructions of (i);
 - (v) companies controlled by any of (i), (ii), (iii) or (iv); and

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- (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

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

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, 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 issued Shares, the percentage of voting rights of such Directors and persons acting in concert with them would increase to 30% or more, or in the event that such Directors and persons acting in concert with them hold between 30% and 50% of the Company's voting rights, the voting rights of such Directors and persons acting in concert with them would increase by more than 1% in any period of 6 months.

Under Appendix 2 of the Take-over Code, a Shareholder who is not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such a Shareholder need not abstain from voting in respect of the Ordinary Resolution authorising the Share Purchase Mandate.

Shareholders are advised to consult their professional advisers and/or the SIC at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any Share Purchases.

Our Executive Director and CEO, Mr Low Kok Ann is the father of our Non-Independent, Non-Executive Director, Mr Low See Ching. Ms Audrey Low Bee Lan ("**Ms Audrey Low**") is the sister of Mr Low See Ching and the daughter of Mr Low Kok Ann. As at the Latest Practicable Date, Ms Audrey Low has a direct interest in 16,536,707 Shares (approximately 3.84% of the total Shares).

Based on 430,550,000 Shares in issue as at the Latest Practicable Date, the exercise in full of the Share Purchase Mandate would result in the purchase or acquisition of 43,055,000 Shares, and consequently the aggregate shareholding of Mr Low Kok Ann, Mr Low See Ching and Ms Audrey Low would increase from approximately 28.28% to approximately 31.42% of the total number of issued Shares (excluding treasury shares and subsidiary holdings).

Accordingly, under the Take-over Code, Mr Low Kok Ann, Mr Low See Ching and Ms Audrey Low, unless exempted, would become obliged to make a general offer under the Take-over Code for the Shares not owned by them, if as a result of the exercise of the Share Purchase Mandate, their interest in the voting rights of the Company increases by more than 1% within a 6-month period.

Section 3(a) of Appendix 2 of the Take-over Code

Section 3(a) of Appendix 2 of the Take-over Code provides, *inter alia*, that for a market acquisition under section 76E of the Companies Act or an off-market acquisition on an equal

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access scheme under section 76C of the Companies Act by a listed company, directors and persons acting in concert with them will be exempted from the requirement to make an offer under Rule 14, subject to the following conditions:-

- (a) the circular to shareholders on the resolution to authorise a buy-back to contain advice to the effect that by voting for the buy-back resolution, shareholders are waiving their right to a general offer at the required price from directors and parties acting in concert with them who, as a result of the company buying back its shares, would increase their voting rights to 30% or more, or, if they together hold between 30% and 50% of the company's voting rights, would increase their voting rights by more than 1% in any period of 6 months; and the names of such directors and persons acting in concert with them, their voting rights at the time of the resolution and after the proposed buy-back to be disclosed in the same circular;
- (b) the resolution to authorise a share buy-back to be approved by a majority of those shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the share buy-back;
- (c) directors and/or persons acting in concert with them to abstain from voting for and/or recommending shareholders to vote in favour of the resolution to authorise the share buy-back;
- (d) within 7 days after the passing of the resolution to authorise a buy-back, each of the directors to submit to the SIC a duly signed form as prescribed by the SIC;
- (e) directors and/or persons acting in concert with them not to have acquired and not to acquire any shares between the date on which they know that the announcement of the share buy-back proposal is imminent and the earlier of:
 - (i) the date on which the authority of the share buy-back expires;
 - (ii) the date on which the company announces it has bought back such number of shares as authorised by shareholders at the latest general meeting or it has decided to cease buying back its shares, as the case may be,if such acquisitions, taken together with the buy-back, would cause their aggregate voting rights to increase to 30% or more; and
- (f) directors and/or persons acting in concert with them, together holding between 30% and 50% of the company's voting rights, not to have acquired and not to acquire any shares between the date on which they know that the announcement of the share buy-back proposal is imminent and the earlier of:
 - (i) the date on which the authority of the share buy-back expires; and
 - (ii) the date on which the company announces it has bought back such number of shares as authorised by shareholders at the latest general meeting or it has decided to cease buying back its shares, as the case may be,if such acquisitions, taken together with the buy-back, would cause their aggregate voting rights to increase by more than 1% in the preceding 6 months.

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It follows that where the aggregate voting rights held by a director and persons acting in concert with him increase by more than 1% solely as a result of the share buy-back and none of them has acquired any shares during the Relevant Period, then such director and/or persons acting in concert with him would be eligible for SIC's exemption from the requirement to make a general offer under Rule 14, or where such exemption had been granted, would continue to enjoy the exemption.

Therefore, subject to the above conditions as stipulated in section 3(a) of Appendix 2 of the Take-over Code, Mr Low Kok Ann, Mr Low See Ching and Ms Audrey Low will be exempted under Appendix 2 from the requirement to make a general offer under Rule 14 of the Take-over Code (a) in the event that their aggregate percentage of total voting rights in the Company increases to 30.0% or more solely as a result of Share Purchases; and (b) in the event their aggregate percentage of total voting rights in the Company increases to between 30.0% and 50.0% of the total voting rights solely as a result of Share Purchases, their interest in the voting rights of the Company increases by more than 1% within a 6 month period, solely as a result of Share Purchases.

Shareholders should therefore note that by voting in favour of the resolution to approve the Share Purchase Mandate, they will be waiving their rights to a general offer at the required price by Mr Low Kok Ann, Mr Low See Ching and Ms Audrey Low, in the circumstances set out above.

Save as disclosed, the Directors confirm that they are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of shares purchases by the Company pursuant to the Share Purchase Mandate.

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 share purchases by the Company are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity before they acquire any Shares during the period when the Share Purchase Mandate is in force.

2.12 Limits on Shareholdings

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

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of the Directors and substantial Shareholders of the Company (that is, persons whose direct and indirect interests in the Company's issued share capital are equal to or more than 5%) are as follows:-

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Directors	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Mr. Ong Beng Chye	-	-	-	-
Mr. Low Kok Ann	35,564,003	8.26	-	-
Datuk Edward Lee Ming Foo, JP	-	-	-	-
Mr. Low See Ching ⁽¹⁾	113,900	0.03	69,553,400	16.15
Ms. Cheah Yee Leng	-	-	-	-
Mr. Yong Teak Jan @ Yong Teck Jan	-	-	-	-
Mr. Terrance Tan Kong Hwa	-	-	-	-
Mr. Chow Wen Kwan Marcus	-	-	-	-

Substantial shareholders (other than Directors)	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Hap Seng Investment Holdings Pte Ltd ⁽²⁾	-	-	218,790,000	50.82
Hap Seng Consolidated Berhad ⁽³⁾	-	-	218,790,000	50.82
Gek Poh (Holdings) Sdn Bhd ⁽³⁾	-	-	218,790,000	50.82
Magic Principle Assets Limited ⁽⁴⁾	-	-	218,790,000	50.82
HSBC International Trustee Limited ⁽⁴⁾	-	-	218,790,000	50.82
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ⁽⁵⁾	-	-	218,790,000	50.82
Mr. Ching Chiat Kwong ⁽⁶⁾	6,493,600	1.51	26,246,130	6.10

Notes:

- (1) 32,500,000 shares are held in the name of Hong Leong Finance Nominees Pte Ltd, 19,665,700 shares are held in the name of OCBC Securities Private Limited, 12,387,700 shares are held in the name of Citibank Nominees Singapore Pte Ltd and 5,000,000 shares are held in the name of DB Nominees (Singapore) Pte Ltd.
- (2) 218,790,000 ordinary shares are held in the name of Maybank Nominees (Singapore) Private Limited.
- (3) Gek Poh (Holdings) Sdn. Bhd. ("**GPH**") holds a 60.83% comprising direct and indirect interest of 54.63% and 6.20% respectively in Hap Seng Consolidated Berhad ("**HSCB**"), which wholly-owns Hap Seng Investment Holdings Pte Ltd ("**HSIHPL**"). GPH and HSCB are each deemed to be interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Act, Chapter 50 (the "**Act**").
- (4) Magic Principle Assets Limited ("**MPAL**") holds a 44% interest in GPH, and is wholly-owned by HSBC International Trustee Limited ("**HSBC**"). MPAL and HSBC are deemed interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Act.
- (5) Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak holds a 56% interest in GPH, and is deemed to be interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Act.
- (6) 18,080,700 ordinary shares are held in the name of DB Nominees (Singapore) Pte Ltd and 8,165,430 ordinary shares are held in the name of Raffles Nominees (Pte) Limited.

None of the Directors or substantial Shareholders of the Company has any interest, direct or indirect, in the Share Purchase Mandate, save for their interests by virtue of their shareholdings and/or directorships, as the case may be, in the Company.

LETTER TO SHAREHOLDERS

4. DIRECTORS' RECOMMENDATION

Having fully considered the rationale, the benefit and the information relating to the Share Purchase Mandate, the Directors (save for our Executive Director and CEO, Mr Low Kok Ann and our Non-Independent Non-Executive Director, Mr Low See Ching) are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors (save for Mr Low Kok Ann and Mr Low See Ching) recommend that Shareholders vote in favour of the ordinary resolution in respect of the renewal of the Share Purchase Mandate to be proposed at the EGM.

5. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 36 to 39 of this Circular, will be held at 10.00 a.m. on Monday, 22 June 2020 by electronic means (or as soon after the conclusion or adjournment of the Annual General Meeting of the Company to be held at 9.00 a.m. on the same day and at the same place by electronic means) for the purpose of, *inter alia*, considering and, if thought fit, passing, with or without any modifications, the proposed adoption of the Share Purchase Mandate.

6. ACTION TO BE TAKEN BY SHAREHOLDERS

6.1 **No Attendance at EGM.** Due to the current COVID-19 restriction orders in Singapore, Shareholders will not be able to attend the EGM.

6.2 **Alternative Arrangements.** Instead, alternative arrangements have been put in place to allow Shareholders to participate at the EGM.

Shareholders should refer to the Company's announcement dated 5 June 2020, which has been despatched together with this Circular and uploaded on SGXNET, for further information, including the steps to be taken by Shareholders to participate at the EGM. Such announcement may also be accessed at the URL <https://www.hafary.com.sg>.

7. 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 proposed renewal of the Share Purchase Mandate, the Group and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this 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 this Circular in its proper form and context.

8. ABSTENTION FROM VOTING

Mr Low Kok Ann and his concert parties who are Shareholders will abstain from voting at the EGM in respect of the Ordinary Resolution relating to the proposed adoption of the Share Purchase Mandate in view of the take-over consequences set out in this Circular and will not accept nominations as proxy or otherwise for voting at the EGM in respect of the said Ordinary Resolution.

LETTER TO SHAREHOLDERS

9. INSPECTION OF DOCUMENTS

The following documents may be inspected at the registered office of the Company during normal business hours from the date of this Circular up to and including the date of the EGM:-

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

Yours faithfully

For and on behalf of the Board of Directors of
HAFARY HOLDINGS LIMITED

Low Kok Ann

Executive Director and CEO

NOTICE OF EXTRAORDINARY GENERAL MEETING

HAFARY HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 200918637C)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**" or the "**Meeting**") of the Company will be convened and held by electronic means on Monday, 22 June 2020 at 10:00 a.m. (Singapore time) (or as soon after the conclusion or adjournment of the Annual General Meeting to be held at 9:00 a.m. on the same day) for the purpose of considering and, if thought fit, passing (with or without any modification), the following resolution:

All capitalised terms used in this Notice of EGM which are not defined herein shall have the same meaning ascribed to them in the Circular to Shareholders dated 5 June 2020.

ORDINARY RESOLUTION – THE PROPOSED ADOPTION OF THE SHARE PURCHASE MANDATE

"That:-

- (a) for the purposes of the Companies Act, Chapter 50 of Singapore (the "**Act**"), and such other laws and regulations as may for the time being be applicable, approval be and is hereby given for the exercise by the directors of the Company ("**Directors**") of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the share capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:-
 - (i) on-market share purchases ("**On-Market Share Purchase**"), transacted on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and/or
 - (ii) off-market share purchases ("**Off-Market Share Purchase**") (if effected otherwise than on the SGX-ST) in accordance with an 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 otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable (the "**Share Purchase Mandate**");
- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Purchase Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Act;
- (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this resolution and the expiring on the earlier of:
 - (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
 - (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or
 - (iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) for the purposes of this resolution:

"Prescribed Limit" means ten per cent. (10%) of the total issued ordinary share capital of the Company (excluding any treasury shares and subsidiary holdings) as at the date of passing of this resolution, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered after such capital reduction (excluding any treasury shares and subsidiary holdings);

"Relevant Period" means the period commencing from the date on which the last annual general meeting of the Company was held and expiring on the date of the next annual general meeting of the Company is held or is required by law to be held, or the date on which the purchases of the Shares are carried out to the full extent mandated, whichever is earlier, unless prior to that, it is varied or revoked by resolution of the shareholders of the Company in general meeting;

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:-

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

where:

"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 date of making the On-Market Share Purchase 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 after the relevant five (5) Market Days;

"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 the shareholders of the Company, 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; and

"Market Day" means a day on which the SGX-ST is open for trading in securities;

- (e) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing such documents as may be required) as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this resolution."

BY ORDER OF THE BOARD

Tay Eng Kiat Jackson
Company Secretary
Singapore, 5 June 2020

NOTICE OF EXTRAORDINARY GENERAL MEETING

Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020

- (1) The EGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
- (2) Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the Meeting can be electronically accessed via “live” webcast and “live” audio feed), submission of 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 accompanying document entitled “Invitation to Shareholders for General Meetings 2020”. This means shareholders will be able to observe the EGM proceedings through “live” webcast and “live” audio feed.
- (3) Due to the current COVID-19 restriction orders in Singapore, a member 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 accompanying proxy form for the EGM may be accessed at the Company’s website at the URL <https://www.hafary.com.sg>, and will also be made available on the SGX website 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 form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore), including CPF or SRS investors who wish to appoint the Chairman of the EGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 p.m. on 10 June 2020**.

- (4) The Chairman of the Meeting, as proxy, need not be a member of the Company.
- (5) Duly completed and signed proxy form appointing the Chairman of the Meeting as proxy must either be submitted to the Company in the following manner:
 - (a) if submitted by post, to be deposited at the registered office address of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836; or
 - (b) if submitted electronically, to be submitted via email to enquiry@hafary.com.sg

in either case not less than forty-eight (48) hours before the time appointed for the EGM.

A member who wishes to submit an instrument of proxy must first complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. The proxy form is available for download at the URLs provided in Note (3) above.

NOTICE OF EXTRAORDINARY GENERAL MEETING

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Important Notice from the Company pertaining to the COVID-19 situation

The Company wishes to remind shareholders that, with the constantly evolving COVID-19 situation, the Company may be required to change its Meeting arrangements at short notice. **Shareholders are advised to check SGXNET and the Company's website regularly for updates on the Meeting.**